

IMPORTANT NOTICE

THIS OFFERING IS AVAILABLE ONLY TO INVESTORS OUTSIDE OF THE UNITED STATES

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

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

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

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

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

Within the United Kingdom, the offering memorandum is being directed solely at and may only be communicated to persons: who (i) fall within Article 19(5) or Article 49(2)(a)-(d) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, (ii) are outside the United Kingdom, or (iii) are persons to whom an invitation or inducement to engage in an investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000) in connection with the issue or sale of any securities may otherwise be lawfully communicated or caused to be communicated (all such persons collectively being referred to as “Relevant Persons”). The offering memorandum is directed only at Relevant Persons and must not be acted on or relied on by persons who are not Relevant Persons. Any investment or investment activity to which this offering memorandum relates is available only to Relevant Persons and will be engaged in only with Relevant Persons. The offering memorandum and its contents are confidential and should not be distributed, published or reproduced (in whole or in part) or disclosed by recipients to any other person. Any person who is not a Relevant Person should not act or rely on the offering memorandum or any of its contents.

Notification under Section 309B(1)(c) of the Securities and Futures Act, Chapter 289 of Singapore (the “SFA”) — the Company has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Additional Notes are prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

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

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the initial purchaser or any affiliate of the initial purchaser is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the initial purchasers or such affiliate on behalf of the issuer in such jurisdiction. This offering memorandum has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently, none of Haitong International Securities Company Limited, as the Sole Global Coordinator, the Sole Lead Manager and the Sole Bookrunner, or any person who controls it or any director, officer, employee or agent of it or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the offering memorandum distributed to you in electronic format and the hard copy version available to you on request from the Sole Global Coordinator, the Sole Lead Manager and the Sole Bookrunner.

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

Subject to Completion
Preliminary Offering Memorandum dated March 8, 2019

OFFERING MEMORANDUM

STRICTLY CONFIDENTIAL

US\$
13.5% Senior Notes due 2022
(to be consolidated and form a single series with the US\$160,000,000 13.5%
Senior Notes Due 2022, issued on February 27, 2019)
Issue Price: % plus accrued interest from (and including)
February 27, 2019 to (but excluding), 2019



GLORY 国瑞
GUORUI PROPERTIES LIMITED
國瑞置業有限公司

(Incorporated in the Cayman Islands with limited liability as “Glory Land Company Limited” and carrying on business in Hong Kong as Guorui Properties Limited)

Guorui Properties Limited, incorporated in the Cayman Islands under the name of “Glory Land Company Limited (國瑞置業有限公司)” (the “Company”), is offering 13.5% Senior Notes due 2022 in the aggregate principal amount of US\$ (the “Additional Notes”), which shall be consolidated and form a single series with the Company’s outstanding US\$160,000,000 13.5% Senior Notes due 2022 issued on February 27, 2019 (the “Original Notes”, together with the Additional Notes, the “Notes”). The Additional Notes will be issued under the indenture (the “Indenture”) governing the Original Notes. The Additional Note constitute additional notes under the Indenture, and are identical in all respects with the Original Notes, except for the issue date and the issue price.

The Additional Notes will be represented by a global note with the same ISIN and Common Code numbers as the Original Notes.

The Additional Notes will bear interest from , 2019 at the rate of 13.5% per annum, payable semi-annually arrear on February 27 and August 27 of each year, beginning August 27, 2019, and will mature on February 27, 2022.

The Notes are senior obligations of the Company, guaranteed by certain of our existing subsidiaries (the “Subsidiary Guarantors”), other than those organized under the laws of the PRC. We refer to the guarantees by the Subsidiary Guarantors as Subsidiary Guarantees. Under certain circumstances and subject to certain conditions, a Subsidiary Guarantee required to be provided by a subsidiary of us may be replaced by a limited-recourse guarantee (a “JV Subsidiary Guarantee”). We refer to the subsidiaries providing a JV Subsidiary Guarantee as JV Subsidiary Guarantors.

At any time and from time to time prior to February 27, 2022, we may redeem up to 35% of the Notes, at a redemption price of 113.5% of the principal amount, plus accrued and unpaid interest, if any, in each case, using the net cash proceeds from sales of certain kinds of capital stock. In addition, we may redeem the Notes at any time prior to February 27, 2022, in whole but not in part, at a price equal to 100% of the principal amount of such Notes plus accrued and unpaid interest (if any) to the redemption date and a premium as set forth in this offering memorandum. Upon the occurrence of a Change of Control (as defined in 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. Upon the occurrence of a Delisting/Suspension Triggering Event (as defined in the Indenture), we must make an offer to repurchase all Notes outstanding at a purchase price equal to 100% of their principal amount, plus accrued and unpaid interest, if any, to the date of repurchase. Holders of the Notes have the right, at their option, to require us to repurchase for cash all of their Notes, or any portion of the principal thereof that is equal to US\$200,000 or integral multiples of US\$1,000 in excess thereof, on February 27, 2021 at the repurchase price equal to 100% of the principal amount of the Notes to be repurchased, plus accrued and unpaid interest to, but excluding, February 27, 2021.

The Notes will be (i) senior in right of payment to any of our existing and future obligations expressly subordinated in right of payment to the Notes, (ii) at least *pari passu* in right of payment against us with respect to all our unsecured and unsubordinated indebtedness (subject to any priority rights of such unsecured and unsubordinated indebtedness pursuant to applicable law), (iii) effectively subordinated to the existing and future secured obligations of the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any), to the extent of the value of the collateral serving as security therefor, and (iv) effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries (as defined below). In addition, applicable law may limit the enforceability of the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any). See the section entitled “Risk Factors — Risks relating to the Subsidiary Guarantees and the JV Subsidiary Guarantees.”

The Company has made an application for the pre-issuance registration (the “Pre-Issuance Registration”) of the offering of the Notes with the National Development and Reform Commission (the “NDRC”) in accordance with the Notice on Accelerating Reform on the Administration of Filing and Registration of Foreign Debts Issued by Enterprises (Fa Gai Wai Zi [2015] No. 2044) (the “NDRC Notice”) (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知) issued by the NDRC which took effect on September 16, 2015. The Company has received an Enterprise Foreign Debt Pre-Issuance Registration Certificate dated August 29, 2018 from the NDRC with respect to the pre-issuance registration, which was further renewed on December 19, 2018. Pursuant to the requirements of the NDRC Notice, the Company will be required to submit a further application for the filing of the issue of the Additional Notes within 10 PRC Business Days (as defined in the section entitled “Description of the Notes”) from the Issue Date of the Additional Notes.

For a more detailed description of the Notes, see the section entitled “Description of the Notes.”

On February 25, 2019, Mr. Zhang Zhangsun (“Chairman Zhang”) has purchased from an affiliate of Haitong International an aggregate purchase amount of US\$77.6 million of a series of structured products underlying the Original Notes through his wholly-owned subsidiary, Alltogether Land Company Limited (“Alltogether” or “Alltogether Land”).

Investing in the Notes involves risks. See the section entitled “Risk Factors” beginning on page 18.

The Original Notes are listed on The Stock Exchange of Hong Kong Limited (the Hong Kong Stock Exchange). Application will be made to the Hong Kong Stock Exchange for the listing of the Additional Notes by way of debt issues to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and in the Securities and Futures Ordinance (Cap. 571) of Hong Kong) (together, “Professional Investors”) only. This document is for distribution to Professional Investors only. **Investors should not purchase the Additional Notes in the primary or secondary markets unless they are Professional Investors and understand the risks involved. The Notes are only suitable for Professional Investors.**

The Hong Kong Stock Exchange has not reviewed the contents of this document, other than to ensure that the prescribed form disclaimer and responsibility statements, and a statement limiting distribution of this document to Professional Investors only have been reproduced in this document. Listing of the Notes on the Hong Kong Stock Exchange is not to be taken as an indication of the commercial merits or credit quality of the Notes or the Company, any Subsidiary Guarantor and any JV Subsidiary Guarantor, or quality of disclosure in this document. Hong Kong Exchanges and Clearing Limited and the Hong Kong Stock Exchange take no responsibility for the contents of this document, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document.

The Additional Notes are expected to be rated B by Fitch Ratings Ltd. The rating reflects the rating agency’s assessment of the likelihood of timely payment of the principal of and interest on the Additional Notes. The rating does not constitute recommendations to purchase, hold or sell the Additional Notes inasmuch as such rating does not comment as to market price or suitability for a particular investor. We cannot assure you that the rating will remain in effect for any given period or that the rating will not be revised by such rating agencies in the future if in their judgment circumstances so warrant.

The Additional 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”), 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 Additional Notes are being offered and sold by the Initial Purchaser (as defined in this offering memorandum) only outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act (“Regulation S”). For a description of certain restrictions on resale or transfer, see the section entitled “Transfer Restrictions.”

It is expected that the delivery of the Additional Notes will be made on or about , 2019 through the book-entry facilities of Euroclear Bank SA/NV (“Euroclear”) and Clearstream Banking S.A. (“Clearstream”) against payment therefor in immediately available funds.

Sole Global Coordinator, Sole Lead Manager and Sole Bookrunner
Haitong International

The date of this offering memorandum is , 2019

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

IN CONNECTION WITH THIS OFFERING, HAITONG INTERNATIONAL SECURITIES COMPANY LIMITED, AS STABILIZATION MANAGER, OR ANY PERSON ACTING FOR IT, MAY PURCHASE AND SELL THE ADDITIONAL NOTES IN THE OPEN MARKET. THESE TRANSACTIONS MAY, TO THE EXTENT PERMITTED BY APPLICABLE LAWS AND REGULATIONS, INCLUDE SHORT SALES, STABILIZING TRANSACTIONS AND PURCHASES TO COVER POSITIONS CREATED BY SHORT SALES. THESE ACTIVITIES MAY STABILIZE, MAINTAIN OR OTHERWISE AFFECT THE MARKET PRICE OF THE ADDITIONAL NOTES. AS A RESULT, THE PRICE OF THE ADDITIONAL NOTES MAY BE HIGHER THAN THE PRICE THAT OTHERWISE MIGHT EXIST IN THE OPEN MARKET. IF THESE ACTIVITIES ARE COMMENCED, THEY MAY BE DISCONTINUED AT ANY TIME AND MUST IN ANY EVENT BE BROUGHT TO AN END AFTER A LIMITED TIME. THESE ACTIVITIES WILL BE UNDERTAKEN SOLELY FOR THE ACCOUNT OF THE STABILIZATION MANAGER, AND NOT FOR US OR ON OUR BEHALF.

This document includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Issuer, the Subsidiary Guarantors and the JV Subsidiary Guarantors. Each of the Issuer, the Subsidiary Guarantors and the JV Subsidiary Guarantors accepts full responsibility for the accuracy of the information contained in this document and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

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

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

Notwithstanding anything to the contrary contained in this offering memorandum, a prospective investor (and each employee, representative, or other agent of a prospective investor) may disclose to any and all persons, without limitation of any kind, the tax treatment and tax structure of the transactions described in this offering memorandum and all materials of any kind that are provided to the prospective investor relating to such tax treatment and tax structure. This authorization of tax disclosure is retroactively effective to the commencement of discussions with prospective investors regarding the transactions contemplated herein.

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

No representation or warranty, express or implied, is made or given by Haitong International Securities Company Limited (the “Initial Purchaser”), Citicorp International Limited (the “Trustee”), Citibank, N.A., London Branch (the “Paying Agent,” the “Transfer Agent” and the “Registrar,” and collectively, the “Agents”) or any of their respective affiliates or advisors as to the accuracy, completeness or sufficiency of the information set forth herein, and nothing contained in this offering memorandum is, or should be relied upon as, a promise, representation or warranty, whether as to the past or the future. None of the Initial Purchaser, the Trustee or the Agents has independently verified any of the information contained in this offering memorandum or can give any assurance that this information is accurate, truthful or complete. To the fullest extent permitted by law, none of the Initial Purchaser, the Trustee, the Agents or any of their respective affiliates, directors or advisors accepts any responsibility for the contents of this offering memorandum or any statement made or purported to be made by any such person or on its behalf in connection with the Issuer, the Subsidiary Guarantors, the Group, the issue and offering of the Additional Notes or the giving of the Subsidiary Guarantee of the Additional Notes. Each of the Initial Purchaser, the Trustee, the Agents and their respective affiliates, directors or advisors accordingly disclaims all and any liability whether arising in tort or contract or otherwise which it might otherwise have in respect of this offering memorandum or any such statement.

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

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

PRIIPs Regulation/Prohibition of sales to EEA retail investors — The securities described herein are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU, as amended ("MiFID II"); or (ii) a customer within the meaning of Directive 2002/92/EC (the Insurance Mediation Directive), as amended, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014, as amended (the "PRIIPs Regulation") for offering or selling the securities described herein or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the securities described herein or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

Notification under Section 309B(1)(c) of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA") — the Company has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Additional Notes are prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

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

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

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

CERTAIN DEFINITIONS, CONVENTIONS AND CURRENCY PRESENTATION

We have prepared this offering memorandum using a number of conventions, which you should consider when reading the information contained herein. When we use the terms “we,” “us,” “our,” the “Company,” the “Group” and words of similar import, we are referring to Guorui Properties Limited (國瑞置業有限公司), an exempted company with limited liability incorporated in the Cayman Islands under the name of “Glory Land Company Limited (國瑞置業有限公司)” and carrying on business in Hong Kong as “Guorui Properties Limited,” and its consolidated subsidiaries, as the context requires.

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

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

We record and publish our financial statements in Renminbi. Unless otherwise stated in this offering memorandum, all translations from Renminbi amounts to U.S. dollar amounts were made at the rate of RMB6.6171 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 29, 2018. All such translations in this offering memorandum are provided solely for your convenience and no representation is made that the Renminbi amounts referred to herein have been, could have been or could be converted into U.S. dollars or H.K. dollars, or vice versa, at any particular rate, or at all. All amounts converted into U.S. dollars contained in this offering memorandum are unaudited and for reference purposes only. For further information relating to the exchange rates, see the section entitled “Exchange Rate Information.”

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

Our financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”) which differ in certain respects from generally accepted accounting principles in certain other jurisdictions. Unless the context otherwise requires, references to “2015”, “2016” and “2017” in this offering memorandum are to our financial years ended December 31, 2015, 2016 and 2017, respectively, and references to “first half of 2017” and “first half of 2018” in this offering memorandum are to the six months ended June 30, 2017 and 2018, respectively.

References to “Alltogether” are to Alltogether Land Company Limited (通和置業有限公司), an exempted company with limited liability that was incorporated in the BVI on July 4, 2012.

References to “average selling price” or “ASP” are to the average selling price on a gross basis, unless otherwise stated.

References to “Board of Directors” or “Board” are to the board of Directors of the Company.

References to “BRI” are to The Belt and Road Initiative or the Silk Road Economic Belt and the 21st-century Maritime Silk Road.

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

References to “CBD” are to central business district.

References to the “CBRC” are to China Banking Regulatory Commission (中國銀行業監督管理委員會).

References to “completion certificate” are to the construction works completion inspection certificate (房屋建築工程竣工驗收備案表) issued by local urban construction bureau or equivalent authorities in the PRC with respect to the completion of property projects subsequent to their on-site examination and inspection.

References to “contracted ASP” are to average selling price for contracted sales.

References to “contracted sales” are to purchase price of formal purchase contracts we entered into with purchasers of our properties. We compile contracted sales information through our internal records, and such information has not been audited or reviewed by our auditors. As these sales and purchases contracts are subject to termination or variation under certain circumstances pursuant to their contractual terms, or subject to default by the relevant purchasers, they are not a guarantee of current or future contracted sales. Recipients should in no event treat such contracted sales information as an indication of our revenue or profitability. Our subsequent revenue recognized from such contracted sales may be materially different from such contracted sales. Accordingly recipients should not place undue reliance on this information.

References to “construction commencement permit” are to the construction works commencement permit (建築工程施工許可證) issued by local construction bureau or equivalent authorities in the PRC with respect to commencement of construction works.

References to “construction land planning permit” are to the construction land planning permit (建設用地規劃許可證) issued by local urban zoning and planning bureau or equivalent authorities in the PRC with respect to planning of construction land.

References to “construction works planning permit” are to the construction works planning permit (建設工程規劃許可證) issued by local urban zoning and planning bureau or equivalent authorities in the PRC with respect to planning of construction works.

References to “CSRC” are to the China Securities Regulatory Commission (中國證券監督管理委員會).

References to “development projects,” “property projects” or “projects” refer to our property projects with land for which we have obtained land-use rights and property projects for which we have not obtained land-use rights but have entered into the land grant contracts or received successful tender auction confirmations.

References to “Director(s)” are to the director(s) of the Company.

References to “EIT” are to the PRC Enterprise Income Tax.

References to “GDP” are to the gross domestic product.

References to “GFA” are to the gross floor area; references to “leasable GFA” are to the GFA attributable to the land parcel for leasing and investment appreciation purposes; references to “planned GFA” are to the GFA attributable to the land parcel for future development based on the relevant land grant contract and/or public tender, listing-or-sale of auction confirmation letter; references to “saleable GFA” are to the GFA attributable to the land parcel for sale minus the GFA attributable to car parks, non-saleable areas and public areas; references to “total GFA” are to the GFA attributable to the above-ground and underground saleable and/or leasable area contained within the external walls of any building at each floor level and the whole thickness of the external walls of the relevant project together with other non-leasable and non-saleable area and it generally includes mechanical and electrical services rooms, refuse rooms, water tanks, car parks, elevators and staircases. The figures for GFA are based on figures provided in or estimates based on relevant governmental documents, such as property ownership certificates, construction works planning permits, pre-sale permits, construction land planning permits, completion certificates, land use rights certificates or other relevant documents and include saleable areas, non-saleable areas, car parks and public areas.

References to “independent third party(ies)” are to individual(s) or a company(ies) who is/are not considered a connected person of our Company under the Listing Rules.

References to “land grant contract” are to the state-owned land use right grant contract (國有土地使用權出讓合同) between a land user and the relevant PRC governmental land administrative authorities.

References to “land use rights certificate” are to the state-owned land use rights certificate (國有土地使用證), a certificate (or certificates, as the case may be) of the right of a party to use a parcel of land.

References to “LAT” are to the land appreciation tax, as defined in the PRC Provisional Regulations on Land Appreciation Tax (《中華人民共和國土地增值稅暫行條例》) of 1994 and its implementation rules.

References to “MLR” are to the Ministry of Land and Resources of the PRC (中華人民共和國國土資源部).

References to “MOF” are to the Ministry of Finance of the PRC (中華人民共和國財政部).

References to “MOFCOM” are to the Ministry of Commerce of the PRC (中華人民共和國商務部), or its predecessor, the Ministry of Foreign Trade and Economic Cooperation of the PRC (中華人民共和國對外貿易經濟合作部), as appropriate to the context.

References to “NDRC” are to the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會).

References to “Notice 19” are to the Measures for the Administration of Foreign Debt Registration (《外債登記管理辦法》) issued by SAFE on April 28, 2013 and became effective on May 13, 2013.

References to “Notice 37” are to the Notice on Relevant Issues Concerning Foreign Exchange Administration for Domestic Residents to Engage in Onshore and Offshore Financing, Investment and Return Investment via Overseas Special Purpose Vehicles (《國家外匯管理局關於境內居民通過境外特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) issued by SAFE on July 4, 2014 and became effective July 4, 2014.

References to “Notice 50” are to the Circular on the Reinforcement and Regulation of Approval and Supervision of Foreign Direct Investment in the Real Estate Industry (《關於進一步加強、規範外商直接投資房地產業審批和監管的通知》) issued by MOFCOM and SAFE on May 23, 2007 and became effective on May 23, 2007.

References to “Notice 75” are to the Notice on Relevant Issues Concerning Foreign Exchange Administration for Domestic Residents to Engage in Financing and Return Investment via Overseas Special Purpose Vehicles (《國家外匯管理局關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》) issued by SAFE on October 21, 2005 and became effective on November 1, 2005.

References to “NPC” are to the National People’s Congress or its standing committee as the context may require (全國人民代表大會或其常務委員會).

References to “Original Beijing Glory” are to Beijing Glory Xingye Real Estate Co., Ltd. (北京國瑞興業地產股份有限公司).

References to “PBOC” are to the People’s Bank of China (中國人民銀行), the central bank of the PRC.

References to “People’s Congress” are to the legislative apparatus of the PRC, including the National People’s Congress and all the local people’s congresses (including provincial, municipal and other regional or local people’s congresses) as the context may require, or any of them (人民代表大會).

References to “plot ratio” are to the ratio of the GFA (excluding floor area below ground) of all buildings to their site area.

References to “pre-sale permit” are to the commodity property pre-sale permit (商品房預售許可證) issued by a local housing and building administrative bureau or an equivalent authority with respect to pre-sale of the relevant properties.

References to “property ownership certificate” are to the property ownership certificate (房屋所有權證) issued by relevant PRC government authorities with respect to the ownership rights of buildings.

References to “public tender,” “auction,” or “listing-for-sale” are to the public tender, auction or listing at a land exchange administered by the local government, each of which is a competitive bidding process through which a purchaser acquires land use rights directly from the PRC government.

References to “SAFE” are to the State Administration of Foreign Exchange of the PRC (中國國家外匯管理局) or its local branches as the case may be.

References to “SAIC” are to the State Administration for Industry and Commerce of the PRC (中國國家工商行政管理總局).

References to “SAT” are to the State Administration of Taxation of the PRC (中國國家稅務總局).

References to “share” are to, unless the context indicates otherwise, an ordinary share, with a nominal value of HK\$0.10, in our share capital.

References to “shareholders” are to holder(s) of our share(s).

References to “specialized markets” are to home furnishing and decoration materials retail centers and auto parts retail stores.

References to “sq.km.” are to square kilometers.

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

Reference to “the 2017 Notes” are to the US\$300 million 7.00% senior notes due 2020 issued by the Company in March 2017.

Reference to “the March 2018 Notes” are to the US\$250 million 10.2% senior notes due 2019 issued by the Company in March 2018, which have been fully redeemed upon maturity.

Reference to “the June 2018 Notes” are to the US\$100 million 10.0% senior notes due 2020 issued by the Company in June 2018.

Reference to “the February 2019 Notes” are to the US\$160,000,000 13.5% senior notes due 2022 issued by the Company in February 2019.

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

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

FORWARD-LOOKING STATEMENTS

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

- our business and operating strategies and our ability to implement such strategies;
- our capital expenditure and property development plans;
- our ability to further develop and manage our projects as planned;
- our capital commitment plans, particularly, plans relating to 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 regulatory environment in terms of changes in laws and PRC government regulations, policies and approval processes in the regions where we operate as well as the general industry outlook for the PRC real estate industry;
- the interpretation and implementation of the existing rules and regulations relating to land appreciation tax and its future changes in enactment, interpretation or enforcement;
- the prospective financial information regarding our businesses;
- availability and costs of bank loans and other forms of financing;
- our dividend distribution plans;
- projects under development or held for future development;
- the regulatory environment of our industry in general;
- future developments and the competitive environment in the PRC real estate industry;
- changes in political, economic, legal and social conditions in the PRC, including the specific policies of the PRC central and local governments affecting the regions where we operate, which affect land supply, availability and cost of financing, and pre-sale, pricing and volume of our property development projects;
- significant delay in obtaining the various permits, proper legal titles or approvals for our properties under development or held for future development;
- timely repayments by our purchasers of mortgage loans guaranteed by us;
- changes in competitive conditions and our ability to compete under these conditions;
- the performance of the obligations and undertakings of the third-party contractors under various construction, building, interior decoration, material and equipment supply and installation contracts;
- changes in currency exchange rates and interest rates; 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 offering memorandum. Except as required by law, we undertake no obligation to update or otherwise revise any forward-looking statements contained in this offering memorandum, whether as a result of new information, future events or otherwise after the date of this offering memorandum. All forward-looking statements contained in this offering memorandum are qualified by reference to the cautionary statements set forth in this section.

ENFORCEMENT OF CIVIL LIABILITIES

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

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

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

We have been advised by our Cayman Islands legal advisor, Ogier, that the courts of the Cayman Islands are unlikely (i) to recognize or enforce against the company judgments of courts of the United States predicated upon the civil liability provisions of the securities laws of the United States or any state; and (ii) in original actions brought in the Cayman Islands, to impose liabilities against us predicated upon the civil liability provisions of the securities laws of the United States or any state, on the grounds that such provisions are penal in nature. However, in the case of laws that are not penal in nature, although there is no statutory enforcement in the Cayman Islands of judgments obtained in the United States, the courts of the Cayman Islands will recognize and enforce a foreign money judgment of a foreign court of competent jurisdiction without retrial on the merits based on the principle that a judgment of a competent foreign court imposes upon the judgment debtor an obligation to pay the sum for which judgment has been given provided certain conditions are met. For a foreign judgment to be enforced in the Cayman Islands, such judgment must be rendered by a court with proper jurisdiction over the parties subject to such judgment final and conclusive in personam and for a liquidated sum (and in certain circumstances, for non-monetary reliefs), and enforced within six years of the date of such judgment, and must not be in respect of taxes or a fine or penalty, inconsistent with a Cayman Islands judgment in respect of the same matter, impeachable on the grounds of fraud or obtained in a manner, and or be of a kind the enforcement of which is, contrary to natural justice or the public policy of the Cayman Islands (awards of punitive or multiple damages may well be held to be contrary to public policy). A Cayman Islands court may stay enforcement proceedings if concurrent proceedings are being brought elsewhere.

We have been advised by Allen & Overy, our Hong Kong legal advisor, that as Hong Kong has no statutory or other arrangement for the reciprocal enforcement of judgments with the United States, a judgment obtained in the courts of New York cannot be enforced by registration in Hong Kong. Subject to the Foreign Judgments (Restriction on Recognition and Enforcement) Ordinance (Chapter 46 of the Laws of Hong Kong) (the “FJO”), a final and conclusive judgment given by the courts of New York could form the basis of a claim in the Hong Kong courts in respect of the judgment debt for which an application for summary judgment could be made if:

- (a) recognition and/or enforcement of the judgment is not restricted by operation of the provisions of the FJO;
- (b) the judgment was not obtained by fraud, misrepresentation or mistake nor obtained in proceedings which contravene the rules of natural justice;
- (c) enforcement of the judgment would not be contrary to public policy in Hong Kong;
- (d) the relevant court in New York had jurisdiction in accordance with the Hong Kong rules on the conflict of laws;
- (e) the judgment is for a definite sum of money which is not payable in respect of taxes or other charges of a similar nature or in respect of a fine or other penalty; and
- (f) the judgment is final and conclusive between the parties, but if it is capable of being appealed or an appeal is pending, the proceedings in Hong Kong are likely to be stayed by the courts of Hong Kong pending any such appeal being heard.

Pursuant to the Civil Procedure Law of the PRC, the Arrangement of the Supreme People’s Court between the Mainland and the HKSAR on Reciprocal Recognition and Enforcement of the Decisions of Civil and Commercial Cases under Consensual Jurisdiction (最高人民法院關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排) and the Arrangements of the Supreme People’s Court on Mutual Recognition and Execution of Arbitral Awards between Mainland and Hong Kong Special Administrative Region (最高人民法院關於內地與香港特別行政區相互執行仲裁裁決的安排), subject to the requirements on the recognition and enforcement of judgments or arbitration awards provided therein, a final decision of payment with enforcement made by a court of the Hong Kong in a civil or commercial case under a written jurisdiction agreement or an arbitration award made in Hong Kong may be recognized and enforceable by the competent PRC courts. However, we have also been advised by our PRC legal advisors, Jingtian & Gongcheng, that the PRC does not have treaties providing for the reciprocal recognition and enforcement of judgments awarded by courts in the United States and there is uncertainty as to whether the courts of the PRC would (i) enforce judgments of U.S. courts obtained against us, our directors or officers, any Subsidiary Guarantor, any JV Subsidiary Guarantor or their respective directors or officers predicated upon the civil liability provisions of the U.S. federal or state securities laws or (ii) entertain original actions brought in China against us, our directors or officers, any Subsidiary Guarantor, any JV Subsidiary Guarantor or their respective directors or officers predicated upon the U.S. federal or state securities laws.

SUMMARY

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

Overview

We are a fast growing residential property developer with commercial property operations. We focus on developing residential projects and large-scale mixed-use complex projects in the PRC. We also selectively retain the ownership of a substantial amount of self-developed commercial properties with strategic value to generate stable and recurring rental income. In addition, we undertake primary land development projects in order to access potentially available land reserves for property development and diversify our sources of income.

Founded in Guangdong Province, we commenced our property development operations in the late 1990s and since then have significantly grown our business in Beijing and successfully expanded into other selected cities with rapid growth in China, including, amongst others, Haikou and Wanning in Hainan Province, Shantou and Foshan in the Pearl River Delta region, Shenyang in Liaoning Province, Zhengzhou in Henan Province, Langfang in Hebei Province, Xi'an in Shaanxi Province, Shenzhen in Guangdong Province, Suzhou and Qidong in Jiangsu Province and Ezhou in Hubei Province. As a result, we have established a strategic nationwide coverage that is centered around Beijing and the Pearl River Delta region and covers a number of selected major areas with rapid economic growth in China. We plan to continue to deepen the operation in cities where we have strategic presence, focused on the key cities in the four major regions, being the Beijing-Tianjin-Hebei region, the Yangtze River Delta region, the Pearl River Delta region and the economic corridor of the BRI. In view of the increased policy and financial pressure in first-tier cities including Beijing, Shanghai, Guangzhou and Shenzhen, we will strictly control risks, remain cautious in countercyclical land acquisition and avoid acquisition of land that we believe is overpriced. At present, the core districts in second-tier cities are capable of competing with first-tier cities, and the outbound expansion trend of second-tier cities has emerged with obvious urban spillover effects, new districts in second-tier cities are good for investment. Meanwhile, the demand for low-density products for improved residential purpose is gradually increasing in areas surrounding second-tier cities, giving rise to development opportunities in the future to some extent. In respect of third- and fourth-tier cities, we select land with strong supporting resources, such as the government, schools, hospitals, subways, core commercial areas and other regional strong resources, with a view to avoiding the risks arising from limited market capability faced by third- and fourth-tier cities.

We operate in four business segments: property development, primary land construction and development services, property investment and property management and related services. The following is a brief overview of our current business segments:

- **Property development:** We focus on developing residential projects and large-scale mixed-use complex projects that typically consist of a combination of residential properties with a variety of commercial properties. We offer a wide range of residential properties to meet the demand of the middle-to-upper class customers. In addition, we also develop commercial properties for sale or lease. We plan to develop Grade A office buildings in central business districts of first-tier cities and second-tier cities that are provincial capitals in the PRC as we expect market demand for such properties will grow significantly. As of June 30, 2018, we had completed 16 projects and certain phases of eight projects with a total GFA of 6.5 million sq.m.
- **Primary land construction and development services:** We undertake primary land development projects in order to access potentially available land reserves for property

development and diversify our sources of income. Primary land development refers to the process of preparing land to conditions ready for public tender, auction and listing-for-sale. It typically involves relocating existing business establishments and residents on the land, demolishing existing buildings and other structures, clearing the site and installing basic infrastructure for future commercial property development. As of June 30, 2018, we had completed three primary land development projects, namely, the Foshan Glory project, the Shengping Commercial Center project, the Siji Garden project and the Elegant Villa project, and we were undertaking seven primary land development projects and urban renewal projects with a total planned GFA of 10 million sq.m. in Beijing, Shantou, Chaozhou and Shenzhen.

- **Property investment:** We selectively retain the ownership of a substantial amount of self-developed commercial properties with strategic value to generate stable and recurring rental income. As of June 30, 2018, we had investment properties located at commercial centers in Beijing, Shenyang, Shantou, Shenzhen, Haikou and Foshan with a total GFA of 805,671 sq.m., including investment properties in Beijing with a total GFA held for investment of 323,544 sq.m.
- **Property management and related services:** We provide property management and related services to owners of the properties developed by us and generate income from providing such services.

With respect to both “sales” and “land reserves”, we place our core resources in first-tier and second-tier cities as well as certain hot-spot cities in China. Based on our contracted sales data for the six months ended June 30, 2018, our sales performance mainly from Shantou, Chongming Island and Foshan, amounting to approximately RMB1,068.6 million, RMB1,017.1 million and RMB983.8 million, respectively, representing 15.62%, 14.86% and 14.38% of our total contracted sales, respectively.

We have acquired substantial and strategically located land reserves at low costs to support our property development operations. As of June 30, 2018, we had land reserves with a total GFA of 14.3 million sq.m. in 21 cities in the PRC, comprising a total GFA of 1.2 million sq.m. completed but remaining unsold, a total GFA of 5.2 million sq.m. under development and a total GFA of 7.9 million sq.m. held for future development. We implement a standardized and streamlined process for developing property projects, supported by a comprehensive information technology system and a proprietary bank of product designs, which, together with our two-tier management structure and centralized procurement practice, enables us to enhance our operational efficiency while effectively managing our risks.

For the years ended December 31, 2015, 2016 and 2017, our contracted sales were RMB6,569.0 million, RMB11,099.0 million and RMB14,876.7 million, respectively, representing a CAGR of 50.0%. For the six months ended June 30, 2018, our contracted sales were approximately RMB6,843.2 million (US\$1,034.1 million), representing an increase of 32.3% as compared to the six months ended June 30, 2017. The contracted GFA was 563,379 sq.m., representing an increase of 63.7% as compared to the six months ended June 30, 2017. Contracted sales of the Company, by geographical location, were mainly from Shantou, Chongming Island and Foshan, amounting to approximately RMB1,068.6 million, RMB1,017.1 million and RMB983.8 million, respectively, representing 15.62%, 14.86% and 14.38% of the Company’s total contracted sales, respectively.

For the years ended December 31, 2015, 2016 and 2017 and for the six months ended June 30, 2017 and 2018, our revenue was RMB6,514.3 million, RMB8,034.6 million, RMB6,787.4 million (US\$1,025.7 million), RMB2,181.9 million and RMB2,238.4 million (US\$338.3 million), respectively, and our total comprehensive income for the same periods was RMB1,583.5 million,

RMB1,955.7 million, RMB2,283.2 million (US\$345.0 million), RMB630.5 million and RMB542.7 million (US\$82.0 million), respectively. Revenue from property development for the year ended December 31, 2016 was RMB7,513.2 million, representing an increase of 24.6% as compared to the year ended December 31, 2015. This increase was primarily due to completion and delivery of Foshan Guohua New Capital (Phase I) (佛山國華新都(一期)) and Yongqing Glory City (Phases IV and V) (永清國瑞城(四、五期)) for the year ended December 31, 2016. The decrease in revenue from 2016 to 2017 was primarily due to the decreased revenue from property development. Revenue from property development for the year ended December 31, 2017 was RMB6,381.7 million, representing a decrease of 15.1% as compared to the year ended December 31, 2016. This decrease was primarily due to uneven progress of project delivery and settlement for the year ended December 31, 2017. Revenue from property development for the six months ended June 30, 2018 was RMB1,955.8 million (US\$295.6 million), representing a decrease of 2.4% as compared to the six months ended June 30, 2017.

Our Competitive Strengths

We believe the following are our key competitive strengths to support our sustainable and profitable growth:

- We have acquired substantial and strategically located land reserves at low costs
- Our investment properties located at commercial centers provide us with a stable and recurring revenue source
- Our primary land construction and development business allows us to access strategically located land reserves
- We have established a strategic nationwide coverage
- We have an established track record in developing large-scale mixed-use complex projects
- We have diverse sales channels and an effective sales and marketing team
- We have established a strong brand supported by our product design and strict quality control
- We are able to constantly improve our product design to meet the evolving market demand
- We have an effective management structure with a standardized and streamlined process
- We have a highly experienced and motivated senior management team

Our Strategies

Our goal is to become a leading property developer in the PRC. We plan to implement the following strategies to achieve our goal:

- Focus on Beijing and the Pearl River Delta region, and identify other suitable markets with high growth potential
- Continue to maintain an optimal mix of properties for sale and for investment, while further strengthening our well-recognized brand name
- Develop Grade A office buildings in central business districts of first-tier cities and second-tier cities that are provincial capitals in the PRC
- Continue to improve our operational efficiency

- Attract, retain and motivate talented personnel through systematic training programs and competitive remuneration packages
- Facilitate the sustainable development of the environment and the community

Recent Developments

Contracted Sales

For the 12 months ended December 31, 2018, we achieved total contracted sales of approximately RMB21,913 million, contracted sales in terms of GFA amounted to approximately 1,304,041 sq.m. and contracted ASP of approximately RMB16,804 per sq.m.

In January 2019, we achieved total contracted sales of approximately RMB802 million, contracted sales in terms of GFA amounted to approximately 66,029 sq.m. and contracted ASP amounted to approximately RMB12,147 per sq.m.

Leasing of Investment Properties

For the 12 months ended December 31, 2018, we achieved contracted lease of investment properties of approximately RMB1,462 million and contracted leased area of approximately 127,487 sq.m.

In January 2019, we achieved contracted lease of investment properties of approximately RMB50 million and contracted leased area of approximately 7,340 sq.m.

Provision of Guarantee to a Subsidiary of the Company

On January 4, 2019, Beijing Glory Xingye Real Estate Co., Ltd. (北京國瑞興業地產股份有限公司) (“Glory Xingye”), a subsidiary of the Company, entered into a facility agreement (the “Facility Agreement”) with China Zheshang Bank Co., Ltd. Beijing Branch (“CZB”) and Bank of Beijing Co., Ltd. Guangming Branch (collectively, the “Lenders”). Pursuant to the Facility Agreement, Glory Xingye agrees to borrow and CZB agrees to act as the arranging bank and agent bank to lend a syndicated loan of RMB3 billion (the “Loan Facility”). In consideration of the provision of the Loan Facility under the Facility Agreement by the Lenders, the Company and Shantou Garden Group Co., Ltd. (汕頭花園集團有限公司) (“Garden Group”), a wholly-owned subsidiary of the Company, entered into a guarantee contract with the Lenders, respectively. Mr. Zhang Zhangsun (“Chairman Zhang”), the Chairman and an executive Director of the Company, together with Ms. Ruan Wenjuan (“Ms. Ruan”), an executive Director of the Company, also entered into a guarantee contract with the Lenders. Pursuant to the three aforesaid guarantee contracts, (i) the Company and Garden Group shall each provide a corporate guarantee in favor of the Lenders to guarantee the performance of Glory Xingye’s obligations of up to RMB3 billion, representing and not exceeding the guaranteed indebtedness of RMB3 billion under the Facility Agreement (the “Corporate Guarantees”); and (ii) Chairman Zhang and Ms. Ruan shall provide a joint and several guarantee in favor of the Lenders to guarantee the performance of Glory Xingye’s obligations of up to RMB3 billion, representing and not exceeding the guaranteed indebtedness of RMB3 billion under the Facility Agreement. The entering into of the Facility Agreement and the provision of Corporate Guarantees are for the purpose of financing for the projects of the Company.

Redemption of the March 2018 Notes

On March 1, 2019, we completed the full redemption of the March 2018 Notes at a redemption price equal to the principal amount of the March 2018 Notes plus accrued interest to the maturity date. As a result of the redemption, there are no outstanding March 2018 Notes.

Issuance of the February 2019 Notes

On February 27, 2019, we successfully issued US\$160,000,000 13.5% senior notes due 2022 listed on The Hong Kong Stock Exchange. Further details of the issue of the February 2019 Notes were disclosed in our announcements dated February 21, 2019, February 26, 2019 and February 27, 2019.

Partial redemption at the option of holders of the 2017 Notes

As at the date of this Offering Memorandum, holders of the 2017 Notes have exercised their redemption options (the “Redemption Options”) requesting us to redeem their 2017 Notes on March 21, 2019 (the “Redemption Options Date”). The aggregate principal amount plus the accrued but unpaid interest up to, but excluding, the Redemption Options Date, will be USD280,310,000, which is to be financed by a private debt transaction and other refinancing arrangements together with the our internal funds. We are negotiating with an institutional investor (who is a third party investor independent of us) in respect of a potential private debt transaction (the “Financing”) and we have reached the stage of substantive negotiation and finalisation of contract. We intend to use the net proceeds from the Financing mainly to redeem the 2017 Notes of those holders of the 2017 Notes who exercised their Redemption Options.

General Information

We are a limited liability company incorporated under the laws of Cayman Islands. In July 2014, we listed our ordinary shares on the Hong Kong Stock Exchange. Our registered office is located on Scotia Centre, 4th Floor, P.O. Box 2804, George Town, Grand Cayman KY1-1112, Cayman Island.

THE OFFERING

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

Issuer	Guorui Properties Limited (incorporated under the name of “Glory Land Company Limited (國瑞置業有限公司)” in the Cayman Islands and carrying on business in Hong Kong as “Guorui Properties Limited”) (the “ Company ”).
Additional Notes Offered	<p>US\$ aggregate principal amount of 13.5% Senior Notes due 2022 (the “Additional Notes”), to be consolidated and form a single class with the US\$160,000,000 13.5% Senior Notes due 2022 issued by the Company on February 27, 2019 (the “Original Notes”, together with the Additional Notes, the “Notes”).</p> <p>The terms for the Additional Notes are the same as those for the Original Notes in all respects except for the issue date and the issue price. The Additional Notes will be represented by a global note with the same ISIN and Common Code numbers as the Original Notes.</p>
Offering Price	% of the principal amount of the Additional Notes, plus accrued interest from (and including) February 27, 2019 (but excluding) , 2019.
Original Issue Date	February 27, 2019.
Issue Date of the Additional Notes	, 2019
Maturity Date	February 27, 2022.
Interest	The Additional Notes bear interest from (and including) February 27, 2019 at the rate of 13.5% <i>per annum</i> , payable semi-annually in arrears.
Interest Payment Dates.....	February 27 and August 27 of each year, commencing August 27, 2019.
Ranking of the Notes	<p>The Notes are:</p> <ul style="list-style-type: none"> • general obligations of the Company; • senior in right of payment to any existing and future obligations of the Company expressly subordinated in right of payment to the Notes; • at least <i>pari passu</i> in right of payment with the 2017 Notes, the March 2018 Notes, the June 2018 Notes and all other unsecured, unsubordinated Indebtedness of the Company (subject to any priority rights of such unsubordinated Indebtedness pursuant to applicable law);

	<ul style="list-style-type: none"> guaranteed by the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any) on a senior basis, subject to the limitations described under the caption “— The Subsidiary Guarantees and the JV Subsidiary Guarantees” in the “Description of the Notes” and in “Risk Factors — Risks Relating to the Subsidiary Guarantees and the JV Subsidiary Guarantees”; effectively subordinated to the existing and future secured obligations (if any) of the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors, to the extent of the value of the collateral serving as security therefor; and effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries.
Subsidiary Guarantees	<ul style="list-style-type: none"> Each of the Subsidiary Guarantors and JV Subsidiary Guarantors (if any) will jointly and severally guarantee the due and punctual payment of the principal of, premium, if any, and interest on, and all other amounts payable under, the Notes. 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. See “Description of the Notes— The Subsidiary Guarantees and JV Subsidiary Guarantees— Release of the Subsidiary Guarantees and JV Subsidiaries Guarantees.” As of the issue date of the Additional Notes, the initial Subsidiary Guarantors will only consist of Glory Real Estate (HK) Investment Limited (國瑞地產(香港)投資有限公司), All affluent Holdings Limited, State Wealth Holdings Limited, Well Ample Holdings Limited, All affluent Holdings (HK) Limited (通裕控股(香港)有限公司), State Wealth Holdings (HK) Limited (國豐控股(香港)有限公司), and Well Ample Holdings (HK) Limited (國益控股(香港)有限公司). The initial Subsidiary Guarantors are holding companies that do not have significant operations. None of the existing Non-Guarantor Subsidiaries will provide a Subsidiary Guarantee or JV Subsidiary Guarantee on the Original Issue Date or at any time in the future. In addition, no future Restricted Subsidiaries, as defined under “Description of the Notes — Definitions,” organized under the laws of the PRC will provide a Subsidiary Guarantee or JV Subsidiary Guarantee at any time in the future. Any future Restricted Subsidiary (other than (i) Persons organized under the laws of the PRC, (ii) Restricted Subsidiaries designated as New Non-Guarantor Subsidiaries and (iii) Restricted Subsidiaries designated as Unrestricted Subsidiaries) will provide a guarantee of the Notes as soon as practicable after such Person becomes a Restricted Subsidiary.

Ranking of Subsidiary
Guarantees.....

The Subsidiary Guarantee of each Subsidiary Guarantor:

- is a general obligation of such Subsidiary Guarantor;
- is effectively subordinated to secured obligations of such Subsidiary Guarantor, to the extent of the value of the collateral serving as security therefor;
- is senior in right of payment to all future obligations of such Subsidiary Guarantor expressly subordinated in right of payment to such Subsidiary Guarantee;
- ranks at least *pari passu* with the subsidiary guarantee of such Subsidiary Guarantor for the 2017 Notes, the March 2018 Notes, the June 2018 Notes and 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
- is effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries.

Ranking of JV Subsidiary
Guarantees

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

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

The JV Subsidiary Guarantee of each JV Subsidiary Guarantor will not be secured.

New Non-Guarantor Subsidiaries	A future Restricted Subsidiary organized outside the PRC need not provide a Subsidiary Guarantee or JV Subsidiary Guarantee if it is so elected by the Company at the time such entity becomes a Restricted Subsidiary; <i>provided</i> that, after giving effect to the Consolidated Assets of such Restricted Subsidiary, the Consolidated Assets of all Restricted Subsidiaries organized outside the PRC that are neither a Subsidiary Guarantor nor a JV Subsidiary Guarantor do not account for more than 15% of the Total Assets of the Company.
Use of Proceeds	We intend to use the net proceeds from this offering of the Additional Notes for the repurchase of such portion of the 2017 Notes which the noteholders have exercised their options to request us to repurchase. In the event we are able to fully repurchase such portion of the 2017 Notes without fully utilizing the net proceeds from the offering of the Additional Notes, then we intend to use the remaining net proceeds for general corporate purposes.
Optional Redemption	<p>At any time prior to February 27, 2022 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 redeemed Notes plus the Applicable Premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date.</p> <p>At any time and from time to time prior to February 27, 2022, 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 113.5% 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.</p> <p>The Company will give not less than 30 days' nor more than 60 days' notice of any redemption to the Holders and the Trustee.</p>
Repurchase of Notes by the Company at the Option of the Holders	Holders of the Notes have the right, at their option, to require the Company to repurchase for cash all of their Notes, or any portion of the principal thereof that is equal to US\$200,000 or an integral multiple of US\$1,000 in excess thereof, on February 27, 2021 at the repurchase price equal to 100% of the principal amount of the Notes to be repurchased, plus accrued and unpaid interest to, but excluding, February 27, 2021. See "Description of the Notes — Repurchase of Notes by the Company at the Option of the Holders."

Repurchase of Notes Upon an
Investor Put Triggering Event ..

Not later than 30 days following a Change of Control, the Company will make an Offer to Purchase all outstanding Notes at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, to (but not including) the Offer to Purchase Payment Date (as defined in clause (2) of the definition of “Offer to Purchase”). Not later than 30 days following a Delisting/Trading Suspension Put Triggering Event, the Company will make an offer to repurchase all outstanding Notes at a purchase price equal to 101% of their principal amount thereof plus accrued and unpaid interest, if any, to (but not including) the Offer to Purchase Date. See “Description of the Notes—Repurchase of the Notes Upon an Investor Put Triggering Event.”

Redemption for Taxation
Reasons

Subject to certain exceptions and as more fully described herein, the Notes may be redeemed, at the option of the Company or a Surviving Person with respect to the Company, as a whole but not in part, upon giving not less than 30 days’ nor more than 60 days’ notice to the Holders and upon reasonable notice in advance of such notice to Holders to the Trustee and the Paying Agent (which notice shall be irrevocable), at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest (including any Additional Amounts), if any, to the date fixed by the Company or the Surviving Person for redemption, if the Company, a Surviving Person, a Subsidiary Guarantor or a JV Subsidiary Guarantor (if any) would become obligated to pay certain additional amounts as a result of certain changes in specified tax laws. See “Description of the Notes—Redemption for Taxation Reasons.”

Covenants	<p>The Notes, the Indenture governing the Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any) will limit the Company’s ability and the ability of its Restricted Subsidiaries to, among other things:</p> <ul style="list-style-type: none"> • incur additional indebtedness and issue disqualified or preferred stock; • declare or pay dividends on the Company’s capital stock or purchase or redeem capital stock; • make investments or other specified restricted payments; • issue or sell capital stock of Restricted Subsidiaries; • guarantee indebtedness of Restricted Subsidiaries; • sell assets; • create liens; • enter into sale and leaseback transactions; • enter into agreements that restrict the Restricted Subsidiaries’ ability to pay dividends, transfer assets or make intercompany loans; • enter into transactions with shareholders or affiliates; and • effect a consolidation or merger. • These covenants are subject to a number of important qualifications and exceptions described in “Description of the Notes—Certain Covenants.”
Transfer Restrictions	<p>The Additional Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any) will not be registered under the Securities Act or under any state securities laws of the United States and will be subject to customary restrictions on transfer and resale. See “Transfer Restrictions.”</p>
Form, Denomination and Registration	<p>The Additional Notes will be issued only in fully registered form, without coupons, in minimum denominations of US\$200,000 and integral multiples of US\$1,000 in excess thereof and will be initially represented by one or more global notes deposited with a common depository and registered in the name of the common depository or its nominee. Beneficial interests in the Global Certificate will be shown on, and transfer thereof will be effected only through the records maintained by Euroclear and Clearstream and their participants.</p>

Book-Entry Only	The Additional Notes will be issued in book-entry form through the facilities of Euroclear and Clearstream for the accounts of its participants. For a description of certain factors relating to clearance and settlement, see “Description of the Notes—Book-Entry; Delivery and Form.”	
Delivery of the Additional Notes	The Company expects to make delivery of the Additional Notes against payment in immediately available funds on or about , 2019, which the Company expects will be the fifth business days following the date of the pricing of the Additional Notes referred to as “T+5.” You should note that initial trading of the Additional Notes may be affected by the “T+5” settlement. See “Plan of Distribution.”	
Trustee	Citicorp International Limited	
Paying Agent, Transfer Agent and Registrar	Citibank, N.A., London Branch	
Listing and Trading	The Original Notes are listed on the Hong Kong Stock Exchange. We have received the eligibility letter from the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Additional Notes by way of debt issues to Professional Investors only as described in this offering memorandum. The Additional Notes will be traded on the Hong Kong Stock Exchange subject to a minimum board lot size requirement of the equivalent of HK\$500,000 for so long as the Additional Notes are listed on the Hong Kong Stock Exchange.	
Ratings	The Additional Notes are expected to be rated B by Fitch Ratings Ltd. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. We cannot assure investors that such rating will not be adversely revised or withdrawn either before or after delivery of the Additional Notes.	
Security Codes.....	ISIN XS1932655613	Common Code 193265561

Governing Law	The Notes, the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Indenture are governed by and construed in accordance with the laws of the State of New York.
Risk Factors	For a discussion of certain factors that should be considered in evaluating an investment in the Additional Notes, see “Risk Factors.”

SUMMARY CONSOLIDATED FINANCIAL AND OTHER DATA

The following table presents our summary financial and other data. The summary consolidated statement of profit or loss and other comprehensive income data for the years ended December 31, 2015, 2016 and 2017 and the summary consolidated statement of financial position data as of December 31, 2015, 2016 and 2017 set forth below (except for EBITDA data) have been derived from our audited consolidated financial statements for such years and as of such dates, as audited by Deloitte Touche Tohmatsu, Hong Kong Certified Public Accountants, and included elsewhere in this offering memorandum. The summary condensed consolidated statement of profit or loss and other comprehensive income data for the six months ended June 30, 2017 and 2018 and the summary condensed consolidated statement of financial position data as of June 30, 2018 set forth below (except for EBITDA data) have been derived from our unaudited condensed consolidated interim financial statements for the six months ended June 30, 2018, as reviewed by Deloitte Touche Tohmatsu, Hong Kong Certified Public Accountants, included elsewhere in this offering memorandum. Our financial statements have been prepared and presented in accordance with the IFRS, which differ in certain respects from generally accepted accounting principles in other jurisdictions. The summary financial data below should be read in conjunction with the section entitled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our consolidated financial statements and the notes to those statements included elsewhere in this offering memorandum.

Summary Consolidated Statement of Profit or Loss and Other Comprehensive Income Data

	Year ended December 31,				Six months ended June 30,		
	2015	2016	2017	2017	2017	2018	2018
	RMB	RMB	RMB	US\$	RMB	RMB	US\$
	(audited)	(audited)	(audited)		(unaudited)	(unaudited)	
	(in thousands, except percentages)						
Revenue	6,514,304	8,034,581	6,787,415	1,025,739	2,181,890	2,238,388	338,273
Cost of sales and services.	(3,835,485)	(4,916,491)	(3,618,543)	(546,847)	(1,186,186)	(1,474,428)	(222,821)
Gross profit	2,678,819	3,118,090	3,168,872	478,891	995,704	763,960	115,452
Other gains and losses.	(6,956)	(23,671)	161,185	24,359	40,765	(28,532)	(4,312)
Other income	13,170	20,227	88,241	13,335	10,226	74,943	11,326
Gain on fair value change of investment properties	783,601	851,934	955,743	144,435	434,438	539,592	81,545
Share of result of a joint venture . .	—	—	(936)	(141)	—	(1,039)	(157)
Share of result of associates	3,312	(727)	(6,014)	(909)	—	(6,029)	(911)
Selling expenses	(246,156)	(260,817)	(194,915)	(29,456)	(103,652)	(86,728)	(13,107)
Administrative expenses.	(358,709)	(329,129)	(360,684)	(54,508)	(178,387)	(206,770)	(31,248)
Other expenses	(26,388)	(18,656)	(45,676)	(6,903)	(21,348)	(29,675)	(4,485)
Finance costs	(141,095)	(126,824)	(198,683)	(30,026)	(79,963)	(108,826)	(16,446)
Profit before tax	2,699,598	3,230,427	3,567,133	539,078	1,097,783	910,896	137,658
Income tax expenses	(1,116,109)	(1,274,739)	(1,527,622)	(230,860)	(467,333)	(352,677)	(53,298)
Profit for the year/period	<u>1,583,489</u>	<u>1,955,688</u>	<u>2,039,511</u>	<u>308,218</u>	<u>630,450</u>	<u>558,219</u>	<u>84,360</u>
Other comprehensive income (expense)							
Items that will not be reclassified to profit or loss:							
Gain on revaluation of properties . .	—	—	324,949	49,107	—	—	—
Fair value loss on investments in equity instruments at fair value through other comprehensive income	—	—	—	—	—	(20,700)	(3,128)
Related income tax	—	—	(81,237)	(12,277)	—	5,175	782

	Year ended December 31,				Six months ended June 30,		
	2015	2016	2017	2017	2017	2018	2018
	RMB	RMB	RMB	US\$	RMB	RMB	US\$
	(audited)	(audited)	(audited)		(unaudited)	(unaudited)	
	(in thousands, except percentages)						
Other comprehensive income (expense) for the year/period . . .	—	—	243,712	36,831	—	(15,525)	(2,346)
Total comprehensive income for the year/period	1,583,489	1,955,688	2,283,223	345,049	630,450	542,694	82,014
Profit for the year/period attributable to:							
Owners of the Company	1,260,550	1,562,956	1,749,841	264,442	498,293	410,446	62,028
Non-controlling interests	322,939	392,732	289,670	43,776	132,157	147,773	22,332
	<u>1,583,489</u>	<u>1,955,688</u>	<u>2,039,511</u>	<u>308,218</u>	<u>630,450</u>	<u>558,219</u>	<u>84,360</u>
Total comprehensive income for the year/period attributable to:							
Owners of the Company	1,260,550	1,562,956	1,944,811	293,907	498,293	396,318	59,893
Non-controlling interests	322,939	392,732	338,412	51,142	132,157	146,376	22,121
	<u>1,583,489</u>	<u>1,955,688</u>	<u>2,283,223</u>	<u>345,049</u>	<u>630,450</u>	<u>542,694</u>	<u>82,014</u>
Other Financial Data (unaudited):							
EBITDA ⁽¹⁾	2,101,195	2,561,199	2,646,480	399,946	729,129	507,457	76,689
EBITDA margin ⁽²⁾	32.3%	31.9%	39.0%	39.0%	33.4%	22.7%	22.7%

Notes:

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

Summary Consolidated Statement of Financial Position Data

	As of December 31,				As of June 30,	
	2015	2016	2017	2017	2018	2018
	RMB	RMB	RMB	US\$	RMB	US\$
	(audited)	(audited)	(audited)		(unaudited)	
	(in thousands)					
Non-current assets						
Investment properties	15,065,850	16,674,500	18,308,269	2,766,812	18,784,150	2,838,728
Property, plant and equipment	130,248	198,468	850,258	128,494	1,153,987	174,395
Other non-current assets	3,490	794,099	1,053,778	159,251	1,053,932	159,274
Interest in a joint venture	—	—	9,064	1,370	33,525	5,066
Interest in associates	32,196	—	269,246	40,689	5,052	763
Available-for-sale investments	165,192	165,192	165,192	24,964	—	—
Equity instruments at fair value through other comprehensive income	—	—	—	—	209,200	31,615
Prepaid lease payments	3,013	287,473	281,438	42,532	278,420	42,076
Deposit paid for acquisition of a subsidiary	70,000	—	—	—	—	—
Deposit paid for acquisition of property, plant and equipment	—	—	120,000	18,135	170,000	25,691
Deferred tax assets	160,336	290,533	404,235	61,089	433,947	65,580
Restricted bank deposits	38,686	135,167	105,720	15,977	405,467	61,276
Value added tax and taxation recoverable	—	—	1,422,585	214,986	1,289,812	194,921
	<u>15,669,011</u>	<u>18,545,432</u>	<u>22,989,785</u>	<u>3,474,299</u>	<u>23,817,492</u>	<u>3,599,385</u>
Current assets						
Inventories	73	105	61	9	209	32
Prepayment/deposits paid for land acquisition . .	2,929,848	365,010	605,010	91,431	605,010	91,431
Properties under development	9,667,914	19,005,089	23,626,222	3,570,480	33,501,323	5,062,841
Properties held for sale	2,719,459	3,118,955	3,408,156	515,053	3,864,274	583,983
Trade and other receivables, deposits and prepayments	870,875	803,477	1,082,946	163,659	2,164,790	327,151
Contract assets	—	—	—	—	1,322,423	199,849
Amounts due from customers for contract work .	1,222,245	1,363,512	1,191,139	180,009	—	—
Value added tax and taxation recoverable	39,270	125,267	500,477	75,634	1,136,132	171,696
Amounts due from related parties	1,063	5,000	2,928,197	442,520	2,471,807	373,548
Financial assets at fair value through profit or loss	70,097	97	97	15	—	—
Restricted bank deposits	80,898	151,499	620,761	93,812	685,344	103,572
Cash and bank balances	<u>1,956,263</u>	<u>1,234,250</u>	<u>1,591,506</u>	<u>240,514</u>	<u>1,134,372</u>	<u>171,430</u>
	<u>19,558,005</u>	<u>26,172,261</u>	<u>35,554,572</u>	<u>5,373,135</u>	<u>46,885,684</u>	<u>7,085,534</u>
Current liabilities						
Trade and other payables	4,910,116	6,029,313	5,585,713	844,133	7,583,867	1,146,101
Deposits received from sale of properties	1,611,699	2,680,425	3,308,339	499,968	—	—
Contract liabilities	—	—	—	—	7,585,654	1,146,371
Amounts due to related parties	55,057	225,513	893,229	134,988	2,745,816	414,958
Taxation payable	1,477,701	1,894,475	2,492,186	376,628	2,478,969	374,631
Bank and other borrowings - due within one year	3,718,997	2,877,489	11,625,399	1,756,872	10,222,763	1,544,901
Corporate bonds	—	—	2,992,645	452,259	2,996,671	452,868
Senior Notes	—	—	—	—	3,609,816	545,528
	<u>11,773,570</u>	<u>13,707,215</u>	<u>26,897,511</u>	<u>4,064,849</u>	<u>37,223,556</u>	<u>5,625,358</u>
Net current assets	<u>7,784,435</u>	<u>12,465,046</u>	<u>8,657,061</u>	<u>1,308,286</u>	<u>9,662,128</u>	<u>1,460,176</u>
Total assets less current liabilities	<u>23,453,446</u>	<u>31,010,478</u>	<u>31,646,846</u>	<u>4,782,585</u>	<u>33,479,620</u>	<u>5,059,561</u>

	As of December 31,				As of June 30,	
	2015	2016	2017	2017	2018	2018
	RMB	RMB	RMB	US\$	RMB	US\$
	(audited)	(audited)	(audited)		(unaudited)	
	(in thousands)					
Non-current liabilities						
Other payables	65,970	77,794	89,393	13,509	91,512	13,830
Bank and other borrowings - due after one year .	8,579,128	13,030,378	12,601,665	1,904,409	11,784,020	1,780,844
Corporate bonds	2,977,127	3,980,214	997,006	150,671	997,968	150,817
Senior notes	—	—	1,940,948	293,323	650,064	98,240
Deferred tax liabilities	1,903,251	2,111,242	2,425,425	366,539	3,539,861	534,957
	<u>13,525,476</u>	<u>19,199,628</u>	<u>18,054,437</u>	<u>2,728,452</u>	<u>17,063,425</u>	<u>2,578,686</u>
Net assets	<u>9,927,970</u>	<u>11,810,850</u>	<u>13,592,409</u>	<u>2,054,134</u>	<u>16,416,195</u>	<u>2,480,875</u>
Capital and reserves						
Share capital	3,511	3,513	3,519	532	3,520	532
Reserves	<u>8,115,985</u>	<u>9,480,344</u>	<u>10,898,692</u>	<u>1,647,050</u>	<u>11,125,649</u>	<u>1,681,348</u>
Equity attributable to owners of the Company . .	8,119,496	9,483,857	10,902,211	1,647,581	11,129,169	1,681,880
Non-controlling interests	<u>1,808,474</u>	<u>2,326,993</u>	<u>2,690,198</u>	<u>406,552</u>	<u>5,287,026</u>	<u>798,994</u>
Total equity	<u>9,927,970</u>	<u>11,810,850</u>	<u>13,592,409</u>	<u>2,054,134</u>	<u>16,416,195</u>	<u>2,480,875</u>

RISK FACTORS

An investment in the Notes is subject to significant risks. You should carefully consider all of the information in this offering memorandum and, in particular, the risks and uncertainties described below before deciding to invest in the Notes. 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 could be material. If any of these, including 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 operations are dependent on economic conditions in the PRC, particularly the performance of the property market in the cities in which we develop our property projects and manage the properties we have developed

We develop and sell properties in cities throughout the PRC. As of June 30, 2018, our property portfolio consisted of 24 projects completed or under various stages of development located in Beijing, Haikou, Wanning, Shantou, Foshan, Shenyang, Zhengzhou, Langfang and Chongqing. As such, our business is heavily affected by the performance of the PRC economy, particularly that of the property market in the cities where we operate. From 2003 to 2017, as a result of changing policies and market cycles, the annual growth rates of real estate investment in the cities where we have property projects were volatile. See the section entitled “Industry Overview” of this offering memorandum for more details.

The property market in the PRC is affected by many factors and future demand for properties in the PRC is uncertain. Any changes in the PRC’s social, political, economic and legal environment, changes in the PRC government’s fiscal and monetary policies, the lack of a mature and active secondary market for residential and commercial properties in the PRC, the limited availability of mortgage loans to individuals in the PRC and the fluctuation of consumer confidence and consumer spending, all of which are beyond our control. Any oversupply, economic downturn or austerity measures imposed by the PRC government may result in a decline in property sales or property prices nationally or regionally, which may have a material adverse effect on our business, financial condition and results of operations.

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

Our business is subject to extensive governmental regulations and, in particular, we are susceptible to policy changes in the PRC property development industry. As with other PRC property developers, we must comply with various PRC laws and regulations, including rules stipulated by local authorities implementing PRC laws and regulations. In particular, the PRC government exerts considerable direct and indirect influence on the development of the property development industry by imposing policies and other economic measures, such as exercising control over the supply of land for property development and regulating foreign exchange, property financing, taxation and foreign investment. Through these policies and measures, the PRC government may restrict or reduce land available for property development, raise benchmark interest rates of commercial banks, raise reserve requirements or place other limitations on the ability of commercial banks to issue loans to property developers and property purchasers, impose additional taxes and levies on property sales and restrict foreign investment in the PRC property development industry.

Demand for residential properties in the PRC has been growing rapidly over the past few years and there have been concerns that the PRC property market has been overheating and may become a property “bubble.” In response, the PRC government has taken measures to slow down the property market and inflation of property prices, as well as to dampen property speculation. These policies may limit our ability to obtain financing, acquire land for future development, sell our properties at profit or generate sufficient operating cash flows from contracted sales. See “— Risks Relating to the Real Estate Industry in the PRC” for more risks and uncertainties relating to the extensive PRC regulations.

We cannot assure you that the PRC government will not adopt additional and more stringent industry policies, regulations and measures in the future. It is also impossible to ascertain the extent of the impact of these measures or to accurately estimate our sales volume and revenue had the measures been introduced. If we fail to adapt our operations to new government policies, regulations or measures that may come into effect from time to time with respect to the property development industry, or if our marketing and pricing strategies are ineffective in promoting our contracted sales, such changes may dampen our contracted sales and cause us to lower our average selling prices and/or incur additional costs, in which case our business prospects, results of operations and financial condition may be materially and adversely affected.

Some of our operating subsidiaries in the PRC have not received waivers from the restrictions that prohibit or limit these subsidiaries from paying dividends to their parent company or other group entities

A number of the Company’s subsidiaries that operate in the PRC are subject to financing arrangements that provide the creditors the right to require the subsidiaries to make payments to the creditors before paying dividends to their parent companies or other group entities until the arrangements are fully repaid. As a result, the Company’s ability to access cash generated by these subsidiaries may be limited if the creditors enforce their rights. Unless the subsidiaries are able to service such financings, repay such financings or otherwise cause the creditors to waive such rights, the Company’s ability to fund its liquidity needs, including interest and principal payments due under the Notes, may be limited. We have received such waivers from the creditors of certain subsidiaries. However, as of the date of this offering memorandum, some of such subsidiaries have not obtained waivers of such rights from their respective creditors. In addition, as long as the payment of dividends from such subsidiaries are subject to restrictions, the income generated by such subsidiaries will not contribute to the Company’s Consolidated Net Income (as defined under “Description of the Notes — Definitions”). As a result, the Company may not be able to incur debt under the first paragraph of the “Limitation on Indebtedness and Preferred Stock” covenant in the “Description of the Notes” section, which will further restrict the Company’s ability to operate within the confines of certain other covenants in the “Description of the Notes” and will force the Company to operate in a more constrained manner. See “— Our Company is a holding company that relies on payment from our subsidiaries for funding, and any limitation on the ability of our PRC subsidiaries to pay dividends or repay intercompany loans or advances to us may have a material adverse effect on our ability to conduct our business.”

Our financial results included changes in fair value of investment properties and our results may fluctuate due to such changes in the fair value of our investment properties

We intend to strategically retain high quality commercial properties as investment properties for generating recurring rental income. In general, investment in real properties is relatively illiquid. We appointed qualified property valuers to reassess the fair value of our investment properties at every reported statement of financial position date based upon a direct comparison approach and a direct capitalization approach. See the section entitled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” of this offering memorandum for the details of changes in fair value of investment properties. According to IAS 40, the International Accounting Standard for investment properties issued by the IASB, investment

properties may be recognized by using either the fair value model or the cost model. Our directors have selected the fair value model because they are of the view that periodic fair value adjustments in accordance with the then prevailing market conditions, irrespective of whether such market trend moves upwards or downwards, should be recorded so that our financial statements present a more updated picture of the fair value of our investment properties. However, any upward change in the fair value, which reflects unrealized capital gain of our investment properties at the relevant statement of financial position dates and not profit generated from day-to-day rentals of our investment properties, largely depends on the prevailing property markets and does not generate cash inflow to us until such investment properties are disposed of. We cannot assure you that we will be able to sell such investment properties at prices or on terms satisfactory to us. Moreover, property values are subject to market fluctuation and there can be no assurance that we will continue to record upward change in the fair value of investment properties in the future. Should there be any material and downward change in the fair value of our investment properties in the future, our results of operations may be materially and adversely affected.

We had negative net operating cash flow for the year ended December 31, 2015, 2016 and 2017 and for the six months ended June 30, 2017 and 2018. If we are unable to meet our payment obligations, our business, financial condition and results of operations may be materially and adversely affected

For the years ended December 31, 2015, 2016 and 2017 and for the six months ended June 30, 2017 and 2018, we recorded negative net cash flow from operating activities of RMB1,879.2 million, RMB1,425.3 million, RMB 3,240.4 million (US\$489.7 million), RMB3,894.2 million and RMB1,395.1 million (US\$210.8 million), respectively. Our negative net operating cash flow was principally attributable to our acquisitions for land parcels of Beijing Beiqijia in 2015, Suzhou Mudu in 2016, a parcel of land in Yinghai Town, Daxing District, Beijing in 2017 and the payments of land acquisition costs for the first half of 2018. See the section entitled “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — Cash Flows” in this offering memorandum. We cannot assure you that we will not experience negative net operating cash flow in the future. Negative net operating cash flow requires us to obtain sufficient external financing to meet our financial needs and obligations. If we are unable to do so, we will default on our payment obligations and may not be able to develop our projects as planned. As a result, our business, financial condition and results of operations may be materially and adversely affected.

Our cash balance may not always be able to cover our short term indebtedness due within one year

As of June 30, 2018, our cash and bank balances was RMB1,134.4 million (US\$171.4 million). This amount is subject to fluctuation, depending on a number of factors, including but limited to our requirements to repay debt and operating incomes and expenses. We have a substantial amount of indebtedness (see the section entitled “Risk Factors — Risks Relating to the Notes — We are highly leveraged 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” in this offering memorandum) and a large portion of such indebtedness is short term indebtedness due within one year. Although the proceeds of this offering will be used to repay the March 2018 Notes and the 2017 Notes which are outstanding on the date of this offering memorandum, we cannot assure you our cash and cash equivalents will be sufficient to repay our outstanding indebtedness. If we are unable to do so, we may have insufficient liquidity or default on our payment obligations. As a result, our business, financial condition and results of operations may be materially and adversely affected.

We face risks associated with the use of debt to fund developments and working capital, including refinancing risk

We rely on debt financing, including bank and other borrowings secured by buildings, investment properties, properties under development and rental properties to finance our development activities and for general working capital purposes. We are subject to the risks normally associated with debt financing. If principal payments due at maturity cannot be refinanced, extended or paid with proceeds of other capital transactions, such as new equity or debt capital, our cash flows may not be sufficient to repay all maturing debt. If prevailing interest rates or other factors at the time of any refinancing result in higher interest rates, increased interest expense would adversely affect our ability to service our debt and our financial condition and results of operations. If we are unable to obtain or refinance our debt, our business, prospects, cash flows, financial condition and results of operations could be adversely affected.

We may not always be able to acquire land reserves that are suitable for development

We derive the majority of our revenue from the sale of properties that we have developed. This revenue stream depends on the completion of, and our ability to sell, our property developments. To have a steady stream of developed properties available for sale and a continuous growth in the long term, we need to replenish and increase our land reserves that are suitable for development and at a commercially acceptable cost. Our ability to identify and acquire suitable development sites is subject to a number of factors, some of which are beyond our control and there can be no assurance that we can identify and undertake suitable future primary land development projects.

The PRC government controls the supply of land in the PRC and regulates the transfer of land use rights in the secondary market. As a result, the policies of the PRC government have a direct impact on our ability to acquire the land use rights we seek and could increase our costs of acquisition. In recent years, the PRC central and local governments have also implemented various measures to regulate the means by which property developers obtain land for property development and the manner in which land may be developed. The PRC government also controls land supply through zoning, land usage regulations and other measures. All these measures further intensify the competition for land in the PRC among property developers. As the PRC economy continues to grow and demand for property remains relatively strong, we expect competition among developers for land supply to intensify. If we fail to acquire sufficient land reserves suitable for development in a timely manner and at acceptable prices, our prospects and competitive position may be adversely affected and our business strategies, growth potential and performance may be materially and adversely affected.

We may not be able to acquire relevant land use rights of land parcels, of which the primary land development has been completed by us

Apart from engaging in our property development projects, we also actively undertake primary land development projects as a strategic business in order to access potentially available land reserves. See the sections entitled “Business — Primary Land Development” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Key Factors Affecting Our Performance” in this offering memorandum. There can be no assurance that we will eventually be able to acquire the relevant land use rights of land parcels, of which the primary land development has been completed by us. If we fail to obtain or experience a material delay in obtaining the land use rights, there may be a material adverse effect on our business, results of operation and financial condition. Even if the local government grants such land to us, any increase in the compensation we are required to pay will increase our land acquisition costs, which could materially and adversely affect our financial condition and results of operations.

Dissenting owners and residents may also refuse to relocate. Any administrative process or resistance or refusal to relocate may delay our future project development schedules. Any occurrence of the above events may result in increases in our future development costs, which can materially and adversely affect our cash flows, financial condition and results of operations.

We may not have sufficient cash flow or financing to fund land acquisitions or property developments, and such capital resources may not be available on commercially reasonable terms, or at all

Property development is capital intensive. We finance our property projects primarily through a combination of pre-sale and sale proceeds, borrowings from financial institutions and internal funds. We may also access the capital markets to raise further financing. Our ability to obtain adequate financing, or financing on satisfactory or commercially acceptable terms, for land acquisition and property development is dependent on a number of factors that are beyond our control, such as general economic conditions, performance and outlook of the property development industry in the PRC, credit availability from financial institutions, as well as monetary policies and PRC laws and regulations relating to the property sector.

Pre-sale and sale proceeds depend on the property development progress of our various projects and phases. As permitted under the PRC laws and regulations, we are allowed to develop our projects in phases, and to apply for pre-sale permit for such phase when we fulfill certain conditions. Changes in PRC laws and regulations with respect to pre-sale may materially and adversely affect our financing ability. See “— Risks Relating to the Real Estate Industry in the PRC — Changes in PRC laws and regulations with respect to pre-sale may materially and adversely affect our business performance.”

We cannot assure you that the PRC government will not limit our access to capital, our flexibility and our ability to use bank loans or other forms of financing to finance our property development. We cannot assure you that we will be able to secure adequate financing to fund our land acquisitions (including any unpaid land premium for past acquisitions), to finance our project construction or to renew our existing credit facilities prior to their expiration. Our failure to do so may materially and adversely affect our business, financial condition and results of operations.

Our total interest expenses for our borrowings are subject to changes in interest rates

We rely on and expect to continue to rely on bank and third-party loans to finance a substantial part of our project developments. Accordingly, changes in interest rates have affected and will continue to affect our financing costs. As our bank loans are principally denominated in Renminbi, the interest rates on our loans are primarily affected by the benchmark interest rates set by the PBOC, which have fluctuated significantly in recent years.

For the years ended December 31, 2015, 2016 and 2017 and for the six months ended June 30, 2018, the effective interest rate of our variable rate borrowings ranged from 5.23% to 8.52%, 2.46% to 6.65%, 2.58% to 6.50% and 2.76% to 7.13%, respectively, and the effective interest rate of our fixed rate borrowings ranged from 2.09% to 12.20%, 5.90% to 10.00%, 5.90% to 8.75% and 4.75% to 12.00%, respectively. Bank borrowings are one of the most important sources of funding for our property developments. As of December 31, 2015, 2016, 2017 and June 30, 2018, bank borrowings (excluding corporate bonds and senior notes) accounted for 82.8%, 98.1%, 80.6% and 82.1%, respectively, of our bank and other borrowings. The increase in the effective interest rate on our bank borrowings was primarily due to an increase in the PBOC benchmark rates and the tightened credit policies imposed by banks towards PRC property developers.

We cannot assure you that the PBOC will not raise lending rates further or otherwise discourage bank lending. Future increases in the PBOC benchmark interest rates may lead to higher lending rates, which may increase our financing costs and thereby materially and adversely affect our business, financial condition and results of operations.

Increases in interest rates may materially impact our results of operations

Some of our corporate bonds are subject to interest rate adjustment. We currently have not entered into any swap or interest rate hedging transactions in connection with these corporate bonds, although we may decide to engage in such transactions in the future. Unless we fully hedges our interest rate exposure, we will be exposed to interest rate risk resulting from fluctuations in the relevant reference rates. Any such increase in interest expense may materially and adversely affect our business, financial condition and results of operations. Furthermore, if we decide to enter into agreements to hedge our interest rate risk, there can be no assurance that we will be able to do so on commercially reasonable terms or that these agreements, if entered into, will protect us fully against our interest rate risk.

We may fail to fulfill our obligations under trust financing arrangements

From time to time we enter into financing arrangements with certain trust financing companies, which act as trustees of the respective trust funds, to finance our property development projects. If we default on our repayment obligation or otherwise breach the trust financing agreements, we may be subject to litigation that may damage our reputation and make it difficult for us to raise additional funds through trust financing at reasonable cost, if at all. In addition, under certain trust financing arrangements, we pledged the equity interest held by us in, and/or land use rights or other assets held by, our relevant PRC subsidiaries in favor of the trust financing companies, or we transferred a minority equity interest in the relevant PRC subsidiaries and pledged the remaining equity interests held by us in the relevant PRC subsidiaries and/or our other assets to the trust financing companies. Any default of such trust financing arrangements may prevent us from redeeming or repurchasing the pledged equity interests in our project companies and other pledged assets from the relevant trust financing companies. Any of the foregoing occurrences may adversely affect our business, financial condition and results of our operations.

The CBRC and/or other agencies of the PRC government may tighten the regulations relating to trust loans provided to the real estate industry in the PRC, which may affect our ability to obtain trust loans

We entered into several trust financing arrangements in the past and the total outstanding amount of our borrowings from trust financing arrangements accounted for 15.5% of our total bank and other borrowings as of June 30, 2018. As of December 31, 2015, 2016, 2017 and June 30, 2018, our outstanding amount from trust financing arrangements were RMB2,109.5 million, RMB300.0 million, RMB4,710.0 million (US\$711.8 million) and RMB3,932.7 million (US\$594.3 million), respectively. While drawdowns on bank loans usually depend on actual construction progress, drawdowns on trust financings may be made in full in one or multiple installments as agreed with the relevant trust companies. Trust financing companies do not usually link their interest rates to the PBOC benchmark interest rates. They typically charge rates higher than those charged by commercial banks. See “Description of Other Material Indebtedness — Trust Financings” in this offering memorandum for more details. Operation of the trust financing companies in the PRC is primarily regulated by the CBRC pursuant to the “Rules Governing Trust Financing Companies” (《信託公司管理辦法》), which became effective on March 1, 2007. Trust financing companies are therefore under the supervision and monitoring of the CBRC and must 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 to the PRC real estate industry. If this were to happen, our ability to obtain trust loans may be materially and adversely affected.

We are subject to certain restrictive covenants and risks normally associated with borrowings which may limit or otherwise materially and adversely affect our business, financial condition and results of operations

We are subject to certain restrictive covenants in our loan and financing agreements with banks and trust companies. Certain of our credit facilities taken out by us or our operating subsidiaries also contain cross-default conditions. These conditions deem a breach of the default conditions under the financing facility by the related companies of such operating subsidiaries and their guarantor(s) to be a default by such operating subsidiaries. If any cross default occurs, these banks are entitled to accelerate payment of all or any part of the indebtedness under the relevant loan agreements and to enforce all or any of the security for such indebtedness. Moreover, some of our loan agreements restrict our operating subsidiaries from making any distribution to their shareholders as long as the loans are outstanding. In addition, many of our loan agreements contain covenants, pursuant to which we or our relevant PRC operating subsidiaries may not undertake certain transactions such as merger, joint venture, restructuring, capital reduction, transfer of material assets, liquidation and distribution without the relevant lenders' prior written consent. Failure to comply with any of those covenants or repay these loans in part or in full at their respective maturity dates may trigger the lenders' exercise of their rights and therefore may have a material adverse effect on our business, financial condition and results of operations.

We may not be able to execute our contemplated expansion plan successfully

As of June 30, 2018, our property portfolio consisted of 24 projects completed or under various stages of development located in Beijing, Haikou, Wanning, Shantou, Foshan, Shenyang, Zhengzhou, Langfang and Chongqing. We intend to continue to focus on Beijing-Tianjin-Hebei, Yangtze River Delta, the Pearl River Delta region and the economic corridor of the BRI and to actively identify other suitable markets with high growth potential for our further expansion in the next five to 10 years. In addition, we plan to develop Grade A office buildings in central business districts of first- and second-tier cities that are provincial capitals in the PRC.

Although our planned projects are carefully chosen after rounds of screening, review and deliberation, such large-scale rapid expansion may strain our managerial and financial resources. The rapid increase in the volume of our developments brought by such expansion may present challenges in terms of project construction and delivery management. Although we have formulated a standardized operational model to facilitate the management of our projects nationwide, any failure to follow our standards or inconsistencies in our compliance across different geographical regions may damage the quality of our properties and negatively impact our reputation. In addition, expanding into new geographic locations requires a significant amount of capital and management resources. Any failure in the effective management of our large volume of developments may materially and adversely affect our ability to deliver properties to our buyers in a timely manner and harm our reputation and our growth prospects. In addition, our expansion plans are based on our forward-looking assessment of the market prospects. Although we believe that such judgments and decisions constitute one of our strengths, we cannot assure you that our market assessment will turn out to be accurate, or that we will be able to execute our expansion plans successfully or that we will succeed in integrating our expanded operations despite our standardized operational model, especially in light of the uncertain economic conditions as a result of the global economic slowdown and financial crisis. There can be no assurance that our expanded operations will generate adequate returns on our investments or positive operating cash flows.

Third-party contractors may fail to provide satisfactory, timely services. In addition, we may not be able to find a sufficient number of high-quality third-party contractors during our expansion

We do not have our own construction team and therefore have to engage third-party contractors to provide various services relating to our property development projects. Such work includes, among other things, pile setting, foundation building, construction, equipment installation, electromechanical and pipeline engineering, elevator installation and landscaping as well as part of the design work. We implement a standardized and streamlined process to select our suppliers including contractors. See the section entitled “Business — Project Development Management — Our Standardized Property Development Process — Contracting, Procurement, Project Management and Quality Control — Contracting and Procurement” in this offering memorandum. However, any such third-party contractor may fail to provide satisfactory services at the level of quality or within the timeline required by us. In addition, completion of our property development projects may be delayed, and we may incur additional costs due to the delay. If the performance of any third-party contractor is not satisfactory, we will use our best efforts to replace such contractor or take other remedial actions. However, we cannot assure you that such remedial actions will be effective or our cost structure and development schedule as well as our reputation, credibility, financial position and business operations will not be materially and adversely affected. In addition, if we expand our business into other geographical locations in the PRC, due to the varying speed of development of the property markets in different cities, we cannot assure you that we will find a sufficient number of high-quality third-party contractors in such locations.

We have engaged and may continue to engage third-party property management companies to manage the daily operations of substantially all of our investment properties. If the performance of our third-party management companies is not satisfactory, our investment properties may experience low occupancy rates, which would lead to a loss of income or have an adverse impact on our reputation. If we were unable to successfully manage our investment properties, our business, financial condition, results of operations and prospects could be materially and adversely affected.

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

We engage third-party contractors for construction of our projects. Such contractors are responsible for procuring steel, cement and cables. Steel and cement prices have been volatile in recent years. According to our contracts with our contractors, in the event that the prices of the equipment and construction materials procured by our construction contractors fluctuate beyond a pre-determined percentage, we may be required to reimburse our contractors for any shortfall. See the section entitled “Business — Project Development Management — Our Standardized Property Development Process — Contracting, Procurement, Project Management and Quality Control — Contracting and Procurement” in this offering memorandum. In addition, we are responsible for procuring certain construction materials and equipment, especially those affecting product quality such as elevators, doors, windows, stone materials and interior decoration materials, directly from our suppliers. Further, as a result of the growth of the PRC economy, labor costs have increased substantially in recent years. Therefore, any increase in the cost of construction materials or contractors’ labor costs may lead to future increases in construction contract costs. If we cannot pass any or all of the increased costs on to our customers, our results of operations, financial condition and profitability will be materially and adversely affected.

We may not be able to complete our development projects on time

The progress of our property development projects may be materially and adversely affected by various factors, including:

- delay or inability to finance the construction;

- poor performance and efficiency of our third-party contractors;
- natural catastrophes and adverse weather conditions;
- national events or government actions, such as re-zoning;
- changes in market conditions, economic downturns, and decreases in business and consumer sentiment in general;
- failure to obtain, or material delays in obtaining, necessary government licenses, permits or approvals in carrying out our property development and management operations;
- 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 and strikes;
- construction accidents; and
- errors in judgment on the selection and acquisition criteria for potential sites.

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 and adverse impact on our cash flows. If a property project is not completed on time, the purchasers may be entitled to compensation for late delivery. If the delay extends beyond a certain period, the purchasers may be entitled to terminate their purchase and sale agreements and claim damages. 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 materially and adversely affected if we fail to obtain, or experience material delays in obtaining necessary licenses, permits, certificates and approvals in carrying out our property development and management operations

The property development industry in the PRC is heavily regulated. Property developers must comply with 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 are required to apply to relevant government authorities to obtain (and renew and maintain 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. Before the government authorities issue or renew any certificate or permit, we must meet specific conditions. See the section entitled “Regulation” in this offering memorandum for details.

We cannot assure you 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 development industry or that we will not encounter other 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 in the future.

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 materially and adversely affected.

In addition, there can be no assurance that some of our project companies that are in the process of applying for or renewing proper qualification certificates will be able to obtain such certificates on a timely basis to commence their planned property development on schedule. There can be no further assurance that we and our project companies will continue to be able to extend or renew the qualification certificates or be able to successfully upgrade the current qualification class to a higher qualification. If we or our project companies are unable to obtain or renew qualification certificates, the PRC government will refuse to issue pre-sale and other permits necessary for the conduct of the property development business, and our results of operations, financial condition and cash flows will be materially and adversely affected. Further, if any of our project companies engages in the development and sale of properties outside the scope of its qualification certificate, it may be ordered to rectify such conduct within a prescribed period, be fined up to RMB100,000, or even have its qualification certificate and business license revoked.

The PRC government may impose fines or other penalties on us if we fail to comply with the terms of the land grant contracts or listing-for-sale confirmation letters, and we may not be able to obtain land use rights certificates with respect to certain parcels of land

Under PRC laws and regulations, the PRC government may issue a warning, impose a penalty and/or reclaim our land if we fail to develop a particular project according to the terms of the relevant land grant contracts, such as the approved land use, payment of land premiums and other fees, and the time for commencement and completion of development.

Under current PRC laws and regulations, we may be subject to late penalties as stipulated in the land grant contracts if we fail to pay any outstanding land premium by the stipulated deadline. If we fail to commence development for more than one year from the commencement date stipulated in the land grant contracts, the relevant PRC land bureau may serve an investigation notice and impose an idle land fee of up to 20% of the land premium on us if the delay is found out not to be caused by government actions or force majeure. If we fail to commence development for more than two years, the land may be subject to forfeiture by the PRC government unless the delay is caused by government actions or force majeure. Furthermore, even if we commence development in accordance with the land 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 specified in the project registration or approval documents, not including the purchase price of the land, and the development of the land is suspended for over one year without government approval, the land will still be treated as idle land.

We cannot assure you that we will be able to fully comply with the obligations under the land grant contracts or listing-for-sale letters in the future due to factors which are beyond our control, or that our property development projects will not be subject to idle land penalties or be taken back by the government as a result of such delays. If we fail to comply with the terms of any land grant contract or listing-for-sale confirmation letter as a result of delays in project development or any other reasons, we may lose our previous investments in the land and the opportunity to develop the project, which may have a material adverse effect on our business, results of operations and financial condition.

Our results of operations may vary significantly from period to period

We derive the majority of our revenue from the sale of properties that we have developed, primary land development projects and property investment. Our results of operations from property development may vary significantly from period to period due to the timing of sales and

delivery of our various development projects. Additionally, selling prices of properties vary and are largely determined by local market conditions. Furthermore, according to our accounting policy for revenue recognition, we recognize revenue from the property development upon delivery to purchasers. We can only undertake a limited number of projects during a specific period due to our substantial capital requirements. Therefore, our operational results in any period are significantly affected by the delivery made during such period.

In addition, the volatility of our results of operations is affected in part by certain non-recurring gains such as changes in fair value of investment properties and fair value gain upon transfer to investment properties. Revenue generated from our primary land development project during a specific period is recognized by multiplying the total contract revenue estimated by us by the proportion that costs incurred during the period bear to the estimated total costs of the contract. Our estimation of the contract revenue and recoverable costs is subject to final approval by the government. See the section entitled “Business — Primary Land Development” of this offering memorandum for more details. Therefore, the compensation determined by the government for one primary land development project may not recur and bear little indication to our performance of future primary land development project and future results of operations and financial condition.

Accordingly, our interim results for a certain period may not be indicative to our performance for that year or otherwise comparable to our results in previous periods. In light of the above, our directors believe that period-to-period comparisons of our operating results may not be as meaningful as they would be for a company with a greater proportion of recurring revenues. If our operating results in one or more periods do not meet the market’s expectations, the price of our Shares could be materially and adversely affected.

Our profitability and results of operations are affected by the development and profitability of our investment properties and our ability to continue to attract and maintain key tenants

For the years ended December 31, 2015, 2016, 2017 and for the six months ended June 30, 2017 and 2018, our rental income from leasing of properties accounted for 4.3%, 3.7%, 4.6%, 6.4% and 9.3%, respectively, of our total revenue. As we seek to selectively increase our portfolio of investment properties by adding investment properties with good locations and high appreciation potential, rental income may become an increasingly important contributor to our revenue going forward. We may not, however, be able to identify new tenants or retain existing tenants for our properties for lease. In addition, an increase in the number of competing properties, particularly in close proximity to our properties, could increase competition for tenants and force us to reduce rent or incur additional costs in order to make our properties more attractive. If there is a significant downturn in the commercial property leasing markets generally or in the cities where we have investment properties, we may not be able to maintain our current levels of rental income. Our inability to expand our portfolio of commercial properties for lease and operations, to secure suitable tenants or otherwise to enhance the profitability of our investment properties or to maintain our current levels of rental income may have a material adverse effect on our business, financial condition and results of operations.

The hotel industry is cyclical, and our future hotel properties may not be able to replicate our success in residential and other commercial property development

We currently have two hotels under development in Shantou and Qidong, which are expected to commence operations in 2019. We also have one hotel under development in Langfang, which is expected to be completed in 2019 and commence operations in 2020. We may retain the ownership of the hotels and may develop and own additional hotels in the future. The results of operations of our hotel properties will depend, to a large extent, on the performance of the economy and the property market conditions in the PRC. The hotel industry has been cyclical and affected by, among other factors, the supply of, and demand for, comparable properties, the rate of economic growth, interest rates, inflation, and political and economic development. There can be no

assurance that the PRC economy will not slow down or that hotel property values and rates will not decline. We may face considerable reputational and financial risks if the hotels do not meet the expectations of hotel customers. In addition, we cannot assure you that there will be sufficient demand for our hotel properties. A general decline in the economy, or in hotel property values and rates, may have a material adverse effect on our business, financial condition and results of operations.

Property owners may not retain us as the provider of property management services

We provide property management services to owners of all residential properties developed by us through our property management subsidiary, Glory Services. Under PRC laws and regulations, property owners of a residential development have the right to change the property management service provider upon the approval of a certain percentage of the property owners of that residential development. If owners of the properties that we have developed are not satisfied with our property management services, they may terminate our property management services or publish negative feedback in respect of our property management services, in which case our reputation, future sales of our properties and our results of operations could be materially and adversely affected.

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

In accordance with PRC tax laws and regulations on LAT, all persons including companies and individuals that receive income from the sale or transfer of land use rights, buildings and their attached facilities are subject to LAT at progressive rates ranging from 30% to 60% of the appreciated value of the property. Pursuant to a circular issued by the State Administration of Taxation, effective February 1, 2007, LAT obligations must be settled with the relevant tax bureaus within a specified time frame after the completion of a property project.

From time to time we make provisions for the full amount of applicable LAT in accordance with the relevant PRC tax laws and regulations pending settlement of the same with the relevant tax authorities. As we often develop our projects in phases, deductible items for calculation of LAT, such as land costs, are apportioned amongst such different phases of development. Provisions for LAT are made on our own estimates based on, among others, our own apportionment of deductible expenses which is subject to final confirmation by the relevant tax authorities upon settlement of the LAT. We believe that our overall provisions for LAT are sufficient. However, given the gap between the time at which we make provision for and the time 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. Hence, our LAT expenses as recorded in our financial statements of a particular period may require subsequent adjustments. For the years ended December 31, 2015, 2016 and 2017 and for the six months ended June 30, 2017 and 2018, we recorded LAT expenses in the amount of RMB530.5 million, RMB542.3 million, RMB797.1 million (US\$120.5 million), RMB229.6 million and RMB108.1 million (US\$16.3 million), respectively. If we substantially underestimate LAT for a particular period, a payment of the actual LAT assessed on us by the tax authorities could materially and adversely affect our financial results for a subsequent period.

Our success depends on the continuing services of our key management members

We depend on the services provided by our senior management and other skilled and experienced key staff members, in particular, Chairman Zhang. Chairman Zhang has more than 20 years of experience in the PRC property development industry. Other members of our senior management team also have substantial experience in the PRC property development industry, with an average of over 16 years of relevant experience. As competition for experienced managerial talents and skilled personnel in the property development market is intense and the pool of qualified candidates is limited, we may not be able to retain the services of our senior executives

or key personnel, or attract and retain high-quality senior executives or key personnel in the future. The loss of the services of our senior management or other key personnel and failure to find qualified replacements could disrupt and adversely affect our operations. Moreover, along with our rapid growth and expansion into other regional markets in the PRC, we will need to hire and retain skilled managers to lead and manage our regional operations. If we cannot attract and retain qualified personnel, our business and future growth may be materially and adversely affected.

Our controlling shareholder is able to influence our corporate policies and direct the outcome of corporate actions requiring shareholders' approval

As of June 30, 2018, approximately 72.9% of our outstanding shares were beneficially owned by our controlling shareholder, Chairman Zhang. The interests of our controlling shareholder may differ from our interests or the interests of our other shareholders. Subject to compliance with the Listing Rules and applicable laws, by maintaining such ownership, Chairman Zhang is able to influence our corporate policies, appoint our directors and officers and vote on corporate actions requiring shareholders' approval. In particular, the strategic goals of Chairman Zhang may not be aligned with our strategies and could reduce the level of management flexibility that would otherwise exist with a more diversified shareholder base. We cannot assure you that our controlling shareholder will act entirely in our interest or that any potential conflicts of interest will be resolved in our favor.

The property development business is subject to claims under statutory quality warranties

Under Regulations on the Administration of Quality of Construction Works (《建設工程質量管理條例》), which became effective on January 20, 2000 and amended on October 7, 2017, all property developers in the PRC must provide certain quality warranties for the properties they construct or sell. We are required to provide these warranties to our customers. Generally, we receive quality warranties from our third-party contractors with respect to our property projects. If a significant number of claims are brought against us under our warranties, and if we are unable to obtain reimbursement for such claims from third-party contractors in a timely manner, or if the money retained by us or the indemnity provided to cover our payment obligations under the quality warranties is not sufficient, we may incur significant expenses to resolve such claims or face delays in remedying the related defects, which may in turn harm our reputation, and materially and adversely affect our business, financial condition and results of operations.

Potential liability for environmental problems may delay our property development schedules and increase development costs

We are subject to a variety of laws and regulations concerning the protection of the environment. Environmental laws and regulations can prohibit or severely restrict property development activities in environmentally sensitive regions or areas and may vary significantly depending on the location, environmental condition and present and former uses of the site. Compliance with environmental laws and regulations may delay our property development schedules and increase our compliance and other costs and can severely restrict project development activities in environmentally sensitive regions or areas. See the sections entitled “Business — Environmental Matters” and “Business — Legal Proceedings” in this offering memorandum for details.

As required by PRC laws, we engage independent environmental consultants to conduct environmental impact assessments at all of our construction projects and submit such environmental impact assessment documents to the relevant government authorities for approval before commencement of construction. The local authorities may request a developer to submit the environmental impact documents, issue orders to suspend the construction and impose a penalty for a project where environmental impact assessment documents have not been approved before commencement of construction. It is also possible that the environmental impact assessment conducted may not reveal all environmental liabilities or their extent, and there may be material environmental liabilities of which we are unaware. If any portion of the project is found to be non-compliant with relevant environmental standards, we may be subject to suspension of our operations of such project as well as fines and penalties.

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

In line with industry practice, we have entered into arrangements with various banks for the provision of mortgage financing to our customers. We do not conduct independent credit checks on our customers, but rely on credit checks conducted by relevant banks. As with other property developers in the PRC, the banks usually require us to guarantee our customers' obligations to repay the mortgage loans on the properties. The guarantee period normally lasts until the bank receives the strata-title building ownership certificate (分戶產權證) from the customer as security of the mortgage loan granted. As of June 30, 2018, our outstanding guarantees in respect of the mortgages of our customers amounted to RMB7,909.2 million (US\$1,195.3 million). If a customer defaults under a mortgage loan during the term of the guarantee, we may be required to repay all debt owed by such purchaser to the mortgagee bank under the loan. Under such circumstances, we have the right to forfeit the down payment received and sell the repossessed properties. See the section entitled "Business — Project Development Management — Our Standardized Property Development Process — Completion, Delivery and After-sales Services — Customers Payment Arrangements" for more details of our guarantees provided in respect of mortgage loans borrowed by customers. Should any material default in repayment of mortgage loans by our customers during our guarantee periods occur and if we are called upon to honor our guarantees, our financial condition and results of operations may be materially and adversely affected.

We may not be in full compliance with the applicable PRC laws and regulations

We were not, and may from time to time not be, in full compliance with the applicable PRC laws and regulations. Some of our recent non-compliance incidents include commencement of construction before obtaining construction work commencement permits. Although we have put in effect internal control measures to prevent occurrence of similar incidents in the future, there is no assurance that we will not have any non-compliance incidents in the future. Any future judgment or penalty against us in respect of these non-compliance incidents could have a material adverse effect on our reputation, cash flow and results of operations.

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

We may from time to time be involved in disputes with various parties involved in the development and the sale of our properties, including contractors, suppliers, construction companies, original residents and business or joint venture partners. Purchasers of our properties may also take legal actions against us if our developed properties are perceived to be inconsistent with our representations and warranties made to such purchasers. 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 resources and management's attention from our core business activities. In addition, we may have compliance issues with regulatory bodies in the course of our operations, and as a result, we may face administrative proceedings and unfavorable decisions that may result in liabilities and cause delays to our property development. We may be involved in

other proceedings or disputes in the future that may have a material adverse effect on our business, financial condition, results of operations or cash flows.

We may encounter delays in the issuance and delivery of title documents after sale and such delay may in turn give rise to claims from our customers

Sales contracts relating to our property projects are prepared in accordance with applicable legal requirements and, if applicable, local regulations and practices prescribed by local governmental authorities. Under PRC laws, sales contracts must be properly registered with the relevant authorities in order for the property transfer to be effective, and the failure to so register may result in delay of the property transfer. We generally undertake to attend to all filing and registration procedures required of property developers so as to facilitate subsequent applications by our customers for issuance of strata-title Building Ownership Certificates (分戶產權證). If there are any changes in practice of the relevant government authorities or interpretation of the applicable rules and regulations, we may be under legal obligations to procure delivery of strata-title Building Ownership Certificates for our customers and we may experience delays that are beyond our control, such as time-consuming examination and approval processes at various government agencies, in completing certain deliverables. In such circumstances, we may be subject to claims from our customers for breaching the terms of the sales contracts or otherwise and our business and financial condition may be materially and adversely affected and our reputation may be damaged in the case of serious delays of one or more of our property projects.

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

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

In respect of the investment properties we hold, we do not have a unified policy of procuring insurance policies for all such properties. Whilst some of our investment properties are covered by property all-risk, equipment damage and public liability insurance, each of our subsidiaries holding an interest in and/or managing investment properties is at liberty to procure its own insurance policy from insurance companies. The level of insurance coverage acquired for each of the investment properties we own and/or manage may not be adequate to cover all the potential losses. Furthermore, there are certain types of losses, such as losses due to earthquakes, typhoons, flooding, war and civil disorder, for which insurance is not available on what we believe to be commercially reasonable terms in the PRC. In addition, in line with general industry practice in the PRC, we do not maintain insurance in respect of litigation risks, business termination risks, product liability or important personnel. As a result, we have not purchased insurance to cover any such losses.

If we suffer any losses, damages or liabilities in the course of our business operations, we may not have adequate insurance coverage for such losses, damages or liabilities or to replace any property that has been destroyed. Therefore, we may sustain losses, damages and liabilities because of our lack of insurance coverage, which may in turn materially and adversely affect our financial condition and results of operations.

We engage in resettlement operations that involve the resettlement of existing residents and the resettlement process may be delayed or not be completed as planned, and as a result our land acquisition and development process may be materially and adversely affected

We may from time to time undertake primary land development projects, whereby we are responsible for the compensation and resettlement of affected local residents, the demolition of

existing structures and the clearing of land of the relevant areas. We are often required to repay certain amounts to the local government authorities before commencement of such resettlement operations. In cases where resettlement of local residents is involved, we may be required to compensate the affected local residents in accordance with applicable laws and regulations. Any disputes with local residents as to the related compensation or refusals of dissenting residents for relocation may increase our resettlements costs, delay the resettlement process and the subsequent land acquisition and development process, which may in turn have a material adverse effect on our business, results of operation and financial condition.

Any damage to our brand image may materially and adversely affect our business, financial condition and results of operations

We rely on our reputation and brand image to a significant extent to attract potential customers for our properties. Any negative incident, unauthorized use of our brand name or image or negative publicity concerning us or our properties may materially and adversely affect our reputation and business prospects. Reputation and brand image are based largely on consumer perceptions with a variety of subjective qualities and can be damaged even by isolated business incidents that degrade consumer 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 in our properties, or if we are perceived to act in an unethical or socially irresponsible manner. In addition, the performance of our tenants or occupiers may also affect our reputation and public image. Any negative publicity and the resulting decrease in brand value may have a material adverse effect on our business, financial condition and operating results.

Property development and pre-sale schedule of Shenyang Glory City may be delayed as a result of delayed governmental demolition and resettlement processes

As of June 30, 2018, we had received the confirmation letter on bidding for granting land use rights but had not yet signed the relevant land grant contract for land parcels with a site area of 51,096 sq.m. in Phase VII of Shenyang Glory City, because demolition of existing buildings, resettlement of existing residents and construction of basic infrastructure by the local government on such land parcels had not been completed. The estimated total GFA on these land parcels is 127,539 sq.m., accounting for 0.89% of the total GFA of our properties held for future development as of June 30, 2018. Delay in governmental demolition and resettlement processes may delay property development and pre-sale schedule of Shenyang Glory City, which may in turn adversely affect our business, results of operations and financial condition.

We may not be able to fully detect money laundering and other illegal or improper activities in our business operations on a timely basis

We are required to comply with applicable anti-money laundering, anti-terrorism laws and other regulations in the PRC and other relevant jurisdictions. The PRC's anti-money laundering law requires financial institutions to establish sound internal control policies and procedures with respect to anti-money laundering monitoring and reporting activities. Such policies and procedures require us, among other things, establish a customer identification system in accordance with the relevant rules, record the details of customer activities and report suspicious transactions to the relevant authorities. While we have adopted policies and procedures aimed at detecting and preventing the use of our business vehicles to facilitate money laundering activities and terrorist acts, such policies and procedures in some cases have only been recently adopted and may not completely eliminate instances in which it may be used by other parties to engage in money laundering and other illegal activities. In the event that we fail to detect money laundering or other illegal or improper activities or fail to fully comply with applicable laws and regulations,

the relevant government agencies may conduct investigations on our business and senior management, freeze our assets or impose fines or other penalties on us. Any of these may materially and adversely affect our business reputation, financial condition and results of operations.

RISKS RELATING TO THE REAL ESTATE INDUSTRY IN THE PRC

We face intense competition

The property market in Beijing and the Pearl River Delta region, which we are currently focusing on and plan to further expand into, as well as other cities such as Shenyang, Zhengzhou, Haikou, Langfang, Wanning, Shenzhou and Suzhou has been competitive in recent years. Many of our competitors, including overseas listed foreign developers and top-tier domestic developers, may have more financial, marketing, or other resources than us and may be more sophisticated than us in terms of engineering and technical skills. Competition among property developers may cause an increase in land costs and raw material costs, shortages in quality construction contractors, surplus in property supply leading to property price decline, further delays in issuance of governmental approvals, and higher costs to attract or retain talented employees. Moreover, property markets across the PRC are influenced by various other factors, including changes in economic conditions, banking practices and consumer sentiment. If we fail to compete effectively, our business operations and financial condition will be materially and adversely affected.

The PRC property market is heavily regulated and subject to frequent introduction of new regulations which may adversely affect property developers

The PRC government exerts considerable direct and indirect influence on the growth and development of the PRC property market through industry policies and other economic measures such as setting the benchmark interest rates of commercial banks, increasing bank reserve ratios and implementing lending restrictions, increasing tax and duties on property transfers, imposing foreign investment and currency exchange restrictions, restricting foreign investment in the PRC property sector and restricting or reducing the supply of land for property development. In particular, from 2003, the PRC government introduced a series of regulations and policies designed to generally control the growth of the property market, including, among others:

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

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

- raising the minimum amount of down payment required to purchase residential property;
- tightening the availability of individual housing loans in the property market to individuals and their family members with more than one residential property;
- limiting the availability of individual housing provident fund loans for the purchase of second (or more) residential properties by individuals and their family members; and

- imposing a VAT tax levy on the sales proceeds for second-hand transfers based on the length of holding period and type of properties and a 20% tax on profits from the individual sale of second-hand homes.

See the section entitled “Regulation” in this offering memorandum for details.

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

Policies and regulations introduced by the PRC government with respect to overseas investment may restrict our ability to secure new projects and related investments

The PRC government has introduced a number of policies and regulations aimed at regulating overseas investment in the property development industry in the past few years. On July 11, 2006, the Ministry of Construction, MOFCOM, NDRC, the PBOC, SAIC and SAFE issued the Opinions on Regulating the Entry and Administration of Foreign Investment into the Property Market (《關於規範房地產市場外資准入和管理的意見》), which revised on August 19, 2015. On May 23, 2007, the MOFCOM and SAFE issued the Circular on the Reinforcement and Regulation of Approval and Supervision of Foreign Direct Investment in the Real Estate Industry (《關於進一步加強、規範外商直接投資房地產業審批和監管的通知》) (“Notice 50”). On November 11, 2015, MOFCOM and SAFE jointly issued the Circular on Further Improving the Record-filing for Foreign Investment in Real Estate (《關於進一步改進外商投資房地產備案工作的通知》).

Pursuant to the requirements in the above-mentioned circulars, we must apply to the relevant examination and approval authorities if we plan to expand the scope of our business or the scale of our operations, engage in new project development or operations or increase the registered capital of our PRC foreign-invested subsidiaries in the future. If the PRC government issues further restrictive policies or regulations regulating or restricting foreign investment in the PRC property development industry, our business and operations, our ability to secure new projects may suffer and our business, financial condition and results of operations could be materially and adversely affected.

Compared with the matured international property market, property development in the PRC is still at an early stage

Private ownership of property in the PRC is still in a relatively early stage of development. Although demand for private residential property in the PRC has been growing rapidly in recent years, such growth is often coupled with volatility in market conditions and fluctuations in property prices. It is extremely difficult to predict by how much and when demand will develop, as many social, political, economic, legal and other factors, most of which are beyond our control, may affect the development of the market. The level of uncertainty is intensified by limited availability of accurate financial and market information as well as the overall low level of transparency in the PRC.

The lack of a liquid secondary market for residential property may discourage investors from acquiring new properties. In addition, the limited amounts and types of mortgage financing available to individuals, together with the lack of long-term security of legal title and enforceability of property rights, may also inhibit demand for residential property. Furthermore, risk of property over-supply is increasing in parts of the PRC, where property investment, trading and speculation have become overly active. In the event of actual or perceived over-supply, property prices may fall significantly and our revenue and results of operations will be adversely affected.

If as a result of any one or more of these or similar factors as described above, demand for residential property or market prices decline significantly, our business, financial condition and results of operations may be materially and adversely affected.

The revenue of property developers in the PRC depends on the availability of mortgages to property purchasers in the PRC and their ability to procure mortgages

Many property purchasers in the PRC rely on mortgages to finance their property purchases. A number of factors that are beyond our control may affect the market for and the availability of mortgages in the PRC.

Interest rates in the PRC have been relatively stable during the past decade. However, from October 2004 to December 2007, the PBOC took a series of actions to cool down the then overheated PRC economy by, among other things, raising its benchmark interest rates. There is no assurance that the PBOC will not raise the benchmark rates in the future. Any increase in interest rates will decrease the affordability and attractiveness of mortgage financing to our customers, and this may in turn materially and adversely affect demand for our properties.

In addition, the PRC government and commercial banks may also increase the down payment requirements, impose other conditions or otherwise change the regulatory framework in a manner that would make mortgage financing unavailable or unattractive to potential property purchasers. Also we provide guarantees to banks for the mortgages they offer to our customers. If there are changes in laws, regulations, policies and practices that would prohibit property developers from providing such guarantees, and if these banks would not accept any alternative guarantees by other third parties, or if no third party is available in the market to provide such guarantees, it may become more difficult for property purchasers to obtain mortgages from banks during pre-sales.

Any disruption to, or change in, the banking sector in the PRC that affects our customers' ability to obtain mortgages, or our ability to provide guarantees to such mortgages, may materially and adversely affect our liquidity and operational performance.

Changes in PRC laws and regulations with respect to pre-sale may materially and adversely affect our business performance

We depend on proceeds from the pre-sale of properties as an important source of funding for our property development. Under current PRC laws and regulations, property developers must fulfill certain conditions before they can commence pre-sale of the relevant properties and must use pre-sale proceeds for the sole purpose of financing the property development. We cannot assure you that the PRC government will not implement further restrictions on property pre-sale, such as imposing additional conditions for obtaining pre-sale permits or imposing further restrictions on the use of pre-sale proceeds. The adoption of any such measures may materially and adversely affect our cash flow position and force us to seek alternative sources of funding to finance our project development.

RISKS RELATING TO THE PRC

All of our assets are located in the PRC and all of our revenue is sourced from the PRC. Accordingly, our business, results of operations, financial position and prospects are subject, to a significant degree, to economic, political and legal developments in the PRC, including the following risks:

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

The PRC economy differs from the economies of most of the developed countries in many aspects, including:

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

The PRC economy has been transitioning from a centrally planned economy to a more market-oriented economy. For approximately three decades, the PRC government has implemented economic reform measures to utilize market forces in the development of the PRC economy and is continuing to play a significant role in regulating industries by imposing industrial policies. Although we believe these reforms will have a positive effect on the PRC's overall and long-term development, we cannot predict whether changes in the PRC's economic, political and social conditions and in its laws, regulations and policies will have any material adverse effect on our current or future business, financial condition or results of operations.

In addition, many of the economic reforms carried out by the PRC government are unprecedented or experimental and are expected to be refined and improved over time. This refining and adjustment process may not necessarily have a positive effect on our operations and business development. For example, the PRC government has in the past implemented a number of measures intended to slow down 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 a material adverse impact on our business and financial condition.

A slowdown of the PRC economy may slow down our growth and may affect our business

The PRC economy has recorded one of the world's fastest growth rates in terms of GDP. However, we cannot assure you that such growth will be sustained and continue in the future. In addition, a slowdown in the economies of the United States, the European Union and certain Asian nations with which the PRC has important trade relationships or any future calamities may materially and adversely affect the economic growth of the PRC. If the PRC economy experiences a significant downturn, our business, results of operations, financial condition and prospects may be materially and adversely affected.

China's economic growth may also slow down due to weakened exports as well as recent developments surrounding the trade-war with the United States. Starting in April 2018, the United States imposed tariffs on steel and aluminum imports from China, and later on July 6, 2018, the United States imposed 25% tariffs on US\$34 billion worth of Chinese goods as part of President Donald Trump's tariffs policy. In turn, the PRC responded with similarly sized tariffs on United States' products. On September 18, 2018, President Donald Trump imposed 10% tariffs on approximately US\$200 billion worth of Chinese goods and planned to increase further. In return, the PRC responded with tariffs on US\$60 billion of U.S. goods. On December 1, 2018, the United States and China agreed to temporarily pause the trade war and resume negotiation. The amicable resolution of such a trade war remains elusive, and the lasting impacts any trade war may have on the PRC economy and the PRC real estate industry uncertain. Should the trade war between the United States and the PRC begin to materially impact the PRC economy, the purchasing power of our customers in the PRC could be negatively affected.

In addition, rapid economic growth can lead to growth in money supply and inflation. If prices of our properties rise at a rate that is insufficient to compensate for the rise in our costs, our business, financial condition and operating results may be materially and adversely affected. 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 and may materially and adversely affect our business, results of operation and financial condition.

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

Our business is subject to general economic and social conditions in the PRC. Natural disasters, epidemics, other acts of God and other disasters that are beyond our control may materially and adversely affect the economy, infrastructure and livelihood of the people in the PRC. Some regions in the PRC, including the cities where we operate, are under the threat of flood, earthquake, sandstorm, snowstorm, fire or drought. Our business, financial condition and results of operations may be materially and adversely affected if these natural disasters occur.

Epidemics, such as Severe Acute Respiratory Syndrome, or SARS, H5N1 or H7N9 avian flu or the human swine flu, also known as Influenza A (H1N1), threaten people's lives and may materially and adversely affect their livelihoods. For examples, a destructive earthquake measured at magnitude 8.0 on the Richter scale took place in Sichuan Province of the PRC on May 12, 2008 and another earthquake measured at magnitude 7.1 hit Yushu county in Qinghai Province on April 14, 2010, and resulted in tremendous loss of lives and destruction of assets in the affected regions. Another destructive earthquake took place in Sichuan Province, near the city of Ya'an, in April 2013. A recurrence of SARS or an outbreak of any other epidemics or other natural disasters in China, especially in areas where we have operations may result in material disruptions to our property development and our sales and marketing, which in turn may materially and adversely affect our business, financial condition and results of operations.

Fluctuations in foreign exchange rates and changes in foreign exchange regulations may have a material adverse impact on our business

Substantially all of our revenues and expenditures are denominated in Renminbi, which is currently not a freely convertible currency. We do not have a formal hedging policy and have not entered into any foreign currency exchange contracts or derivative transactions to hedge our currency risk. In addition, we will require foreign currencies for dividend payment (if any) to our shareholders. As a result, we are exposed to foreign currency fluctuations.

In the PRC, since 1994, the conversion of Renminbi into foreign currencies, including Hong Kong and U.S. dollars, has been based on rates set by the PBOC. 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. In August 2015, the midpoint price of Renminbi against U.S. dollar decreased by 4.78% from August 10 to August 27, 2015, and further fluctuated in January 2016 after the PBOC announced an adjustment to the mechanism of determining the midpoint price of Renminbi against the U.S. dollar to make the exchange rate of Renminbi more market-based. Any appreciation of Renminbi may result in the decrease in the value of foreign currency-denominated assets. Conversely, any depreciation of Renminbi may adversely affect our business, results of operations and financial condition.

Capital account transactions in foreign currencies are subject to significant exchange controls and generally require the approval of PRC government authorities, including SAFE. Under the existing PRC foreign exchange regulations, by complying with certain procedural requirements, we will be able to pay dividends (if any) in foreign currencies without prior approval from SAFE. However, in the future, the PRC government may, at its discretion, take measures to restrict access to foreign currencies for current account transactions under certain circumstances. In this case, we may not be able to pay dividends in foreign currencies to our shareholders.

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

Our business is conducted in the PRC and is governed by PRC laws and regulations. All of our operating subsidiaries are located in the PRC and are subject to PRC laws and regulations. These regulations contain provisions that are required to be included in the articles of association of PRC companies and are intended to regulate the internal affairs of these companies. The PRC legal system is a civil law system based on written statutes, and prior court decisions have little precedential value and can only be used as a reference. Additionally, PRC written statutes are often principle-oriented and require detailed interpretations by the enforcement bodies to further apply and enforce such laws. Since 1979, the PRC legislature has promulgated laws and regulations in relation to economic matters such as foreign investment, corporate organization and governance, commercial transactions, taxation and trade, with a view to developing a comprehensive system of commercial law, including laws relating to property ownership and development.

However, due to the fact that these laws and regulations have not been fully developed, and because of the non-binding nature of prior court decisions, interpretation of PRC laws and regulations involves a degree, sometimes a significant degree, of uncertainty. The interpretation of statutes, regulations and rules may also be subject to government policies which can change to reflect domestic political factors. Depending on the government agency or how or by whom an application or case is presented to such agency, we may receive less favorable interpretation of laws and regulations than our competitors. For example, on September 14, 2015, the NDRC issued the Circular on Promoting the Reform of the Administrative System on the Issuance by Enterprises of Foreign Debt Filings and Registrations (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知(發改外資[2015]2044號), the “NDRC Circular”), which came into effect on the same date. According to the NDRC Circular, if a PRC enterprise or an offshore enterprise controlled by a PRC enterprise wishes to issue debt securities outside of the PRC with a maturity of more than one year, such enterprise must, in advance of issuing such debt securities, file certain prescribed documents with the NDRC and procure a registration certificate from the NDRC in respect of such issuance (the “Pre-Issuance Registration Certificate”). In addition, the enterprise must also provide information on the issuance of the debt securities to the NDRC within 10 working days of the completion of the issue (the “Post-Issuance Filing”). The NDRC Circular is a recent regulation and its interpretation may involve significant uncertainty. In addition, the administration of the NDRC Circular may be subject to a certain degree of executive and policy discretion by the NDRC. However, there is no assurance that the Company will be able to comply with the NDRC requirements to provide the notification of the particulars of the issue of the Notes to the NDRC within the prescribed timeframe. The NDRC Circular does not expressly state the legal consequences of non-compliance with such post-issue notification requirements, therefore there is no assurance that the failure to comply with the NDRC requirements would not result in any adverse consequences for the Company, the Notes or the investors in the Notes. There is also no assurance that the registration with the NDRC will not be revoked or amended in the future or that future changes in PRC laws and regulations will not have a negative impact on the performance or validity and enforceability of the Notes in the PRC. Potential investors of the Notes are advised to exercise due caution when making their investment decisions. We cannot predict the effect of future legal developments in China, including the promulgation of new laws, changes in existing laws or their interpretation or enforcement, or the pre-emption of local regulations by national laws. In addition, any litigation in the PRC may be protracted and result in substantial costs and diversion of resources and management attention. All these uncertainties may limit the legal protections available to foreign investors, including you.

In addition, the PRC legal system is based, in part, on governmental policies and internal rules (some of which are not published on a timely basis or at all) that may have a retroactive effect. We may also be deemed to have violated certain policies or rules for the actions of our counterparties in various transactions even if we are not aware of whether our counterparties are acting in compliance with applicable PRC laws and regulations. Accordingly, we may not be aware

of any actual or deemed violations of such policies and rules until some time after such violations have taken place. Furthermore, any litigation we undertake in the PRC, regardless of its outcome, may be protracted and result in substantial costs to us and diversion of both our resources and management attention.

You may experience difficulties in effecting service of process, enforcing foreign judgments or bringing original actions in the PRC against us or our directors or officers

We are a company incorporated under the laws of the Cayman Islands, but substantially all of our operations and assets are located in the PRC. As a result, it may not be possible for you to effect service of process within the PRC on, or to enforce any judgments obtained from non-PRC courts against us, our PRC subsidiaries or our management who reside in the PRC. The PRC does not have treaties or arrangements providing for the recognition or enforcement of civil judgments made by the courts in many other jurisdictions (including, but not limited to, the courts in the Cayman Islands and most other western countries). Therefore, the recognition and enforcement in the PRC of judgments obtained in such jurisdictions may be difficult or even impossible. In addition, there are doubts as to the enforceability in original actions brought in the PRC of actions predicated on the laws of other jurisdictions.

Failure to comply with the SAFE regulations relating to special purpose vehicles by our beneficial owners may materially and adversely affect our business operations, limit our ability to inject capital into our PRC subsidiaries, limit the ability of our PRC subsidiaries to distribute profit to us or subject us to fines

On October 21, 2005, SAFE promulgated the Notice on Relevant Issues Concerning Foreign Exchange Administration for Domestic Residents to Engage in Financing and Return Investment via Overseas Special Purpose Vehicles (《國家外匯管理局關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》) (“Notice 75”) which became effective on November 1, 2005. The notice requires PRC residents (境內居民) to register with the local SAFE branch in the following circumstances: (i) before establishing or controlling any company outside the PRC for the purpose of equity financing, (ii) after contributing their assets or shares of a domestic enterprise into overseas special purpose vehicles, or raising funds overseas after such contributions, and (iii) after any major change in the share capital of the special purpose vehicles without any return investment being made. On July 4, 2014, SAFE promulgated Notice on Relevant Issues Concerning Foreign Exchange Administration for Domestic Residents to Engage in Onshore and Offshore Financing, Investment and Return Investment via Overseas Special Purpose Vehicles (《國家外匯管理局關於境內居民通過境外特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) (“Notice 37”), which supersedes Notice 75. Under Notice 37, amendment of prior registration with the relevant SAFE branch is required where there are changes in basic information of the registered special purpose company or other material changes such as increase or decrease in individual PRC resident’s capital, share transfer or swap, merger or split.

If our beneficial owners fail to comply with such procedures, our PRC subsidiaries may not be able to remit foreign currency payments out of China, which may affect our ability to service our offshore indebtedness, including the Notes, and may materially and adversely affect our business operations.

We may be deemed a PRC resident enterprise under the PRC Enterprise Income Tax Law and be subject to PRC taxation on our worldwide income, and payments on, and proceeds from a sale of, the Notes may be subject to PRC tax

Under the PRC Enterprise Income Tax Law, which came into effect on January 1, 2008, enterprises established outside the PRC whose “*de facto* management bodies” are located in China are considered “resident enterprises” for PRC tax purposes and their global income will generally be subject to the uniform 25% PRC enterprise income tax rate. Under the Implementation Rules for the PRC Enterprise Income Tax Law, “*de facto* management bodies” is defined as management bodies that have material and overall management control over the business, personnel, accounts and properties of an enterprise. In April 2009, the PRC State Administration of Taxation specified certain criteria for the determination of “*de facto* management bodies” for enterprises incorporated overseas with controlling shareholders that are onshore enterprises or enterprise groups in the

PRC. However, it remains unclear how the tax authorities will treat an overseas enterprise invested or controlled by another overseas enterprise and ultimately controlled by PRC individual residents, as in our case.

Substantially all of our management is currently based in the PRC and may remain in the PRC. Therefore, we may be treated as a PRC resident enterprise for PRC enterprise income tax purposes. The tax consequences of such treatment are currently unclear as they will depend on how PRC finance and tax authorities apply or enforce the PRC Enterprise Income Tax Law and the Implementation Rules.

Although it is unclear under PRC tax law whether we have a “*de facto* management body” located in the PRC for PRC tax purposes, we currently take the position that we are not a PRC resident enterprise for tax purposes. We cannot assure you that the tax authorities will agree with our position. If we are deemed to be a PRC resident enterprise for PRC Enterprise Income Tax Law purposes, we would be subject to the PRC enterprise income tax at the rate of 25% on our worldwide income, although dividends from our PRC subsidiaries may be exempted from such tax provided that the distribution is between two qualified PRC resident enterprises. Furthermore, we may be obligated to withhold PRC income tax at a rate of 10% on payments of interest and redemption premium on the Notes to investors that are non-resident enterprises, because the interest and redemption premium may be regarded as being derived from sources within the PRC. The tax rate may be reduced by an applicable tax treaty. For example, the tax rate may be reduced to 7% in the case of investors that are non-resident enterprises located in Hong Kong that are the beneficial owners of the income for purposes of the Arrangement Between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income. In the case of individual holders of Notes, a withholding tax on payments of interests and redemption premium on the Notes may be imposed at a rate of 20%. In addition, if we fail to withhold, we may be subject to fines and other penalties. If we are required to withhold PRC tax from interest payments on the Notes, we will be required, subject to certain exceptions, to pay such additional amounts as will result in receipt by the holders of the Notes of such amounts as would have been received had no such withholding been required. The requirement to pay additional amounts will increase the cost of servicing interest payments on the Notes and could have a material adverse effect on our financial condition. Further, if we were treated as a PRC resident enterprise, any gain realized by a non-resident investor from the transfer of the Notes may be regarded as being derived from sources within the PRC and accordingly may be subject to a 10% PRC tax in the case of non-resident enterprises or 20% in the case of non-resident individuals, subject to the provisions of any applicable tax treaty.

RISKS RELATING TO THE NOTES

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

The Additional Notes may initially be sold to a small number of investors. Accordingly, a liquid trading market may not develop or be sustained, in which case you may not be able to resell your Notes at their fair market value or at all. In addition, one or more of the initial investors may purchase a significant percentage of the aggregate principal amount of the Notes in this offering. Additionally, as certain of our affiliates may also purchase the Notes, circumstances may occur in which our interests or those of our affiliates may be in conflict with the interest of other holders of the Notes. If such holder or our affiliate sells a material portion of the Notes in the secondary market, it may materially and adversely affect the trading price of the Notes. The negative effect of such sales on the prices of the Notes could be more pronounced if secondary trading in the Notes is limited or illiquid.

A holder of a significant percentage in aggregate principal amount of the Notes will have certain rights and powers under the Indenture and related documents, including either having a significant influence on or control of the outcome of votes on certain matters. While Notes held by our affiliates will be disregarded and deemed not to be “outstanding” in determining whether the holders of the requisite amount of outstanding Notes have given any request, demand, authorization, direction, notice, consent or waiver under the Indenture, non-affiliate holders of a majority in aggregate principal amount of the outstanding (i.e., non-affiliate held) Notes may, subject to certain exceptions, (i) direct the time, method and place of conducting any proceeding for exercising any remedy available to the Trustee or exercising any trust or power conferred on it, (ii) consent to amend the Indenture, the Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any) and (iii) waive any Default or Event of Default or compliance with any provision of the Indenture, the Notes, the Subsidiary Guarantees or the JV Subsidiary Guarantees (if any). Accordingly, any non-affiliate holder that holds a majority in aggregate principal amount of the outstanding Notes will be able to exercise such rights and powers on behalf of all holders of the Notes and control the outcome of votes on such matters. In addition, any non-affiliate holder that holds a significant percentage of the outstanding Notes, even if less than a majority, will be able to exercise certain rights and powers and will have significant influence on matters voted on by holders of the Notes. For example, non-affiliate holders of at least 25% in aggregate principal amount of the outstanding Notes may declare all of the Notes to be immediately due and payable if certain types of Events of Default have occurred and are continuing.

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

We are a holding company with no material operations. We conduct our operations primarily through our PRC subsidiaries. The Notes will not be guaranteed by any current or future PRC subsidiaries or by certain other Non-Guarantor Subsidiaries as defined in the section headed “Description of the Notes”. Our primary assets are ownership interests in our PRC subsidiaries and other Non-Guarantor Subsidiaries. The Subsidiary Guarantors do not, and the JV Subsidiary Guarantors (if any) may not, have material operations. The Notes, however, will not be guaranteed by any of our current or future PRC subsidiaries, or by certain other Non-Guarantor Subsidiaries. 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 the 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 our Non-Guarantor Subsidiaries and any holders of preferred shares in such entities, would have a claim on such 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 such subsidiaries, and all claims of creditors of our Subsidiaries will have priority as to the assets of such entities over our claims and those of our creditors, including holders of the Notes. As of June 30, 2018, we had bank and other borrowings and other indebtedness (including corporate bonds and senior notes) in the amount of RMB30,261.3 million (US\$4,573.2 million) and capital and other commitments and contingent liabilities of approximately RMB2,381.7 million (US\$359.9 million) and RMB7,909.2 million (US\$1,195.3 million), respectively. See the section entitled “Description of Other Material

Indebtedness” in this offering memorandum. The Notes and the Indenture permit us, the Subsidiary Guarantors, the JV Subsidiary Guarantor (if any) and our Non-Guarantor Subsidiaries to incur additional indebtedness and issue additional guarantees, subject to certain limitations. The Notes and the Indenture do not restrict the ability of our subsidiaries to issue certain categories of guarantee in the ordinary course of business. In addition, our secured creditors or those of any Subsidiary Guarantor or JV Subsidiary Guarantor (if any) would have priority as to our assets or the assets of such Subsidiary Guarantor or JV Subsidiary Guarantor (if any) securing the related obligations over claims of holders of the Notes.

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

The Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any) are unsecured obligations.

As the Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any) are unsecured obligations, the ability of the Company, the Subsidiary Guarantors or JV Subsidiary Guarantors (if any) to fulfill its or their financial obligations may be compromised if:

- the Company, any Subsidiary Guarantor or JV Subsidiary Guarantor (if any) enters into bankruptcy, liquidation, reorganization or other winding-up proceeding;
- there is a default in payment under secured indebtedness or other unsecured indebtedness of the Company, any Subsidiary Guarantor or JV Subsidiary Guarantor (if any); or
- there is an acceleration of any indebtedness of the Company, any Subsidiary Guarantor or JV Subsidiary Guarantor (if any).

If any of these events occur, the assets of the Company and the Subsidiary Guarantors and the JV Subsidiary Guarantees (if any) may not be sufficient to pay amounts due on the Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any).

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 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.

We are highly leveraged, including with indebtedness that will mature or become redeemable within one year, 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 Additional Notes, a significant level of indebtedness to finance our operations. As of December 31, 2015, 2016, 2017 and for the six months ended June 30, 2017 and 2018, our total current and non-current borrowings, which include our borrowings from banks and non-bank financial institutions, were RMB12,298.1 million, RMB15,907.9 million, RMB24,227.1 million (US\$3,661.3 million), RMB19,460.4 million and RMB22,006.8 million (US\$3,325.7 million), respectively and as of June 30, 2018 our corporate bonds were RMB3,994.6 million. As of June 30, 2018, we also have outstanding senior notes of RMB4,259.9 million (US\$643.8 million). Indebtedness under certain series of our senior notes will also mature or be subject to redemption by us in 2019. See "Description of Other Material Indebtedness" for more details. As a result, we are subject to refinancing risks against such maturing and redeemable indebtedness. Except for the 2017 Notes which are outstanding on the date of this offering memorandum, we cannot assure you that we will be able to refinance our other maturing/redeemable indebtedness, including those redeemable in 2019, in a timely manner on acceptable terms or at all. This risk is exacerbated by the current volatility in the global capital and credit markets. Out of our total borrowings (excluding corporate bonds and senior notes) as of June 30, 2018, RMB10,222.8 million (US\$1,544.9 million) was due within one year and RMB11,784.0 million (US\$1,780.8 million) was due in more than one year.

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 with 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. The Indenture restricts us and our Restricted Subsidiaries from issuing additional debt, incurring contingent liabilities or issuing preferred stocks, these restrictions are subject to important exceptions and qualifications. Under the Indenture, our ability to incur additional debt is subject to limitation on indebtedness and preferred stock covenant. Under such covenant, we may incur (i) certain Permitted Indebtedness or (ii) additional indebtedness if we can, among other things satisfy the Fixed Charge Coverage Ratio. The Fixed Charge Coverage Ratio is derived by dividing Consolidated EBITDA by Consolidated Fixed Charges. Because our definition of Consolidated 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 covenant, 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 has become payable by us), our Consolidated Interest Expense and our ability to incur additional debt could be even larger when compared to other similarly situated PRC senior notes issuers whose covenants would typically include such interest expense in the definition of consolidated interest expense. If we or our subsidiaries incur additional debt or contingent liabilities or issue preferred stocks, the risks that we face as a result of our already substantial indebtedness and leverage could intensify. In addition, we have and in the future may continue to enter into certain trust financing arrangements under which we undertake mandatory repurchase obligations. In some circumstances these investments may need to be accounted for as indebtedness, resulting in a significant increase to our liabilities as reported in our statement of financial position. We may also be required to account for refundable pre-sale deposits owed to customers as debt, to the extent that the buyers have requested a refund of these deposits, and the refunds have not yet been made.

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 cannot assure you that we will be able to generate sufficient cash flow from operations to support the repayment of our current indebtedness. If we are unable to service our indebtedness (including 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 specific exceptions to the financial ratios requirements, and meet any other applicable restrictions. Our ability to meet our financial ratios may be affected by events beyond our control. We cannot assure you that we will be able to meet these ratios. Certain of our other financing arrangements also impose operating and financial restrictions on our business. See the section entitled “Description of Other Material Indebtedness”. Such restrictions in the Notes and our other financing arrangements may negatively affect our ability to react to changes in market conditions, take advantage of business opportunities we believe to be desirable, obtain future financing, fund required capital expenditures, or withstand a continuing or future downturn in our business. Any of these factors could materially and adversely affect our ability to satisfy our obligations under the Notes and other debt.

Our Company is a holding company that relies on payment from our subsidiaries for funding, and any limitation on the ability of our PRC subsidiaries to pay dividends or repay intercompany loans or advances to us may have a material adverse effect on our ability to conduct our business

We are a holding company incorporated in the Cayman Islands and operate our core business primarily through our PRC subsidiaries. We rely on dividends and interest and principal payments on intercompany loans or advances from our subsidiaries for cash requirements, including the funds necessary to service any debt we incur (including obligations under the Notes) and to pay any dividend we declare. The ability of our subsidiaries to pay dividends and make payments on intercompany loans or advances to us is subject to, among other things, distributable earnings, cash flow conditions, restrictions contained in the articles of association of our subsidiaries, applicable laws and restrictions contained in the debt instruments of such subsidiaries. In particular, our PRC subsidiaries are required to set aside a certain percentage of their after-tax profit based on PRC accounting standards each year for their reserve fund in accordance with the requirements of relevant laws and provisions in their respective articles of association. 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 that specifically exempts or reduces such withholding tax. Pursuant to the Agreement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Incomes (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》), if the non-PRC parent company is a Hong Kong resident and directly holds a 25% or more interest in the PRC enterprise, the withholding tax rate may be lowered to 5%. However, according to the Circular in Relation to the Understanding and Determination of “Beneficial Owners” in Tax Treaties (《關於如何理解和認定稅收協定中“受益所有人”的通知》) issued by the PRC State Administration of Taxation on October 27, 2009, tax treaty benefits will be denied to “conduit” or shell companies without engaging in any substantive operation activities of production, marketing and management. As a result, our PRC subsidiaries may be restricted in their ability to transfer any portion of their net income to us whether in the form of dividends, repayment of intercompany loans or advances or otherwise. In particular, a number of our subsidiaries in the PRC are parties to bank loan agreements that restrict their ability to pay dividends. See the section entitled “Description of Other Material Indebtedness.” In addition, restrictive covenants in bank credit facilities, trust financing agreements or other agreements that we or our subsidiaries may enter into in the future, if any, may also restrict the ability of our PRC subsidiaries to pay dividends and make payments on intercompany loans or advances to us. Furthermore, if any of our subsidiaries raises capital by issuing equity securities to third parties, dividends declared and paid with respect to such equity would not be available to us to make payments on the Notes. Any limitation on the ability of our PRC subsidiaries to pay dividends to us may materially and adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our businesses, pay dividends, service our indebtedness (including the Notes) or otherwise fund and conduct our business.

Furthermore, in practice, the market interest rate 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 shareholders’ 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, subject to approval by local tax authorities) withholding tax on our behalf on the interest paid under any shareholders’ loans. PRC regulations require any of our non-PRC subsidiaries making shareholder loans in foreign currencies to our PRC subsidiaries to be registered with SAFE. Prior to payment of interest and principal on any such shareholder loan, the PRC subsidiaries must present evidence of payment of the 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 the JV Subsidiary Guarantees (as the case may be). Any limitation on the ability of our PRC subsidiaries to pay dividends to us may also materially and adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our businesses or otherwise fund and conduct our business.

Our transfer of funds into the PRC to finance our development projects is subject to approval by the PRC government.

The PRC government has implemented a series of rules and measures to control the inflow of foreign funds into the property development industry or for property speculation. The transfer of our net proceeds from the offering of the Notes into the PRC is subject to such PRC government control measures.

On April 28, 2013, SAFE issued the Measures for the Administration of Foreign Debt Registration (《外債登記管理辦法》) (“Notice 19”). According to Notice 19, local branches of SAFE must not register any foreign debt of a Foreign-Invested Real Estate Enterprise (the “FIREE”) if it obtained an approval certificate from competent commercial departments and filed with MOFCOM on or after June 1, 2007. It restricts the ability of foreign-invested property development companies to raise funds offshore by structuring the funds as a shareholder loan to the property development companies in the PRC. Instead, in most circumstances such companies have to structure the funds from offshore as an equity investment and obtain the funds through an increase of their registered capital or the establishment of new foreign-invested property development companies. On June 18, 2008, MOFCOM issued the Circular on Better Implementation of the Filing of Foreign Investment in the Real Estate Industry (《商務部關於做好外商投資房地產業備案工作的通知》), pursuant to which MOFCOM has delegated the task of verifying filing documents to its provincial agencies. On May 23, 2007, MOFCOM and SAFE jointly promulgated Notice 50, which provides that, among things, existing foreign-invested enterprises need to obtain approval before expanding their business operations into the real estate sector and existing foreign-invested property developers and enterprises need to obtain new approval in case they wish to expand their existing real estate business operations.

The Provisional Measures for the Filing Administration of Establishment and Changes of Foreign-Invested Enterprises (2017 Revision) (《外商投資企業設立及變更備案管理暫行辦法(2017修訂)》) promulgated and implemented by the MOFCOM on July 30, 2017 and amended on June 30, 2018 set forth the prescribed procedures for the establishment and changes of foreign-invested enterprises which are not subject to the special management measures on admission as stipulated by China. Foreign-invested enterprises and their investors shall provide information for filing and completing the declaration form for filing application truthfully, accurately and completely according to such provision measures without any false records, misleading statements or material omission.

Pursuant to the above notices and other PRC Laws, we are required to register or apply for approvals from relevant PRC governmental authorities if we plan to expand the scope of our business or the scale of our operations, engage in new real estate project developments or operations or increase the registered capital of our subsidiaries or associated project companies in the PRC in the future. The injection of funds by any of such means is subject to the registration and approval requirements as mentioned above. As a result, we must register and apply for approval with the relevant PRC governmental authorities, and wait till the requested approvals are completed before we may transfer the proceeds from the offering of the Notes into the PRC for the intended uses in the PRC.

In addition, any capital contributions or loans that we, as an offshore company, make to our PRC operating subsidiaries, including from the proceeds of the offering of the Notes, are subject to other foreign investment regulations in the PRC. For example, any of our loans to our PRC subsidiaries cannot exceed the difference between the total investment amount that our PRC subsidiaries are approved to make under the relevant PRC laws and regulations, and their respective registered capital, and must be registered with or approved by the local branches of SAFE. Accordingly, PRC regulations on loans to and direct investments in PRC entities by offshore holding companies may delay or prevent our using the proceeds of this offering to make additional capital contributions to our PRC operating subsidiaries.

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. These changes in currency policy resulted in the Renminbi appreciating against the U.S. dollar by approximately 26.9% from July 21, 2005 to December 31, 2013. On March 17, 2014, the PBOC further widened the floating band against the U.S. dollar to 2.0%. Further, in August 2015, the midpoint price of Renminbi against U.S. dollar decreased by 4.78% from August 10 to August 27, 2015, and further fluctuated in January 2016 after the PBOC announced an adjustment to the mechanism of determining the midpoint price of Renminbi against the U.S. dollar to make the exchange rate of Renminbi more market-based. 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 materially and adversely affected because of our substantial U.S. dollar denominated indebtedness and other obligations. Such a devaluation could also materially and 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 the PRC 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 U.S. dollar-denominated liabilities under the Notes. These hedging agreements may require us to pledge or transfer cash and other collateral to secure our obligations under the agreements, and the amount of collateral required may increase as a result of mark-to-market adjustments. The Initial Purchaser and its affiliates may enter into such hedging agreements permitted under the Indenture, and these agreements may be secured by pledges of our cash and other assets as permitted under the Indenture. If we were unable to provide such collateral, it could constitute a default under such agreements.

Any hedging obligation entered into or to be entered into by us or our subsidiaries, may contain terms and conditions that may result in the early termination, in whole or in part, of such hedging obligation upon the occurrence of certain termination or analogous events or conditions (howsoever described), including such events relating to us and/or any of our subsidiaries, and the

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

We may not be able to repurchase the Notes at the option of the Holders of the Notes

Holders of the notes will have the right to require us to repurchase their Notes, in whole or in part, on February 27, 2021 at a repurchase price equal to 100% of the principal amount of the Notes to be repurchased, plus accrued and unpaid interest as described under “Description of the Notes — Repurchase of Notes by the Company at the Option of the Holders.” However, we may not have enough available cash or be able to obtain financing at the time it is required to make repurchases of the Notes surrendered therefor. In addition, our ability to repurchase the Notes may be limited by law, by regulatory authority or by agreements governing our future indebtedness. Any failure by us to repurchase the Notes when the repurchase would constitute a default under the indenture governing the Notes. A default under the indenture governing the Notes could also lead to a default under other agreements governing any indebtedness.

We may not be able to repurchase the Notes upon an Investor Put Triggering Event

Upon the occurrence of a Change of Control, the holder of each Note will have the option to require us to redeem all or some of the holder’s Notes at a purchase price equal to 101% of the principal amount plus accrued and unpaid interest. Upon the occurrence of a Delisting/Suspension Put Triggering Event, the holder of each Note will have the option to require us to redeem all or some of the holder’s Notes at a purchase price equal to 100% of the principal amount plus accrued and unpaid interest. See the section entitled “Description of the Notes — Repurchase of Notes Upon an Investor Put Triggering Event.”

The source of funds for any such purchase would be our available cash or third-party financing. However, we may not have enough available funds at the time of the occurrence of any Investor Put Triggering Event to make purchases of the 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 Investor Put 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, although these types of transactions could increase our indebtedness or otherwise affect our capital structure or credit ratings. The definition of Investor Put 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.

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

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

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”

We may be considered a PRC tax resident enterprise, as described above in “Risk Factors — Risks Relating to the PRC — We may be deemed a PRC resident enterprise under the PRC Enterprise Income Tax Law and be subject to PRC taxation on our worldwide income, and payments on, or proceeds from a sale of, the Notes may be subject to PRC tax.” In the event we are treated as a PRC “resident enterprise” under the EIT Law, we may be required to withhold PRC tax on interest payable to certain of our non-resident investors. In such case, we will, subject to certain exceptions, be required to pay such additional amounts as will result in receipt by a holder of a Note of such amounts as would have been received by the holder had no such withholding been required. As described under “Description of the Notes — Redemption for Taxation Reasons,” in the event we are required to pay additional amounts as a result of certain changes in specified tax laws or certain other circumstances, including any change or interpretation or the stating of an official position that results in our being required to withhold tax on interest payments as a result of our being treated as a PRC “resident enterprise,” we may redeem the Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount plus accrued and unpaid interest.

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 Noteholders. Potential investors should consider reinvestment risk in light of other investments available at that time.

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

Because we are incorporated under the laws of the Cayman Islands, an insolvency proceeding relating to us, even if brought in the United States, would likely involve Cayman Islands

insolvency laws, the procedural and substantive provisions of which may differ from comparable provisions of the laws of the United States or other jurisdictions with which holders of the Notes are familiar. In addition, the Subsidiary Guarantors are incorporated in Hong Kong and the insolvency laws of Hong Kong may also differ from the laws of the United States or other jurisdictions with which the holders of the Notes are familiar.

We conduct substantially all of our business operations through PRC-incorporated subsidiaries in the PRC. We and our Subsidiary Guarantors, as equity holders in our PRC subsidiaries, are necessarily subject to the bankruptcy and insolvency laws of the PRC 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 United States and other jurisdictions with which the holders of the Notes are familiar. You should analyze the risks and uncertainties in the insolvency laws of the Cayman Islands, Hong Kong, the PRC and other jurisdictions applicable to us carefully before you invest in our Notes.

We may be unable to obtain and remit foreign exchange

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

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 amounts borrowed 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 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 and other debt agreements, which could limit our ability to plan for or react to market conditions or meet our capital needs, which could increase your credit risk

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

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

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

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

Although the Original Notes are listed on the Hong Kong Stock Exchange and we have received the eligibility letter for listing of the Additional Notes from the Hong Kong Stock Exchange, we cannot assure you that we will obtain or be able to maintain a listing on the Hong Kong Stock Exchange, or that, if listed, a liquid trading market will develop. We have been advised that the Initial Purchaser intends to make a market in the Additional Notes, but the Initial Purchaser is not obligated to do so and may discontinue such market making activity at any time without notice. In addition, the Additional 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 Additional 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." We cannot predict whether an active trading market for the Notes will develop or be sustained.

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

The Additional Notes are expected to be assigned a rating of “B” by Fitch Ratings Ltd. The rating addresses our ability to perform our obligations under the terms of the Notes and credit risks in determining the likelihood that payments will be made when due under the Notes. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time. We cannot assure you that such rating will be confirmed or it 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 (such circumstances include, for example, if we or our Restricted Subsidiaries were to incur substantial additional indebtedness to the extent permitted under the Indenture). For example, in September 2018, Standard & Poor’s Ratings Services lowered our corporate rating from “B” to “B-” with a negative outlook and lowered the ratings on our outstanding series of senior notes from “B-” to “CCC”. 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 materially and 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 the Listing Rules, which provide, among other things, that any transaction between a listed company or any of its subsidiaries, on the one hand, and a “connected person” of such listed company, on the other hand, is a “connected transaction” that, if the value of such transaction exceeds the applicable *de minimis* thresholds, will require the prior approval of the independent shareholders of such listed company. The definition of “connected person” to a listed company includes, among others, any 10% or more shareholder of (i) such listed company or (ii) any subsidiary of such listed company. The concept of “connected person” also captures “associates,” which include, among others, (a) any subsidiary of such “connected person,” (b) any holding company of such “connected person” and any subsidiary of such holding company, and (c) any company in which such entity or entities mentioned in (a) and (b) above taken together has/have the power to exercise control, directly or indirectly, of 30% or more of the voting power of such company.

The “Limitation on Transactions with Shareholders and Affiliates” covenant in the Notes only applies to transactions between the Company or any Restricted Subsidiary, on the one hand, and

- (a) any holder (or any Affiliate of such holder) of 10% or more of shares of the Company;
or
- (b) any Affiliate of the Company, on the other hand.

As such, transactions between the Company or any Restricted Subsidiary, on the one hand, and an Affiliate of any Restricted Subsidiary, on the other hand, will not be captured by such covenant, even though they may be connected transactions under the Listing Rules and subject to any requirements under the Listing Rules to obtain approval from independent shareholders. 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 for any such transactions.

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

The price and trading volume of the Notes may be highly volatile. Factors such as variations in our revenues, earnings and cash flows and proposals for new investments, strategic alliances and/or acquisitions, interest rates, fluctuations in price for comparable companies and 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 Additional Notes may not be a suitable investment for all investors

Each potential investor in the Additional Notes must determine the suitability of an investment in the Additional Notes in light of its own circumstances. In particular, each potential investor should consider, either on its own or with the help of its financial and other professional advisors, whether it: (i) has sufficient knowledge and experience to make a meaningful evaluation of the Additional Notes, the merits and risks of investing in the Additional Notes and the information contained in this offering memorandum; (ii) has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Additional Notes and the impact such investment will have on its overall investment portfolio; (iii) has sufficient financial resources and liquidity to bear all of the risks of an investment in the Additional Notes, including where the currency for principal or interest payments is different from the currency in which the potential investor's financial activities are principally denominated; (iv) understands thoroughly the terms of the Additional Notes and is familiar with the behavior of any relevant indices and financial markets; and (v) is able to evaluate possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

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

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

We will follow the applicable corporate disclosure standards for debt securities listed on the Hong Kong Stock Exchange, and such standards may be different from those applicable to debt securities listed in certain other countries

We will be subject to reporting obligations in respect of the Original Notes listed on the Hong Kong Stock Exchange and the Additional Notes to be listed on the Hong Kong Stock Exchange. The disclosure standards imposed by the Hong Kong Stock Exchange 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 Additional 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 Additional Notes will initially only be issued in global certificate form and held through Euroclear and Clearstream. Interests in the Additional 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 Additional Notes. The nominee of the common depositary for Euroclear and Clearstream will be the sole registered holder of the global certificate representing the Additional Notes. Payments of principal, interest and other amounts owing on or in respect of the global certificate representing the Additional 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 Additional Notes and credited by such participants to indirect participants. After payment to the nominee of the common depositary 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 Additional 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 Additional Notes.

We are allowed under the Indenture to make investments in Unrestricted Subsidiaries and minority owned joint ventures, the terms of the Notes also give us enhanced flexibility to pay dividends and repurchase our shares

In light of land prices, project size and other factors, we may from time to time consider developing properties jointly with 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 under the Indenture. Although the Indenture generally restricts us and our Restricted Subsidiaries from making investments in Unrestricted Subsidiaries or minority joint ventures, these restrictions are subject to important exceptions and qualifications. In particular, under the Indenture, we are not required to satisfy the Fixed Charge Coverage Ratio for making investments in minority joint ventures up to 5% of the Total Assets. See clause (18) in the definition of “Permitted Investment” in “Description of the Notes—Definitions” and “—Certain Covenants—Limitation on Restricted Payments.” In addition, we are not required to satisfy the Fixed Charge Coverage Ratio for the declaration and payment by us in 2017 of a dividend in respect of the Company’s Capital Stock in an amount not to exceed 35% of our consolidated net profit for the financial year of 2016. See “Description of the Notes—Certain Covenants—Limitations on Restricted Payments.”

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

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

Certain of our offshore Restricted Subsidiaries will be permitted to not provide a Subsidiary Guarantee or a JV Subsidiary Guarantee

According to the terms of the Notes, certain offshore Restricted Subsidiaries will not be required to deliver a Subsidiary Guarantee or a JV Subsidiary Guarantee, if such offshore Restricted Subsidiaries’ consolidated assets in the aggregate do not exceed 15% of our Total Assets. See “The Subsidiary Guarantees and the JV Subsidiary Guarantees” section in the “Description of the Notes.” As a result of these exemptions, certain of our offshore Restricted Subsidiaries, which may constitute substantial revenue sources and/or hold substantial assets, may not be Guaranteeing the Notes.

Certain facts and other statistics with respect to the PRC, the PRC economy and the PRC real estate industry in this offering memorandum are derived from various official government sources and third-party sources and may not be reliable

Certain facts and other statistics in this offering memorandum relating to the PRC, the PRC economy and the PRC real estate industry have been derived from various official government publications and third-party sources. However, we cannot guarantee the quality or reliability of these sources. They have not been prepared or independently verified by us or any of our affiliates or advisors and, therefore, we make no representation as to the accuracy of such facts and statistics. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the facts and statistics herein may be inaccurate or may not be comparable to facts and statistics produced for other economies. As a result, prospective investors should consider carefully how much weight or importance they should attach to or place on such facts or statistics.

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. In addition, certain of our offshore subsidiaries will not be required to guarantee the Notes if the consolidated assets of these subsidiaries do not exceed 15% 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 our PRC subsidiaries and other Non-Guarantor Subsidiaries.

Unrestricted Subsidiaries will not be required to guarantee the Notes, and future Restricted Subsidiaries will not be required to guarantee the Notes if the consolidated assets of all Restricted

Subsidiaries organized outside the PRC that are not Subsidiary Guarantors or JV Subsidiary Guarantors do not account for more than 15% of our total assets. The initial Subsidiary Guarantors that will guarantee the Notes do not have significant operations. We cannot assure you that the initial Subsidiary Guarantors or any subsidiaries that may become Subsidiary Guarantors or JV Subsidiary Guarantors in the future will have the funds necessary to satisfy our financial obligations under the Notes if we are unable to do so.

Under the terms of the Notes, a Subsidiary Guarantor may be able to release its Subsidiary Guarantee if it sells or issues no less than 20% of the Capital Stock of such Subsidiary Guarantor to a third party, as long as the consolidated assets of all Restricted Subsidiaries organized outside the PRC (other than Exempted Subsidiaries and Listed Subsidiaries) that are not Subsidiary Guarantors or JV Subsidiary Guarantors do not account for more than 15% of our total assets.

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

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

For Subsidiary Guarantors or JV Subsidiary Guarantors (if any) incorporated in the British Virgin Islands:

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

For Subsidiary Guarantors or JV Subsidiary Guarantors (if any) incorporated in other jurisdictions:

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

The measure of insolvency for purposes of the foregoing will vary depending on the laws of the jurisdiction which are being applied. Generally, however, a guarantor would be considered insolvent at a particular time if it were unable to pay its debts as they fell due or if the sum of its debts was then greater than all of its property at a fair valuation or if the present fair saleable value of its assets was then less than the amount that would be required to pay its probable liabilities in respect of its existing debt as it became absolute and matured. We cannot assure you that such limitation will be effective in preserving the enforceability of any of the Subsidiary Guarantees or JV Subsidiary Guarantees (if any). In addition, a guarantee may be subject to review under applicable insolvency or fraudulent transfer laws in certain jurisdictions or subject to a lawsuit by or on behalf of creditors of the guarantors. In such case, the analysis set forth above would generally apply, except that the guarantee could also be subject to the claim that, since the guarantee was not incurred for the benefit of the guarantor, the obligations of the guarantor thereunder were incurred for less than the reasonably equivalent value or fair consideration, and, as a result, such guarantee would be rendered void.

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 (if any) without rendering the guarantee, as it relates to such Subsidiary Guarantor or JV Subsidiary Guarantor (if any), voidable under such applicable insolvency or fraudulent transfer laws.

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

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. Effective since August 11, 2015, market makers are required to quote their central parity rates for Renminbi against U.S. dollar to the China Foreign Exchange Trade System daily before the market opens by reference to the closing rate of the PRC inter-bank foreign exchange market on the previous trading day in conjunction with the demand and supply conditions in the foreign exchange markets and exchange rate movements of major currencies. PBOC has further authorized the China Foreign Exchange Trade System to announce its central parity rate for Renminbi against the U.S. dollar through a weighted averaging of the quotes from the market makers after removing the highest quote and the lowest quote. PBOC announces the closing price of a foreign currency traded against the Renminbi in the inter-bank foreign exchange market after the closing of the market on each working day, and makes it the central parity for trading against the Renminbi on the following working day. The International Monetary Fund announced on September 30, 2016 that, effective on October 1, 2016, Renminbi will be added to its Special Drawing Rights currency basket. The PRC government may adopt further reforms of its exchange rate system, including making the Renminbi freely convertible in the future.

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

Period	Noon buying rate			
	Period end	Average ⁽¹⁾	High	Low
		(RMB per US\$1.00)		
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	6.9060	6.5063
2018				
June	6.6171	6.4651	6.6235	6.3856
July	6.8038	6.7164	6.8102	6.6123
August	6.8300	6.8453	6.9330	6.8018
September	6.8680	6.8551	6.8880	6.8270
October	6.9737	6.9191	6.9737	6.8680
November	6.9558	6.9367	6.9558	6.8894
December (through December 21)	6.9048	6.8862	6.9077	6.8343

Source: Federal Reserve H.10 Statistical Release

Note:

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

USE OF PROCEEDS

We estimate that the net proceeds from this offering, after deducting the underwriting discounts and commissions and other estimated expenses payable by us in connection with this offering, will be approximately US\$ million, which we plan to use for the repurchase of such portion of the 2017 Notes which the noteholders have exercised their options to request us to repurchase. In the event we are able to fully repurchase such portion of the 2017 Notes without fully utilizing the net proceeds from the offering of the Additional Notes, then we intend to use the remaining net proceeds 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”).

CAPITALIZATION AND INDEBTEDNESS

The following table sets forth our capitalization and indebtedness as of June 30, 2018 on an actual basis and on an adjusted basis after giving effect to the issuance of the Notes. The following table should be read in conjunction with the selected consolidated financial information and the consolidated financial statements and related notes included in this offering memorandum.

	As of June 30, 2018			
	Actual		As adjusted	
	RMB	US\$	RMB	US\$
	(audited)	(in thousands)	(unaudited)	
Cash and cash equivalents ⁽¹⁾	1,134,372	171,430		
Borrowings: ⁽²⁾				
Bank and other borrowings — secured				
within one year	10,222,763	1,544,901	10,222,763	1,544,901
after one year	11,784,020	1,780,844	11,784,020	1,780,844
Corporate bonds				
within one year	2,996,671	452,868	2,996,671	452,868
after one year	997,968	150,817	997,968	150,817
Senior notes ⁽⁵⁾				
within one year	3,609,816	545,528	3,609,816	545,528
after one year	650,064	98,240	650,064	98,240
Original Notes ⁽⁴⁾	—	—	1,005,799	152,000
Notes to be issued	—	—		
Total borrowings	30,261,302	4,573,197		
Total equity	16,416,195	2,480,875	16,416,195	2,480,875
Total capitalization ⁽³⁾	29,848,247	4,510,775		

Note:

- (1) Cash and cash equivalents excludes restricted bank deposits of RMB1,090,811,000.
- (2) Long-term borrowings does not include capital and other commitments. As of June 30, 2018, our consolidated capital and other commitments were RMB2,381.7 million and we had RMB7,909.2 million of outstanding guarantees in respect of the mortgages of our customers. See the sections entitled “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Indebtedness and Contingent Liabilities — Contingent Liabilities” and “— Contractual Obligations and Capital Commitments.”
- (3) Total capitalization represents the sum of bank and other borrowings — secured after one year, corporate bonds after one year, senior notes after one year and notes to be issued and total equity.
- (4) On February 27, 2019, we issued the Original Notes in an aggregate principal amount of US\$160,000,000.
- (5) We redeemed the March 2018 Notes, which is not reflected in the table above.

We have, since June 30, 2018, in the ordinary course of business, entered into additional financial arrangements to finance our property development, to re-finance our short-term debt and for general corporate purposes. Subsequent to June 30, 2018 and as of December 21, 2018, we incurred additional material PRC bank loans, commercial mortgage-backed securities, trust and other financing arrangements in the aggregate amount of RMB8,110 million (US\$1,226 million), and we repaid PRC bank loans, trust financings and corporate bonds in the aggregate amount of RMB12,337 million (US\$1,864 million). For details of these additional indebtedness, see the section entitled “Description of Other Material Indebtedness.” These additional indebtedness are not reflected in the table above.

Except as otherwise disclosed in this offering memorandum, there has been no material adverse change in our capitalization and indebtedness since June 30, 2018.

SELECTED CONSOLIDATED FINANCIAL AND OTHER DATA

The following table presents our summary financial data. The summary consolidated statement of profit and loss and other comprehensive income data for the years ended December 31, 2015, 2016 and 2017 and the summary consolidated statement of financial position data as of December 31, 2015, 2016 and 2017 set forth below (except for EBITDA data) have been derived from our audited consolidated financial statements for such years and as of such dates, as audited by Deloitte Touche Tohmatsu, Hong Kong Certified Public Accountants, and included elsewhere in this offering memorandum. The summary condensed consolidated statement of profit or loss and other comprehensive income data for the six months ended June 30, 2017 and 2018 and the summary condensed consolidated statement of financial position data as of June 30, 2018 set forth below (except for EBITDA data) have been derived from our unaudited condensed consolidated interim financial statements for the six months ended June 30, 2018, as reviewed by Deloitte Touche Tohmatsu, Hong Kong Certified Public Accountants, included elsewhere in this offering memorandum. Our financial statements have been prepared and presented in accordance with the IFRS, which differ in certain respects from generally accepted accounting principles in other jurisdictions. The summary financial data below should be read in conjunction with the section entitled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our consolidated financial statements and the notes to those statements included elsewhere in this offering memorandum.

Summary Consolidated Statement of Profit or Loss and Other Comprehensive Income Data

	Year ended December 31,				Six months ended June 30,		
	2015	2016	2017	2017	2017	2018	2018
	RMB	RMB	RMB	US\$	RMB	RMB	US\$
	(audited)	(audited)	(audited)		(unaudited)	(unaudited)	
	(in thousands, except percentages)						
Revenue	6,514,304	8,034,581	6,787,415	1,025,739	2,181,890	2,238,388	338,273
Cost of sales and services	(3,835,485)	(4,916,491)	(3,618,543)	(546,847)	(1,186,186)	(1,474,428)	(222,821)
Gross profit	2,678,819	3,118,090	3,168,872	478,891	995,704	763,960	115,452
Other gains and losses	(6,956)	(23,671)	161,185	24,359	40,765	(28,532)	(4,312)
Other income	13,170	20,227	88,241	13,335	10,226	74,943	11,326
Gain on fair value change of investment properties	783,601	851,934	955,743	144,435	434,438	539,592	81,545
Share of result of a joint venture . .	—	—	(936)	(141)	—	(1,039)	(157)
Share of result of associates	3,312	(727)	(6,014)	(909)	—	(6,029)	(911)
Selling expenses	(246,156)	(260,817)	(194,915)	(29,456)	(103,652)	(86,728)	(13,107)
Administrative expenses	(358,709)	(329,129)	(360,684)	(54,508)	(178,387)	(206,770)	(31,248)
Other expenses	(26,388)	(18,656)	(45,676)	(6,903)	(21,348)	(29,675)	(4,485)
Finance costs	(141,095)	(126,824)	(198,683)	(30,026)	(79,963)	(108,826)	(16,446)
Profit before tax	2,699,598	3,230,427	3,567,133	539,078	1,097,783	910,896	137,658
Income tax expenses	(1,116,109)	(1,274,739)	(1,527,622)	(230,860)	(467,333)	(352,677)	(53,298)
Profit for the year/period	<u>1,583,489</u>	<u>1,955,688</u>	<u>2,039,511</u>	<u>308,218</u>	<u>630,450</u>	<u>558,219</u>	<u>84,360</u>
Other comprehensive income (expense)							
Items that will not be reclassified to profit or loss:							
Gain on revaluation of properties . .	—	—	324,949	49,107	—	—	—
Fair value loss on investments in equity instruments at fair value through other comprehensive income	—	—	—	—	—	(20,700)	(3,128)
Related income tax	—	—	(81,237)	(12,277)	—	5,175	782

	Year ended December 31,				Six months ended June 30,		
	2015	2016	2017	2017	2017	2018	2018
	RMB	RMB	RMB	US\$	RMB	RMB	US\$
	(audited)	(audited)	(audited)		(unaudited)	(unaudited)	
	(in thousands, except percentages)						
Other comprehensive income (expense) for the year/period . . .	—	—	243,712	36,831	—	(15,525)	(2,346)
Total comprehensive income for the year/period	1,583,489	1,955,688	2,283,223	345,049	630,450	542,694	82,014
Profit for the year/period attributable to:							
Owners of the Company	1,260,550	1,562,956	1,749,841	264,442	498,293	410,446	62,028
Non-controlling interests	322,939	392,732	289,670	43,776	132,157	147,773	22,332
	<u>1,583,489</u>	<u>1,955,688</u>	<u>2,039,511</u>	<u>308,218</u>	<u>630,450</u>	<u>558,219</u>	<u>84,360</u>
Total comprehensive income for the year/period attributable to:							
Owners of the Company	1,260,550	1,562,956	1,944,811	293,907	498,293	396,318	59,893
Non-controlling interests	322,939	392,732	338,412	51,142	132,157	146,376	22,121
	<u>1,583,489</u>	<u>1,955,688</u>	<u>2,283,223</u>	<u>345,049</u>	<u>630,450</u>	<u>542,694</u>	<u>82,014</u>
Other Financial Data (unaudited):							
EBITDA ⁽¹⁾	2,101,195	2,561,199	2,646,480	399,946	729,129	507,457	76,689
EBITDA margin ⁽²⁾	32.3%	31.9%	39.0%	39.0%	33.4%	22.7%	22.7%

Notes:

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

Summary Consolidated Statement of Financial Position Data

	As of December 31,				As of June 30,	
	2015	2016	2017	2017	2018	2018
	RMB	RMB	RMB	US\$	RMB	US\$
	(audited)	(audited)	(audited)		(unaudited)	
	(in thousands)					
Non-current assets						
Investment properties	15,065,850	16,674,500	18,308,269	2,766,812	18,784,150	2,838,728
Property, plant and equipment	130,248	198,468	850,258	128,494	1,153,987	174,395
Other non-current assets	3,490	794,099	1,053,778	159,251	1,053,932	159,274
Interest in a joint venture	—	—	9,064	1,370	33,525	5,066
Interest in associates	32,196	—	269,246	40,689	5,052	763
Available-for-sale investments	165,192	165,192	165,192	24,964	—	—
Equity instruments at fair value through other comprehensive income	—	—	—	—	209,200	31,615
Prepaid lease payments	3,013	287,473	281,438	42,532	278,420	42,076
Deposit paid for acquisition of a subsidiary	70,000	—	—	—	—	—
Deposit paid for acquisition of property, plant and equipment	—	—	120,000	18,135	170,000	25,691
Deferred tax assets	160,336	290,533	404,235	61,089	433,947	65,580
Restricted bank deposits	38,686	135,167	105,720	15,977	405,467	61,276
Value added tax and taxation recoverable	—	—	1,422,585	214,986	1,289,812	194,921
	<u>15,669,011</u>	<u>18,545,432</u>	<u>22,989,785</u>	<u>3,474,299</u>	<u>23,817,492</u>	<u>3,599,385</u>
Current assets						
Inventories	73	105	61	9	209	32
Prepayment/deposits paid for land acquisition . .	2,929,848	365,010	605,010	91,431	605,010	91,431
Properties under development	9,667,914	19,005,089	23,626,222	3,570,480	33,501,323	5,062,841
Properties held for sale	2,719,459	3,118,955	3,408,156	515,053	3,864,274	583,983
Trade and other receivables, deposits and prepayments	870,875	803,477	1,082,946	163,659	2,164,790	327,151
Contract assets	—	—	—	—	1,322,423	199,849
Amounts due from customers for contract work .	1,222,245	1,363,512	1,191,139	180,009	—	—
Value added tax and taxation recoverable	39,270	125,267	500,477	75,634	1,136,132	171,696
Amounts due from related parties	1,063	5,000	2,928,197	442,520	2,471,807	373,548
Financial assets at fair value through profit or loss	70,097	97	97	15	—	—
Restricted bank deposits	80,898	151,499	620,761	93,812	685,344	103,572
Cash and bank balances	<u>1,956,263</u>	<u>1,234,250</u>	<u>1,591,506</u>	<u>240,514</u>	<u>1,134,372</u>	<u>171,430</u>
	<u>19,558,005</u>	<u>26,172,261</u>	<u>35,554,572</u>	<u>5,373,135</u>	<u>46,885,684</u>	<u>7,085,534</u>
Current liabilities						
Trade and other payables	4,910,116	6,029,313	5,585,713	844,133	7,583,867	1,146,101
Deposits received from sale of properties	1,611,699	2,680,425	3,308,339	499,968	—	—
Contract liabilities	—	—	—	—	7,585,654	1,146,371
Amounts due to related parties	55,057	225,513	893,229	134,988	2,745,816	414,958
Taxation payable	1,477,701	1,894,475	2,492,186	376,628	2,478,969	374,631
Bank and other borrowings - due within one year	3,718,997	2,877,489	11,625,399	1,756,872	10,222,763	1,544,901
Corporate bonds	—	—	2,992,645	452,259	2,996,671	452,868
Senior Notes	—	—	—	—	3,609,816	545,528
	<u>11,773,570</u>	<u>13,707,215</u>	<u>26,897,511</u>	<u>4,064,849</u>	<u>37,223,556</u>	<u>5,625,358</u>
Net current assets	<u>7,784,435</u>	<u>12,465,046</u>	<u>8,657,061</u>	<u>1,308,286</u>	<u>9,662,128</u>	<u>1,460,176</u>
Total assets less current liabilities	<u>23,453,446</u>	<u>31,010,478</u>	<u>31,646,846</u>	<u>4,782,585</u>	<u>33,479,620</u>	<u>5,059,561</u>

	As of December 31,				As of June 30,	
	2015	2016	2017	2017	2018	2018
	RMB	RMB	RMB	US\$	RMB	US\$
	(audited)	(audited)	(audited)		(unaudited)	
	(in thousands)					
Non-current liabilities						
Other payables	65,970	77,794	89,393	13,509	91,512	13,830
Bank and other borrowings - due after one year .	8,579,128	13,030,378	12,601,665	1,904,409	11,784,020	1,780,844
Corporate bonds	2,977,127	3,980,214	997,006	150,671	997,968	150,817
Senior notes	—	—	1,940,948	293,323	650,064	98,240
Deferred tax liabilities	1,903,251	2,111,242	2,425,425	366,539	3,539,861	534,957
	<u>13,525,476</u>	<u>19,199,628</u>	<u>18,054,437</u>	<u>2,728,452</u>	<u>17,063,425</u>	<u>2,578,686</u>
Net assets	<u>9,927,970</u>	<u>11,810,850</u>	<u>13,592,409</u>	<u>2,054,134</u>	<u>16,416,195</u>	<u>2,480,875</u>
Capital and reserves						
Share capital	3,511	3,513	3,519	532	3,520	532
Reserves	<u>8,115,985</u>	<u>9,480,344</u>	<u>10,898,692</u>	<u>1,647,050</u>	<u>11,125,649</u>	<u>1,681,348</u>
Equity attributable to owners of the Company . .	8,119,496	9,483,857	10,902,211	1,647,581	11,129,169	1,681,880
Non-controlling interests	<u>1,808,474</u>	<u>2,326,993</u>	<u>2,690,198</u>	<u>406,552</u>	<u>5,287,026</u>	<u>798,994</u>
Total equity	<u>9,927,970</u>	<u>11,810,850</u>	<u>13,592,409</u>	<u>2,054,134</u>	<u>16,416,195</u>	<u>2,480,875</u>

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

The following discussion should be read in conjunction with the section entitled "Selected Consolidated Financial and Other Data" and our consolidated financial statements, including the notes thereto, included elsewhere in this offering memorandum. All significant intra-group transactions, balances and unrealized gains on intra-group transactions have been eliminated. Our consolidated financial statements have been prepared in accordance with IFRS, which may differ in material aspects from generally accepted accounting principles in other jurisdictions.

OVERVIEW

We are a fast growing residential property developer with commercial property operations. We focus on developing residential projects and large-scale mixed-use complex projects in the PRC. We also selectively retain the ownership of a substantial amount of self-developed commercial properties with strategic value to generate stable and recurring rental income. In addition, we undertake primary land development projects in order to access potentially available land reserves for property development and diversify our sources of income.

Founded in Guangdong Province, we commenced our property development operations in the late 1990s and since then have significantly grown our business in Beijing and successfully expanded into other selected cities with rapid growth in China, including, amongst others, Haikou and Wanning in Hainan Province, Shantou and Foshan in the Pearl River Delta region, Shenyang in Liaoning Province, Zhengzhou in Henan Province, Langfang in Hebei Province, Xi'an in Shaanxi Province, Shenzhen in Guangdong Province, Suzhou and Qidong in Jiangsu Province. As a result, we have established a strategic nationwide coverage that is centered around Beijing and the Pearl River Delta region and covers a number of selected major areas with rapid economic growth in China. We plan to continue to deepen the operation in cities where we have strategic presence, focused on the key cities in the four major regions, being the Beijing Tianjin Hebei region, the Yangtze River Delta region, the Pearl River Delta region and the economic corridor of the BRI. In view of the increased policy and financial pressure in first-tier cities including Beijing, Shanghai, Guangzhou and Shenzhen, we will strictly control risks, remain cautious in countercyclical land acquisition and avoid acquisition of any land that we believe is overpriced. At present, the core districts in second-tier cities are capable of competing with first-tier cities, and the outbound expansion trend of second-tier cities has emerged with obvious urban spillover effects, new districts in second-tier cities are good for investment. Meanwhile, the demand for low-density products for improved residential purpose is gradually increasing in areas surrounding second-tier cities, giving rise to development opportunities in the future to some extent. In respect of third- and fourth-tier cities, we select land with strong supporting resources, such as the government, schools, hospitals, subways, core commercial areas and other regional strong resources, with a view to avoiding the risks arising from limited market capability faced by third- and fourth-tier cities.

We have acquired substantial and strategically located land reserves at low costs to support our property development operations. As of June 30, 2018, we had land reserves with a total GFA of 14.3 million sq.m. in 21 cities in the PRC, comprising a total GFA of 1.2 million sq.m. completed but remaining unsold, a total GFA of 5.2 million sq.m. under development and a total GFA of 7.9 million sq.m. held for future development. We implement a standardized and streamlined process for developing property projects, supported by a comprehensive information technology system and a proprietary bank of product designs, which, together with our two-tier management structure and centralized procurement practice, enables us to enhance our operational efficiency while effectively managing our risks.

For the years ended December 31, 2015, 2016 and 2017, our contracted sales were RMB6,569.0 million, RMB11,099.0 million and RMB14,876.7 million, respectively, representing a

CAGR of 50.0%. For the six months ended June 30, 2018, our contracted sales were approximately RMB6,843.2 million (US\$1,034.1 million), representing an increase of 32.3% as compared to the six months ended June 30, 2017. The contracted GFA was 563,379 sq.m., representing an increase of 63.7% as compared to the six months ended June 30, 2018.

For the years ended December 31, 2015, 2016 and 2017 and for the six months ended June 30, 2017 and 2018, our revenue was RMB6,514.3 million, RMB8,034.6 million, RMB6,787.4 million (US\$1,025.7 million), RMB2,181.9 million and RMB2,238.4 million (US\$338.3 million), respectively, and our total comprehensive income for the same periods was RMB1,583.5 million, RMB1,955.7 million, RMB2,283.2 million (US\$345.0 million), RMB630.5 million and RMB542.7 million (US\$82.0 million), respectively. The decrease in revenue from 2016 to 2017 was primarily due to the decreased revenue from property development, which was primarily due to uneven progress of project delivery and settlement for the year ended December 31, 2017.

KEY FACTORS AFFECTING OUR PERFORMANCE

Our business, results of operations and financial condition are affected by a number of factors, many of which are beyond our control. Some of the key factors include the following:

THE PRC ECONOMY AND REGULATORY MEASURES FOR THE REAL ESTATE INDUSTRY IN THE PRC

We derive substantially all of our revenue from operations relating to the residential and commercial property markets in the PRC. The conditions of the residential and commercial property markets in the PRC are significantly impacted by PRC governmental policies and regulations, including those that have (i) increased taxes on title transfers and property ownership, (ii) increased down payment requirements for residential mortgages, (iii) tightened credit on financing and mortgage loans, and (iv) restricted multiple home ownership and investment in residential property outside one's province of residence. Our business and results of operations may be adversely affected by these policies and regulations.

From time to time, the PRC government adjusts its regulation of the property market depending on macroeconomic conditions to achieve policy goals, such as preventing the overheating of the property market or stimulating the property market during and after an economic downturn. From time to time, we adjust our marketing and pricing strategies in response to the changing market conditions. The performance of the property market and our business will continue to be affected by a number of macroeconomic factors, including the growth of the PRC economy, interest rates, Renminbi exchange rate and the political, economic and regulatory environment in the PRC.

Ability to acquire suitable land for future development

Our continued growth will depend largely on our ability to acquire quality land at prices that can yield reasonable returns. We believe we have sufficient land reserves for development for the next four to five years. As the PRC economy continues to grow and demand for commercial and residential properties remains relatively strong, we expect competition among developers for land reserves suitable for property development to intensify in the cities in which we operate. In addition, the public tender, auction and listing-for-sale practices for granting state-owned land use rights are also likely to increase competition for land acquisition and development costs.

Product mix and geographical coverage of our properties

We offer a wide range of residential properties that target the specific preferences and needs of middle- to upper-class customers. Our residential properties include high-rise and mid-rise apartments, townhouses, multi-layer garden houses, stand-alone houses and siheyuan (四合院). In addition, we also develop commercial properties primarily including retail outlets, shopping malls, offices, hotels, specialized markets and SOHO apartments. Our property development projects comprise residential projects and large-scale mixed-use complex projects that typically consist of a combination of residential properties with a variety of commercial properties. Moreover, other

than growing our business in Beijing, we have also successfully expanded into other selected cities with rapid growth in the PRC, including, amongst others, Haikou and Wanning in Hainan Province, Shantou and Foshan in the Pearl River Delta region, Shenyang in Liaoning Province, Zhengzhou in Henan Province, Langfang in Hebei Province, Xi'an in Shaanxi Province, Shenzhen in Guangdong Province, Suzhou, Qidong in Jiangsu Province and Ezhou in Hubei Province. The prices and gross margins of the properties developed by us are affected by a number of factors, including the types, features and locations of the properties. As a result, our results of operations and cash flows generated from operating activities may vary from period to period. In addition, our results of operations and cash flows generated from operating activities may also vary depending on prevailing market conditions when we sell our properties. The cash flows generated from our investment properties depend on local rental rates, which in turn depend on local supply and demand conditions, as well as the types of the investment properties.

Timing of property development

The number of property projects that we undertake during any particular period is primarily limited by land supply and the capital available for land acquisitions and construction. Developing property projects may take many months or even years before the commencement of pre-sale or completion and delivery. We do not recognize revenue with respect to a property project until it has been completed, sold and delivered to the customers. Therefore, the revenue from property development we can recognize in a particular period may also largely depend on the timing of the completion and delivery of our projects. Delays in construction, regulatory approval and other processes can adversely affect the timetable of our projects, which in turn will affect the recognition of our revenue. Although we strategically schedule projects so they will be at different stages of development during any particular period, due to the aforementioned limitations, timing differences and uncertainties, our results of operations have fluctuated in the past and are likely to continue to fluctuate in the future.

Land and construction costs

Our results of operations are significantly affected by land and construction costs, which constitute the largest items in our cost of sales and services. Over the years, land premiums have generally been increasing in the PRC. It is widely expected that land premiums will continue to increase as the PRC economy continues to grow and demolition and resettlement costs continue to increase. In addition, we directly purchase a portion of major construction materials and equipment, especially those affecting product quality such as elevators, doors, windows, stone materials and interior decoration materials, while our contractors are responsible for procuring other materials such as cement, steel and cables. As a result, prolonged increases in the prices of construction materials will prompt contractors to change their fee quotes for new contracts, thus increasing our cost of sales and services and overall project cost. If we cannot sell our properties at prices sufficient to cover all our increased costs and expenses, we will not be able to achieve our target profit margins, and our profitability will be adversely impacted.

Access to capital and cost of financing

Bank borrowings are the most important source of funding for our property developments. As of December 31, 2015 and 2016, 2017 and June 30, 2018, bank borrowings (excluding corporate bonds and senior notes) accounted for 82.8%, 98.1%, 80.6% and 82.1%, respectively, of our bank and other borrowings. As commercial banks in the PRC link the interest rates on their loans to the PBOC benchmark interest rates, any increase in such benchmark interest rates will increase our financing costs. The proportion of our other borrowings from non-bank financial institutions in our bank and other borrowings decreased from 17.2% as of December 31, 2015, to 1.9% as of December 31, 2016, increased to 19.4% as of December 31, 2017 and decreased to 17.9% as of June 30, 2018. While drawdowns on bank loans usually depend on actual construction progress, drawdowns on trust financings may be made in full in one or multiple installments as agreed with the relevant trust companies. See the section entitled “Description of Other Material Indebtedness — Trust Financings” in this offering memorandum for more details. While trust financings do not

usually link their interest rates to the PBOC benchmark interest rates, they typically charge rates higher than those charged by commercial banks. For further information, see the section entitled “Risk Factors — Risks Relating to Our Business — Our total interest expenses for our borrowings are subject to changes in interest rates” in this offering memorandum. Our access to capital and cost of financing are also affected by restrictions imposed from time to time by the PRC government and by banks on lending for property development. See the sections entitled “Risk Factors — Risks Relating to Our Business — We may not always be able to acquire land reserves that are suitable for development” and “Risk Factors — Risks Relating to the Real Estate Industry in the PRC — The PRC property market is heavily regulated and subject to frequent introduction of new regulations which may adversely affect property developers” of this offering memorandum for details.

We have issued corporate bonds and senior notes as alternative sources of capital. In November 2015, we issued domestic corporate bonds with an aggregate principal amount of RMB2 billion, bearing an interest rate of 7.25% *per annum*. In December 2015, we issued domestic corporate bonds with an aggregate principal amount of RMB1 billion, bearing an interest rate of 7.47% *per annum*. In September 2016, we issued domestic corporate bonds with an aggregate principal amount of RMB1 billion, bearing an interest rate of 5.30% *per annum*. In March 2017, we issued senior notes with an aggregate principal amount of US\$300 million, bearing an interest rate of 7.00% *per annum*. In March 2018, we issued senior notes due 2019 with an aggregate principal amount of US\$250 million, bearing an interest rate of 10.2% *per annum*, which have been fully redeemed upon maturity. In June 2018, we issued senior notes due 2020 with an aggregate principal amount of US\$100 million, bearing an interest rate of 10.0% *per annum*.

Primary land development

Apart from engaging in our property development projects, we also actively undertake primary land development projects as a strategic business in order to access potentially available land reserves and diversify our sources of income. See the section entitled “Business — Primary Land Development” of this offering memorandum for details. After completion of a primary land development project, we will engage a third-party valuer selected by the government to review the total development costs we reported and the government will generally compensate us in the amount of total assessed development costs determined by the government based on the independent valuation conducted by such valuer and a reward of a specific percentage of the total assessed development costs and make such payment in a lump sum.

Development costs of primary land development primarily comprise resettlement compensation and sub-contracting charges for demolition and resettlement work. Revenue generated from our primary land development project during a specific period is recognized by multiplying the total contract revenue estimated by us by the proportion that costs incurred during the period bear to the estimated total costs of the contract. The actual costs are recognized as profit and loss during the relevant period. Our directors estimate contract revenue and recoverable costs based on the latest available budgets of each primary land development project and the prevailing market conditions. Our estimation of the contract revenue and recoverable costs is subject to final approval by the government. The final amounts approved by the government may not be the same as the amounts estimated by us. When the compensation determined by the government differs from our estimate, we will change our estimated contract revenue and record such change as a change in accounting estimate. The compensation determined by the government will be used in the determination of the amount of revenue recognized as profit or loss in (i) the period when the government makes such determination and (ii) the subsequent periods of the project if the project has not been completed at the time when the government makes such determination.

GFAs and rental rates of our investment properties

We selectively retain the ownership of a substantial amount of self-developed commercial properties with strategic value to generate stable and recurring rental income. Our results of operations may fluctuate depending on the GFA and rental rates of our investment properties. The rental rates of our properties are affected by a number of factors, including locations of our commercial properties, local supply and demand of commercial properties and market rental rates of commercial properties in the local market.

Fair value of investment properties

We have designated certain completed properties as investment properties, as we intend to hold these properties on a long-term basis to generate stable and recurring rental income and retain capital appreciation. Our investment properties are recorded as non-current assets in our consolidated statements of financial position at fair value as of each balance sheet date. Gains or losses arising from changes in the fair value of our investment properties are accounted for as gains or losses upon revaluation in our consolidated statements of income, which affect our profits. The valuation of property involves the exercise of professional judgment and requires the use of certain bases and assumptions. The fair value of our investment properties may have been higher or lower if a different set of bases or assumptions is used. However, an upward change in the fair value, which reflects unrealized capital gain of our investment properties at the relevant statement of financial position dates and not profit generated from day-to-day rentals of the investment properties, largely depends on the prevailing property markets and does not generate cash inflow to us until such investment properties are disposed of. The amounts of fair value adjustments have changed, and may continue to change, based on the conditions of the property market in the PRC. We recognized gains from fair value changes in our investment properties in the past, but we cannot assure you that similar levels of fair value gains can be sustained in the future.

LAT

Our property developments are subject to LAT with respect to the appreciated value of the related land and improvements on such land. LAT applies to both domestic and foreign investors in real estate development in the PRC, and is levied at progressive rates ranging from 30% to 60% of the appreciation of land value. Provisions for LAT are made upon recognition of revenue. As of June 30, 2018, we had made all prepayments and/or full provisions for LAT in compliance with the relevant LAT laws and regulations in the PRC as interpreted and enforced by the relevant local tax authorities. However, the relevant tax authorities may disagree with the basis on which we have calculated our LAT liabilities for provision purposes and the provisions may be insufficient to cover all LAT obligations that tax authorities ultimately impose on us. In addition, On November 10, 2016, SAT issued the Announcement of the State Administration of Taxation on Certain Collection and Administration Issues Concerning Land Value-added Tax after Replacing Business Tax with Value-added Tax (國家稅務總局關於營改增後土地增值稅若干征管規定的公告[國家稅務總局公告2016年第70號]), which came into effect on the same date. According to the announcement, after replacing business tax with VAT, when a taxpayer transfers real property, the taxable income for land VAT shall be VAT-exclusive. Our financial condition and results of operations may be materially and adversely affected if our LAT liabilities as calculated by the relevant tax authorities are substantially higher than our provisions.

CRITICAL ACCOUNTING POLICIES

The discussion and analysis of our financial condition and operating results are based upon our consolidated financial statements as of and for the years ended December 31, 2015, 2016, 2017 and our unaudited condensed consolidated financial statements as of and for the six months ended June 30, 2017 and 2018, each of which has been prepared in accordance with IFRS. Our reported financial condition and operating results are sensitive to accounting methods, assumptions and estimates that underlie the preparation of the financial statements. We continually evaluate our estimates and assumptions and base them on historical experience and on various other factors that our management believes to be relevant under the circumstances, the results of which form the

basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results typically differ from these estimates. The estimates and assumptions that may have a significant effect on the carrying amounts of assets and liabilities mainly include those related to property development activities.

The selection of critical accounting policies and the sensitivity of reported results to changes in conditions and assumptions are factors to be considered when reviewing our financial statements. We believe that the following critical accounting policies are among those that involve the most significant judgments and estimates used in the preparation of our consolidated financial statements.

IFRS 15 introduces a 5-step approach when recognizing revenue:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognize revenue when (or as) we satisfy a performance obligation.

Under IFRS 15, we recognize revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognized over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met.

- the customer simultaneously receives and consumes the benefits provided by our performance as the we perform;
- the our performance create and enhance an asset that the customer controls as the we perform; or
- our performance does not create an asset with an alternative use to us and we have an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognized at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents our right to consideration in exchange for goods or services that we have transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents our unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents our obligation to transfer goods or services to a customer for which we have received consideration (or an amount of consideration is due) from the customers.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

The progress towards complete satisfaction of a performance obligation for construction and development services, and property management and related services, are measured based on input

or output method respectively, which is to recognize revenue on the basis of the our efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation, that best depict our performance in transferring control of goods or services.

Existence of significant financing component

In determining the transaction price, we adjust the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customer or us with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract.

For contracts where the period between payment and transfer of the associated goods or services is less than one year, we apply the practical expedient of not adjusting the transaction price for any significant financing component.

Incremental costs of obtaining a contract

Incremental costs of obtaining a contract are those costs that we incur to obtain a contract with a customer that it would not have incurred if the contract had not been obtained.

We recognize such costs (e.g. sales commissions) as an asset if it expects to recover these costs. The asset so recognized is subsequently amortized to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate. The asset is subject to impairment review.

We apply the practical expedient of expensing all incremental costs to obtain a contract if these costs would otherwise have been fully amortized to profit or loss within one year.

Revenue recognition

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

Sales of properties

Revenue from the sale of properties in the ordinary course of business is recognized when all the following conditions are satisfied:

- we have transferred to the buyer the significant risks and rewards of ownership of the properties, which is when the construction of relevant properties has been completed, upon delivery, and collectability of related receivables is reasonably assured;
- we retain neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the properties sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to us; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

We include deposits received from purchasers prior to meeting the above criteria for revenue recognition in the consolidated statements of financial position under current liabilities.

Revenue from construction contract

Revenue from construction contract is recognized by reference to the recoverable costs incurred during the period plus the fee earned, measured by the proportion that costs incurred to date bear to the estimated total costs of the contract.

Rental income

Our policy for recognition of revenue from operating leases is described in “Leasing” section below.

Service income

We recognize service income when the services are provided.

Interest income

Interest income from a financial asset is accrued on a time basis by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Construction contract

When the outcome of a construction contract can be estimated reliably, revenue from fixed price contracts and cost plus contracts is recognized by reference to the recoverable costs incurred during the period plus the fee earned, measured by the proportion that costs incurred to date bear to the estimated total costs of the contract.

Where the outcome of a construction contract cannot be estimated reliably, we recognize contract revenue to the extent of contract costs are incurred and probably recoverable. We recognize contract costs as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, we recognize the expected loss as an expense immediately.

Where contract costs incurred to date plus recognized profits less recognized losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognized profits less recognized losses, the surplus is shown as amounts due to customers for contract work. Amounts received before the related work is performed are included in the consolidated statement of financial position, as a liability as advances received. Amounts billed for work performed but not yet paid by the customer are included in the consolidated statement of financial position under trade receivables.

Properties under development

Properties under development for sale which are intended to be sold in the ordinary course of business upon completion of development are classified as current assets, and are carried at the lower of cost and net realizable value. Cost comprises the related land cost, development expenditure incurred and, where appropriate, borrowing costs capitalized. Net realizable value represents the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale. Properties under development for sale are transferred to completed properties for sale upon completion of development.

Properties held for sale

Properties held for sale are stated at the lower of cost and net realizable value. Cost comprises the costs of land, development expenditure incurred and, where appropriate, borrowing costs capitalized. Net realizable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

Investment properties

Investment properties are properties held to earn rentals or/and for capital appreciation. Investment properties are measured initially at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

Construction costs incurred for investment properties under construction are capitalized as part of the carrying amount of the investment properties under construction.

A property is transferred to investment properties when, and only when, there is a change in use, as evidenced by the change of use has occurred, such as commencement of an operating lease. Except for transfer from owner occupied property, any difference between the carrying amount of the property transferred and the fair value at the date of transfer is recognized in the profit or loss.

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

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the period. Taxable profit differs from profit before tax because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. Our liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

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

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the liability is settled or the asset realized, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflect the tax consequences that would follow the manner in which we expect, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model in accordance with IAS 40 Investment Property, the carrying amounts of such properties are presumed to be recovered through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model of which the business objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax for such investment properties are measured using the tax rate applicable for recovery through use.

Current and deferred tax is recognized in profit or loss, except when it relates to items that are recognized in other comprehensive income or directly in equity, in which case the current and deferred tax is also recognized in other comprehensive income or directly in equity, respectively.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognized in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Operating lease payments are recognized as an expense on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognized as liabilities and as a reduction of rental expense over the lease term on a straight-line basis.

Leasehold land for own use

When a lease includes both land and building elements, we assess the classification of each element as a finance lease or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to us, unless it is clear that both elements are operating leases, in which case the entire

lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as “prepaid lease payments” in the consolidated statement of financial position and is released over the lease term on a straight-line basis except for those that are classified and accounted for as investment properties under the fair value model. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as leasehold land and buildings under property, plant and equipment.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than that entity’s functional currency (foreign currencies) are recorded in the respective functional currency at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are re-translated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognized in profit or loss in the period in which they arise.

Short-term and other long-term employee benefit

A liability is recognized for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Liabilities recognized in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by us in respect of services provided by employees up to the reporting date.

Equity-settled share-based payment transactions

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of fair value of equity-settled share-based transactions are set out in Note 38 of our consolidation financial statements.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on our estimate of equity instruments that will eventually vest, with a corresponding increase in equity.

At the end of each reporting period, we revise our estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity-settled share-based payment reserve.

For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognized in equity-settled share-based payment reserve will be transferred to share premium. When share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognized in equity-settled share-based payment reserve will be transferred to retained earnings.

When the awarded shares are vested, the amount previously recognized in equity-settled share-based payment reserve and the amount of the relevant treasury shares is reversed and the differences arising from the reversal is adjusted to retained earnings.

Property, plant and equipment

Property, plant and equipment, including land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognized so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Intangible assets

Intangible assets acquired separately and with finite useful lives are carried at costs less accumulated amortization and any accumulated impairment losses.

Amortization for intangible assets with finite useful lives is recognized on a straight-line basis over their estimated useful lives. Amortization begins when the intangible asset is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

An intangible asset is derecognized upon disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured at the difference between the net disposal proceeds and the carrying amount of the asset, and are recognized in profit or loss when the asset is derecognized.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is calculated using the weighted average method.

Impairment of tangible and intangible assets

At the end of each reporting period, we review the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, we estimate the recoverable

amount of the cash-generating unit to which the asset belong. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Financial instruments

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Classification and measurement of financial assets

Trade receivables arising from contracts with customers are initially measured in accordance with IFRS 15.

All recognized financial assets that are within the scope of IFRS 9 are subsequently measured at amortized cost or fair value, including unquoted equity investments measured at cost less impairment under IAS 39.

Debt instruments that met the following conditions are subsequently measured at amortized cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss ("FVTPL"), except that at the date of initial application/initial recognition of a financial asset we

may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income (“OCI”) if that equity investment is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 *Business Combinations* applies.

In addition, we may irrevocably designate a debt investment that meets the amortized cost criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Equity instruments designated as at FVTOCI

At the date of initial application/initial recognition, we may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognized in OCI and accumulated in the FVTOCI reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when our right to receive the dividends is established in accordance with IFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the “other income” line item in profit or loss.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortized cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss. The net gain or loss recognized in profit or loss includes any dividend or interest earned on the financial asset and is included in the “other gains and losses” line item.

Impairment under ECL model

We recognize a loss allowance for ECL on financial assets at amortized cost which are subject to impairment under IFRS 9, contract assets, lease receivables and financial guarantee contracts. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL (“12m ECL”) represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on our historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

We always recognize lifetime ECL for trade receivables and contract assets. The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.

For all other instruments, we measure the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, we recognize lifetime ECL. The assessment of whether lifetime ECL should be recognized is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, we compare the risk of a default occurring on the financial instrument as of the reporting date with the risk of a default occurring on the financial instrument as of the date of initial recognition. In making this assessment, we consider both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; and
- an actual or expected significant adverse change in the regulatory, economic or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

For financial guarantee contracts, the date that we become a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk of financial guarantee contracts, we consider the changes in the risk that the specified debtor will default on the contract.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to us in accordance with the contract and all the cash flows that we expect to receive, discounted at the effective interest rate determined at initial recognition. For a lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with IAS 17 *Leases*.

For a financial guarantee contract, we are required to make payments only in the event of a default by the debtor in accordance with the terms of the instruments that is guaranteed. Accordingly, the expected losses in the present value of the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that we expect to receive from the holder, the debtor or any other party.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortized cost of the financial asset.

Except for financial guarantee contracts, we recognize an impairment gain or loss in profit or loss for all items by adjusting their carrying amount, with the exception of trade and other receivables and contract assets where the corresponding adjustment is recognized through a loss allowance account.

For financial guarantee contracts, the loss allowances are recognized at the higher of the amount of the loss allowance determined in accordance with IFRS 9; and the amount initially recognized less, where appropriate, cumulative amount of income recognized over the guarantee period.

Financial assets

Our financial assets are classified into financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets at fair value through profit or loss

A financial asset is classified as held-for-trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that we manage together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at fair value through profit or loss upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with our documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract (asset or liability) to be designated as at fair value through profit or loss.

Financial assets at fair value through profit or loss are measured at fair value, with changes in fair value arising from re-measurement recognized directly in profit or loss in the period in which they arise. The net gain or loss recognized in profit or loss excludes any dividend or interest earned on the financial assets and is included in the “other gains and losses” line item in the consolidated statement of profit or loss and other comprehensive income.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and

receivables (including trade and other receivables, amount due from related party, restricted bank deposits and bank balances and cash) are carried at amortized cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over each reporting period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to net carrying amount on initial recognition.

Interest income is recognized on an effective interest basis.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment loss at the end of the reporting period (see accounting policy on impairment of financial assets below).

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty; or
- Default or delinquency in interest and principal payments; or
- It becoming probable that the borrower will enter bankruptcy or financial reorganization.

For financial assets measured at amortized cost, an impairment loss is recognized in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is

reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss. When a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of us after deducting all of its liabilities.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the each reporting period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognized on an effective interest basis.

Financial liabilities

Financial liabilities including trade and other payables, amounts due to related parties, bank and other borrowings and corporate bonds are subsequently measured at amortized cost, using effective interest method.

Equity instruments

Equity instruments issued by us are recorded at the proceeds received, net of direct issue costs.

Treasury shares contributed by the ultimate holding company for share award scheme are initially recognized at the fair value and recorded in treasury share reserve prior to vesting.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by us and not designated as at fair value through profit or loss is recognized initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, we measure the

financial guarantee contract at the higher of: (i) the amount of the obligation under the contract, as determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and (ii) the amount initially recognized less, where appropriate, cumulative amortization recognized over the guarantee period.

Derecognition

A financial asset is derecognized only when the contractual rights to the cash flows from the asset expire.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

Financial liabilities are derecognized when our obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Acquisition of assets and liabilities through acquisition of subsidiaries

Where an acquisition of an asset or a group of assets and liabilities that does not constitute a business, we will identify and recognize the individual identifiable assets acquired and liabilities assumed by allocating purchase price first to the financial assets and financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to other individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

Variable payments for acquisition of an asset or a group of assets and liabilities is recognized and included as part of the consideration transferred, when it is probable that we will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation. Variable payments for acquisition of an asset or a group of assets and liabilities is remeasured at subsequent reporting dates in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets and changes in the measurement is added to or deducted from the cost of the related assets.

When an acquisition of an asset or a group assets and liabilities that does not constitute a business is achieved in stages, each exchange transaction is treated separately, using the cost of the transaction at respective acquisition dates. Non-controlling interests are measured at the non-controlling interests' proportionate share of fair value of the assets acquired and liabilities assumed at the date of initial recognition.

Investments in associates

An associate is an entity over which we have 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.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of us for similar transactions and events in similar circumstances. Under the equity method, an investment in an associate is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize our share of the profit or loss and other comprehensive income of the associate. When our share of losses of an associate exceeds the our

interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), we discontinue recognizing its share of further losses. Additional losses are recognized only to the extent we have incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over our share of the net fair value of the identifiable assets and liabilities of the investee is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the our share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognized immediately in profit or loss in the period in which the investment is acquired.

The requirements of IAS 39 are applied to determine whether it is necessary to recognize any impairment loss with respect to our investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When we cease to have significant influence over an associate, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognized in profit or loss. When we retain an interest in the former associate and the retained interest is a financial asset within the scope of IAS 39, we measure the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate and the fair value of any retained interest and any proceeds from disposing the relevant interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, we account for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, we reclassify the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

When a group entity transacts with an associate of us, profits and losses resulting from the transactions with the associate are recognized in the our consolidated financial statements only to the extent of interests in the associate that are not related to us.

Interests in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

When a group entity undertakes its activities under joint operations, we as a joint operator recognize in relation to our interest in a joint operation:

- our assets, including our share of any assets held jointly;
- our liabilities, including our share of any liabilities incurred jointly;
- our revenue from the sale of our share of the output arising from the joint operation;

- our share of the revenue from the sale of the output by the joint operation; and
- our expenses, including our share of any expenses incurred jointly.

We account for the assets, liabilities, revenues and expenses relating to our interest in a joint operation in accordance with the IFRSs applicable to the particular assets, liabilities, revenues and expenses.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a sale or contribution of assets), we are considered to be conducting the transaction with the other parties to the joint operation, and gains and losses resulting from the transactions are recognized in the our consolidated financial statements only to the extent of other parties' interests in the joint operation.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a purchase of assets), we do not recognize our share of the gains and losses until we resell those assets to a third party.

CERTAIN STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Revenue

We derive our revenue primarily from property development and, to a lesser extent, primary land construction and development services, property investment and property management and related services. In the years ended December 31, 2015, 2016, 2017 and for the six months ended June 30, 2017 and 2018, we derived our revenue primarily from property development.

The table below sets forth our revenue by type of business for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2015		2016		2017		2017		2018	
	RMB	(%)	RMB	(%)	RMB	(%)	RMB	(%)	RMB	(%)
(in thousands, except percentages)										
Property development	6,028,920	92.5	7,513,208	93.5	6,381,746	94.0	2,004,155	91.9	1,955,755	87.4
Primary land construction and development services.	143,391	2.2	137,616	1.7	75,095	1.1	34,893	1.6	64,977	2.9
Property investment	280,589	4.3	292,679	3.7	310,293	4.6	140,435	6.4	207,085	9.3
Property management and related services.	61,404	1.0	91,078	1.1	20,281	0.3	2,407	0.1	10,571	0.4
Total	<u>6,514,304</u>	<u>100.0</u>	<u>8,034,581</u>	<u>100.0</u>	<u>6,787,415</u>	<u>100.0</u>	<u>2,181,890</u>	<u>100.0</u>	<u>2,238,388</u>	<u>100.0</u>

Property Development

As we derive a substantial portion of our revenue from property development, our results of operations for a given period depend primarily on the amount of the total saleable GFA, location and type of the properties we completed and delivered during such period, market conditions and the contracted sales price of our properties. For the years ended December 31, 2015, 2016, 2017 and for the six months ended June 30, 2017 and 2018, our overall GFA delivered was 594,298 sq.m., 929,665 sq.m., 531,725 sq.m., 169,715 sq.m. and 226,166 sq.m., respectively. For the years ended December 31, 2015, 2016, 2017 and for the six months ended June 30, 2017 and 2018, our overall recognized ASP per sq.m. was RMB10,144.6, RMB8,081.6, RMB12,002.0, RMB11,809.0 and RMB8,647.4 respectively.

We sell and deliver four types of properties, namely, residential, commercial, car parking spaces and storage units, as well as original-site resettlement residential properties. The table below sets forth, by property type, for the periods indicated, the percentages of their revenue contributions to our total revenue generated from property development:

	Year ended December 31,			Six months ended June 30,	
	2015	2016	2017	2017	2018
	(%)	(%)	(%)	(%)	(%)
Residential	83.4	91.5	79.3	59.5	79.9
Commercial	16.3	5.7	17.6	39.3	12.3
Car parking spaces and storage units	0.3	0.4	3.1	1.2	7.8
Original-site resettlement residential properties* .	—	2.4	—	—	—
Total	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>

* Comprise the original-site resettlement residential properties for Beijing Glory City and Beijing Fugui Garden.

The table below sets forth for the periods indicated, our revenue from sales of residential and commercial properties, the total GFA sold and the ASP for residential and commercial properties:

	Residential			Commercial		
	Revenue	GFA	ASP	Revenue	GFA	ASP
	RMB	(sq.m.)	(RMB/sq.m.)	RMB	(sq.m.)	(RMB/sq.m.)
(in thousands, except sq.m. and RMB/sq.m.)						
For the year ended December 31,						
2015	5,030,035	531,899	9,457	980,291	58,988	16,619
2016	6,873,646	863,101	7,964	429,650	30,200	14,227
2017	5,060,514	447,815	11,300	1,126,352	74,530	15,113
For the six months ended June 30,						
2017	1,192,138	112,898	10,559	787,903	55,729	14,138
2018	1,563,194	204,211	7,655	240,231	12,712	18,898

Primary Land Construction and Development Services

We derive revenue from providing primary land construction and development services in undertaking primary land development projects. For the years ended December 31, 2015, 2016, 2017 and for the six months ended June 30, 2017 and 2018, we derived revenue of RMB143.4 million, RMB137.6 million, RMB75.1 million (US\$11.3 million), RMB34.9 million and RMB65.0 million (US\$9.8 million), respectively, from primary land construction and development services.

Property Investment

We derive rental income from leasing our investment properties. The table below sets forth the breakdown of rental income generated for the periods indicated:

Location	Project (Phase)	Year ended December 31,				Six months ended June 30,		
		2015	2016	2017		2017	2018	
		RMB	RMB	RMB	US\$	RMB	RMB	US\$
		(in thousands)						
Beijing	Phases I, II Beijing Glory City (北京國瑞城) and Eudemonia Palace	224,005	231,680	242,810	36,694	106,194	124,546	18,822
Beijing	Beijing Fugui Garden (北京富貴園)	35,184	39,288	39,348	5,946	17,319	19,062	2,881
Beijing	Beijing Hademen Center (北京哈德門中心)	—	—	4,285	648	—	36,428	5,505
Shenyang	Shenyang Glory City (瀋陽國瑞城)	—	—	174	26	—	3,199	483
Shantou	Shantou Glory City (汕頭國瑞城)	21,400	21,711	23,676	3,578	16,922	13,415	2,027
Beijing	Beijing Bei Wu Lou (北京北五樓)	—	—	—	—	—	9,654	1,459
Foshan	Foshan Glory Shengping Commercial Center (佛山國瑞升平商業中心)	—	—	—	—	—	45	7
Haikou	Haikou Glory City (海口國瑞城)	—	—	—	—	—	736	111
Total		<u>280,589</u>	<u>292,679</u>	<u>310,293</u>	<u>46,893</u>	<u>140,435</u>	<u>207,085</u>	<u>31,295</u>

Property Management and Related Services

We provide property management services to the properties developed by us and generate fees for such services. For the years ended December 31, 2015, 2016, 2017 and for the six months ended June 30, 2017 and 2018, our revenue generated from property management and related services was RMB61.4 million, RMB91.1 million, RMB20.3 million (US\$3.1 million), RMB2.4 million and RMB10.6 million (US\$1.6 million), respectively.

Cost of Sales and Services

Our cost of sales and services primarily consists of cost of property development. The table below sets forth our cost of sales and services by type of business for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2015		2016		2017		2017		2018	
	RMB	(%)	RMB	(%)	RMB	(%)	RMB	(%)	RMB	(%)
	(in thousands, except percentages)									
Property development	3,591,663	93.6	4,641,964	94.4	3,471,511	95.9	1,137,035	95.9	1,394,626	94.6
Primary land construction and development services	142,533	3.7	134,539	2.7	73,931	2.0	34,352	2.9	63,778	4.3
Property investment	40,982	1.1	44,373	1.0	67,174	1.9	12,316	1.0	13,854	1.0
Property management and related services	60,307	1.6	95,615	1.9	5,927	0.2	2,483	0.2	2,170	0.1
Total	<u>3,835,485</u>	<u>100.0</u>	<u>4,916,491</u>	<u>100.0</u>	<u>3,618,543</u>	<u>100.0</u>	<u>1,186,186</u>	<u>100.0</u>	<u>1,474,428</u>	<u>100.0</u>

Property Development

Our cost of property development consists primarily of the costs we incurred directly in relation to our property development activities and includes construction costs, land use rights costs and capitalized interest:

- *Construction costs.* These represent costs for the design and construction of property projects and consist primarily of fees paid to our contractors, including those responsible for civil engineering, construction, landscaping, equipment installation and interior decoration, as well as infrastructure construction costs and design costs.
- *Land use rights costs.* These represent costs relating to the acquisition of rights to occupy, use and develop land, including land grant fees, demolition and resettlement costs, and other land related taxes. These costs for a particular project are influenced by a number of factors, including the location of the underlying property, market conditions, the project's plot ratios, the designated use of the underlying property, our method of acquisition and changes in PRC regulations.
- *Capitalized interest.* We capitalize a portion of our borrowing costs to the extent that such costs are directly related to the development of a particular project. Costs that are not directly attributable to the development of a project are expensed and recorded as finance costs in our consolidated statements of profit or loss and other comprehensive income and therefore fluctuations in the amount of our borrowing costs that can be capitalized from period to period will affect our finance costs.

The table below sets forth a breakdown of our cost of property development for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2015		2016		2017		2017		2018	
	RMB	(%)	RMB	(%)	RMB	(%)	RMB	(%)	RMB	(%)
	(in thousands, except percentages)									
Construction costs	2,730,995	71.2	3,392,780	69.0	2,363,066	65.3	798,185	67.3	888,787	60.3
Land use rights costs	735,199	19.2	1,028,348	20.9	867,669	24.0	268,370	22.6	453,489	30.8
Capitalized interest	125,469	3.2	220,836	4.5	240,776	6.6	70,480	5.9	52,350	3.6
Cost of property development . . .	3,591,663	93.6	4,641,964	94.4	3,471,511	95.9	1,137,035	95.9	1,394,626	94.6
Cost of sales and services	3,835,485	100.0	4,916,491	100.0	3,618,543	100.0	1,186,186	100.0	1,474,428	100.0

For the years ended December 31, 2015, 2016, 2017 and for the six months ended June 30, 2017 and 2018, our overall average cost per sq.m. of property development was RMB6,043.5, RMB 4,993.2, RMB6,528.8, RMB6,699.7 and RMB6,166.4, respectively. The table below sets forth, by property type, for the years indicated, the total cost of sales and services, the total GFA sold and the average cost:

	Residential			Commercial		
	Cost of sales and services	GFA	Average cost	Cost of sales and services	GFA	Average cost
	RMB	(sq.m.)	(RMB/sq.m.)	RMB	(sq.m.)	(RMB/sq.m.)
	(in thousands, except sq.m. and RMB/sq.m.)					
For the year ended December 31,						
2015	3,208,841	531,899	6,033	341,868	58,988	5,796
2016	4,268,408	863,101	4,945	220,635	30,200	7,306
2017	2,885,830	447,815	6,444	484,411	74,530	6,500
For the six months ended June 30,						
2017	772,403	112,898	6,842	346,998	55,729	6,227
2018	1,246,969	204,211	6,106	108,544	12,712	8,539

Primary Land Construction and Development Services

Costs of provision of primary land construction and development services typically include cost of compensating the residents of the properties subject to demolition, land levelling and construction of infrastructure and ancillary public facilities. See the section entitled “Business — Primary Land Development” of this offering memorandum for details. For the years ended December 31, 2015, 2016, 2017 and for the six months ended June 30, 2017 and 2018, we incurred cost of primary land construction and development services of RMB142.5 million, RMB134.5 million, RMB73.9 million (US\$11.2 million), RMB34.4 million and RMB63.8 million (US\$9.6 million), respectively.

Gross Profit and Gross Profit Margin

Gross profit represents revenue less cost of sales and services. Our gross profit for the years ended December 31, 2015, 2016, 2017 and for the six months ended June 30, 2017 and 2018 was RMB2,678.8 million, RMB3,118.1 million, RMB3,168.9 million (US\$478.9 million), RMB995.7 million and RMB764.0 million (US\$115.5 million), respectively. Our gross profit margin for the years ended December 31, 2015, 2016, 2017 and for the six months ended June 30, 2017 and 2018 was 41.1%, 38.8%, 46.7%, 45.6% and 34.1%, respectively.

Other Gains and Losses

Other gains and losses primarily consist of gains or losses from disposal of investment properties upon resettlement, allowance for doubtful debts, gains or losses from disposal of subsidiaries and changes in fair value of held-for-trading investments. We had other losses of RMB7.0 million and RMB23.7 million for the years ended December 31, 2015 and 2016. We had other gains of RMB161.2 million (US\$24.4 million) for the year ended December 31, 2017. We had other gains of RMB40.8 million for the six months ended June 30, 2017 and we has other losses of RMB28.5 million (US\$4.3 million) for the six months ended June 30, 2018. The volatility of other gains and losses is primarily due to fluctuation of foreign exchange rates.

Other Income

Other income consists primarily of interest income and compensation. Our other income for the years ended December 31, 2015, 2016, 2017 and for the six months ended June 30, 2017 and 2018 was RMB13.2 million, RMB20.2 million, RMB88.2 million (US\$13.3 million), RMB10.2 million and RMB74.9 million (US\$11.3 million), respectively.

Gain on Fair Value of Investment Properties

We develop and hold certain of our commercial properties such as shopping malls, offices, specialized markets, siheyuan (四合院) and car parking spaces as investment properties to generate recurring rental income or for capital appreciation. Our investment properties are appraised annually by an independent property valuer. Any appreciation or depreciation in our investment property value is recognized as changes in fair value of investment properties in our consolidated statements of profit or loss and other comprehensive income. The gain on fair value of investment properties for the years ended December 31, 2015, 2016, 2017 and for the six months ended June 30, 2017 and 2018 were RMB783.6 million, RMB851.9 million, RMB955.7 million (US\$144.4 million), RMB434.4 million and RMB539.6 million (US\$81.5 million), respectively.

Selling expenses

Selling expenses consist primarily of advertising and publicity expenses, including advertisements on television and in newspapers, magazines and on billboards, sales commission to outside agents and sales commission to and salaries and benefits of our own employees, as well as other expenses. Our selling expenses in a given period are affected by the number of new property development projects launched in that period and we may be required to incur additional selling expenses when we enter into a new market as part of our efforts to grow our business. Our selling expenses for the years ended December 31, 2015, 2016, 2017 and for the six months ended June 30, 2017 and 2018 were RMB246.2 million, RMB260.8 million, RMB194.9 million (US\$29.5 million), RMB103.7 million and RMB86.7 million (US\$13.1 million), respectively.

Administrative Expenses

Administrative expenses consist primarily of salaries and benefits of our administrative staff, office expenses, depreciation and amortization, property tax, land use tax and stamp duty, utilities and others. Our administrative expenses for the years ended December 31, 2015, 2016, 2017 and for the six months ended June 30, 2017 and 2018 were RMB358.7 million, RMB329.1 million, RMB360.7 million (US\$54.5 million), RMB178.4 million and RMB206.8 million (US\$31.3 million), respectively.

Other expenses

Other expenses consist primarily of donations, compensation, penalties for listing expenses. We had other expenses of RMB26.4 million, RMB18.7 million, RMB45.7 million (US\$6.9 million), RMB21.3 million and RMB29.7 million (US\$4.5 million), respectively, for the years ended December 31, 2015, 2016, 2017 and for the six months ended June 30, 2017 and 2018.

Finance Costs

Finance costs consist primarily of interest expenses on borrowings less capitalized interest. Not all of the interest costs related to a project can be capitalized. Interest on borrowings relating to project development is capitalized to the extent such borrowings are directly related to a particular project and used to finance the development of that project.

The table below sets forth our finance costs for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2015	2016	2017	2017	2018
	RMB	RMB	RMB	RMB	RMB
	(in thousands)				
Interest expenses					
Interest on bank loans	606,807	860,458	1,102,090	477,674	570,032
Interest on corporate bonds	22,624	241,011	282,137	141,069	141,235
Interest on senior notes	—	—	121,210	43,411	143,393
Interest on other loans	214,342	63,364	210,589	37,336	212,576
Imputed interest on contract liabilities	—	—	—	—	108,345
Interest on amounts due to related parties	190	—	—	—	—
Other finance cost*	3,950	—	—	—	—
Total	847,913	1,164,833	1,716,026	699,490	1,175,581
Less: capitalized interest	(706,818)	(1,038,009)	(1,517,343)	(619,527)	(1,066,755)
Finance costs	<u>141,095</u>	<u>126,824</u>	<u>198,683</u>	<u>79,963</u>	<u>108,826</u>

* Comprising fair value loss on payment in relation to termination of a pre-sale agreement entered into in July 2009 with Hainan Airlines Company Limited for the pre-sale of a high-rise residential building in Beijing Glory City. One of the associates of Hainan Airlines Company Limited was, before April 5, 2014, a substantial shareholder of Haikou Hangrui, one of our subsidiaries. We believed such properties had significant potential for appreciation, while to the best knowledge of our directors, Hainan Airlines Company Limited adjusted its business strategy and decided to cease its real estate operations. According to the cancellation agreement we entered into with Hainan Airlines Company Limited in May 2013, we must pay Hainan Airlines Company Limited a total amount of RMB1,512.2 million (the “Settlement Amount”), comprising the deposit we received for such pre-sale in 2009 of RMB1,160.9 million and an interest of RMB351.3 million, within one year by installments. Upon signing of the cancellation agreement, we measured the Settlement Amount at fair value and recognized a loss amounting to RMB293.9 million, being the difference between the pre-sale deposit of RMB1,160.9 million and the fair value of the Settlement Amount determined using an effective interest rate of 6% *per annum*.

Income Tax Expenses

Income tax expenses for a given period include provisions made for LAT, PRC enterprise income tax and deferred income tax during the year. The PRC enterprise income tax for both domestic and foreign invested enterprises has been unified at the rate of 25% since January 1, 2008. Some of our subsidiaries were subject to the PRC enterprise income tax on a verification collection basis at deemed profit representing 10% of their revenue for each of the years ended December 31, 2015, 2016, 2017 and for the six months ended June 30, 2017 and 2018, respectively, in accordance with authorized tax valuation method approved by local tax bureau pursuant to the applicable PRC tax regulations.

The table below sets forth our income tax expenses for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2015	2016	2017	2017	2018
	RMB	RMB	RMB	RMB	RMB
	(in thousands)				
Current tax					
PRC enterprise income tax	462,419	647,054	611,243	215,555	130,423
Under provision in prior year . .	357	7,349	—	—	242
LAT	530,513	542,306	797,135	229,560	108,080
Deferred tax	122,820	78,030	119,244	22,218	113,932
	<u>1,116,109</u>	<u>1,274,739</u>	<u>1,527,622</u>	<u>467,333</u>	<u>352,677</u>
Effective tax rate	41.3%	39.5%	42.8%	42.6%	38.7%

RESULTS OF OPERATIONS

The table below sets forth selected items from our consolidated statements of profit or loss and other comprehensive income for the periods indicated. The fluctuations in our operating results reflect the cyclical nature of the real estate industry, the timing of our property development projects and revenue recognition, the unpredictable impact of government regulations on the property market and other factors beyond our control. Our results of operations have fluctuated in the past and are likely to continue to fluctuate in the future. Therefore, our operating results may not be directly comparable from period to period, and our past performance may not be a reliable indicator of our future operating results.

	Year ended December 31,				Six months ended June 30,		
	2015	2016	2017	2017	2017	2018	2018
	RMB	RMB	RMB	US\$	RMB	RMB	US\$
	(audited)	(audited)	(audited)		(unaudited)	(unaudited)	
	(in thousands, except percentages)						
Revenue	6,514,304	8,034,581	6,787,415	1,025,739	2,181,890	2,238,388	338,273
Cost of sales and services	(3,835,485)	(4,916,491)	(3,618,543)	(546,847)	(1,186,186)	(1,474,428)	(222,821)
Gross profit	2,678,819	3,118,090	3,168,872	478,891	995,704	763,960	115,452
Other gains and losses	(6,956)	(23,671)	161,185	24,359	40,765	(28,532)	(4,312)
Other income	13,170	20,227	88,241	13,335	10,226	74,943	11,326
Gain on fair value change of investment properties	783,601	851,934	955,743	144,435	434,438	539,592	81,545
Share of result of a joint venture . .	—	—	(936)	(141)	—	(1,039)	(157)
Share of result of associates	3,312	(727)	(6,014)	(909)	—	(6,029)	(911)
Selling expenses	(246,156)	(260,817)	(194,915)	(29,456)	(103,652)	(86,728)	(13,107)
Administrative expenses	(358,709)	(329,129)	(360,684)	(54,508)	(178,387)	(206,770)	(31,248)
Other expenses	(26,388)	(18,656)	(45,676)	(6,903)	(21,348)	(29,675)	(4,485)
Finance costs	(141,095)	(126,824)	(198,683)	(30,026)	(79,963)	(108,826)	(16,446)
Profit before tax	2,699,598	3,230,427	3,567,133	539,078	1,097,783	910,896	137,658
Income tax expenses	(1,116,109)	(1,274,739)	(1,527,622)	(230,860)	(467,333)	(352,677)	(53,298)
Profit for the year/period	1,583,489	1,955,688	2,039,511	308,218	630,450	558,219	84,360

	Year ended December 31,				Six months ended June 30,		
	2015	2016	2017	2017	2017	2018	2018
	RMB	RMB	RMB	US\$	RMB	RMB	US\$
	(audited)	(audited)	(audited)		(unaudited)	(unaudited)	
	(in thousands, except percentages)						
Other comprehensive income (expense)							
Items that will not be reclassified to profit or loss:							
Gain on revaluation of properties . .	—	—	324,949	49,107	—	—	—
Fair value loss on investments in equity instruments at fair value through other comprehensive income	—	—	—	—	—	(20,700)	(3,128)
Related income tax	—	—	(81,237)	(12,277)	—	5,175	782
Other comprehensive income (expense) for the year/period . . .	—	—	243,712	36,831	—	(15,525)	(2,346)
Total comprehensive income for the year/period	<u>1,583,489</u>	<u>1,955,688</u>	<u>2,283,223</u>	<u>345,049</u>	<u>630,450</u>	<u>542,694</u>	<u>82,014</u>
Profit for the year/period attributable to:							
Owners of the Company	1,260,550	1,562,956	1,749,841	264,442	498,293	410,446	62,028
Non-controlling interests	322,939	392,732	289,670	43,776	132,157	147,773	22,332
	<u>1,583,489</u>	<u>1,955,688</u>	<u>2,039,511</u>	<u>308,218</u>	<u>630,450</u>	<u>558,219</u>	<u>84,360</u>
Total comprehensive income for the year/period attributable to:							
Owners of the Company	1,260,550	1,562,956	1,944,811	293,907	498,293	396,318	59,893
Non-controlling interests	322,939	392,732	338,412	51,142	132,157	146,376	22,121
	<u>1,583,489</u>	<u>1,955,688</u>	<u>2,283,223</u>	<u>345,049</u>	<u>630,450</u>	<u>542,694</u>	<u>82,014</u>
Other Financial Data (unaudited):							
EBITDA ⁽¹⁾	2,101,195	2,561,199	2,646,480	399,946	729,129	507,457	76,689
EBITDA margin ⁽²⁾	32.3%	31.9%	39.0%	39.0%	33.4%	22.7%	22.7%

Note:

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

Six months ended June 30, 2018 compared with six months ended June 30, 2017

Revenue

Our revenue increased by 2.6% from RMB2,181.9 million for the six months ended June 30, 2017 to RMB2,238.4 million (US\$338.3 million) for the six months ended June 30, 2018, primarily due to increased revenue from primary land construction and development services, property investment and property management and related services.

Property Development. Revenue generated from property development decreased by 2.4% from RMB2,004.2 million for the six months ended June 30, 2017 to RMB1,955.8 million (US\$295.6 million) for the six months ended June 30, 2018, primarily due to the uneven progress of project delivery and settlement.

Primary Land Construction and Development Services. Revenue generated from primary land construction and development services increased by 86.2% from RMB34.9 million for the six months ended June 30, 2017 to RMB65.0 million (US\$9.8 million) for the six months ended June 30, 2018, which is generally in line with the progress of resettlement and demolition projects during the same period.

Property Investment. Revenue generated from property investment increased by 47.5% from RMB140.4 million for the six months ended June 30, 2017 to RMB207.1 million (US\$31.3 million) for the six months ended June 30, 2018, primarily due to increase in the number of our property investment projects in the first half of 2018.

Property Management and Related Services. Revenue generated from property management and related services increased by 339.2% from RMB2.4 million for the six months ended June 30, 2017 to RMB10.6 million (US\$1.6 million) for the six months ended June 30, 2018.

Cost of sales and services

Our cost of sales and services increased by 24.3% from RMB1,186.2 million for the six months ended June 30, 2017 to RMB1,474.4 million (US\$222.8 million) for the six months ended June 30, 2018, primarily due to the increased cost of property development.

Our cost of property development increased by 22.7% from RMB1,137.0 million for the six months ended June 30, 2017 to RMB1,394.6 million (US\$210.8 million) for the six months ended June 30, 2018, primarily due to the difference in the location and product types of our delivery and settlement project for the six months ended June 30, 2018.

Gross profit

For the six months ended June 30, 2018, our gross profit was RMB764.0 million (US\$115.5 million), representing a decrease of 23.3% as compared to the corresponding period of last year, primarily due to the decrease in gross profit of property development.

Gross profit of property development was RMB561.2 million (US\$84.8 million), representing a decrease of 35.3% as compared to the corresponding period of last year. The decrease in our gross profit of property development was primarily due to the decrease in our projects with high gross profit delivered and carried forward as compared to the same period of last year for the six months ended June 30, 2018.

Net profit attributable to owners of the Company

For the six months ended June 30, 2018, the net profit attributable to owners of the Company was RMB410.4 million (US\$62.0 million), representing a decrease of 17.6% from RMB498.3 million for the six months ended June 30, 2017.

Changes in fair value gains on investment properties

The fair value gains on investment properties at the Group's level increased by 24.2% from RMB434.4 million for the six months ended June 30, 2017 to RMB539.6 million (US\$81.5 million) for the six months ended June 30, 2018.

Other gains and losses

Other gains were RMB40.8 million for the six months ended June 30, 2017, while other losses were RMB28.5 million (US\$4.3 million) for the six months ended June 30, 2018, which was primarily due to the foreign exchange losses.

Other income

Other income increased by 634.3% from RMB10.2 million for the six months ended June 30, 2017 to RMB74.9 million (US\$11.3 million) for the six months ended June 30, 2018, which was mainly due to the recognized return on capital employed with associates and joint ventures for the period.

Selling expenses

Selling expenses decreased by 16.3% from RMB103.7 million for the six months ended June 30, 2017 to RMB86.7 million (US\$13.1 million) for the six months ended June 30, 2018, which was primarily due to the decreased marketing agency fees caused by our gradual adjustment of marketing policy to increase self-selling.

Administrative expenses

Administrative expenses increased by 15.9% from RMB178.4 million for the six months ended June 30, 2017 to RMB206.8 million (US\$31.3 million) for the six months ended June 30, 2018, which was primarily due to the increase in depreciation expenses as a result of the partial transfer of our Beijing Hademen Center project to fixed assets.

Finance costs

Finance costs increased by 36.1% from RMB80.0 million for the six months ended June 30, 2017 to RMB108.8 million (US\$16.4 million) for the six months ended June 30, 2018, which was mainly due to the increase of borrowings.

Income tax expenses

Income tax expenses decreased by 24.5% from RMB467.3 million for the six months ended June 30, 2017 to RMB352.7 million (US\$53.3 million) for the six months ended June 30, 2018, which was primarily due to the decrease of the profit before taxation. Our PRC corporate income tax and land appreciation tax for the six months ended June 30, 2018 were RMB244.6 million and RMB108.1 million, respectively.

Total comprehensive income

As a result of the foregoing reasons, our total comprehensive income decreased from RMB630.5 million for the six months ended June 30, 2017 to RMB542.7 million (US\$82.0 million) for the six months ended June 30, 2018. The decrease in our total comprehensive income was primarily due to the increase of cost of sales and services.

Year Ended December 31, 2017 Compared with Year Ended December 31, 2016

Revenue

Our revenue decreased by 15.5% from RMB8,034.6 million in 2016 to RMB6,787.4 million in 2017, primarily due to decreased revenue generated from property development.

Property Development. Revenue generated from property development decreased by 15.1% from RMB7,513.2 million in 2016 to RMB6,381.7 million in 2017, primarily due to the uneven progress of project delivery and settlement for the year ended December 31, 2017.

Primary Land Construction and Development Services. Revenue generated from primary land construction and development services decreased by 45.4% from RMB137.6 million in 2016 to RMB75.1 million in 2017, which is generally in line with the progress of resettlement and demolition projects during the same period.

Property Investment. Rental income from leasing investment properties increased slightly by 6.0% from RMB292.7 million in 2016 to RMB310.3 million in 2017.

Property Management and Related Services. Revenue generated from property management and related services decreased by 77.7% from RMB91.1 million in 2016 to RMB20.3 million in 2017, primarily due to the sale of Beijing Glory Property Services Co., Ltd. (北京國瑞物業服務有限公司) at the end of 2016.

Cost of sales and services

Our cost of sales and services decreased by 26.4% from RMB4,916.5 million in 2016 to RMB3,618.5 million in 2017, primarily due to the decreased cost of property development.

Our cost of property development decreased by 25.2% from RMB4,642.0 million in 2016 to RMB3,471.5 million in 2017, primarily due to the uneven progress of project delivery and settlement for the year ended December 31, 2017.

Cost of services of primary land development decreased by 45.1% from RMB134.5 million in 2016 to RMB73.9 million in 2017, which is consistent with the progress of resettlement and demolition projects during the same period.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased by 1.6% from RMB3,118.1 million in 2016 to RMB3,168.9 million in 2017. Our overall gross profit margin increased by 7.9% from 38.8% in 2016 to 46.7% in 2017.

Other gains and losses

Other losses were RMB23.7 million in 2016, while other gains were RMB161.2 million in 2017.

Other income

Other income increased by 336.6% from RMB20.2 million in 2016 to RMB88.2 million in 2017, primarily due to the recognized return on capital employed with associates and joint ventures for the year.

Gain on fair value change of investment properties

Gain on fair value change of investment properties increased by 12.2% from RMB851.9 million in 2016 to RMB955.7 million in 2017.

Share of result of associates

We had share of loss of associates of RMB0.7 million in 2016 and RMB6.0 million in 2017.

Selling expenses

Selling expenses decreased by 25.3% from RMB260.8 million in 2016 to RMB194.9 million in 2017, primarily due to the decreased marketing agency fees caused by our gradual adjustment of marketing policy to increase self-selling.

Administrative expenses

Administrative expenses increased by 9.6% from RMB329.1 million in 2016 to RMB360.7 million in 2017.

Other expenses

Other expenses increased by 144.4% from RMB18.7 million in 2016 to RMB45.7 million in 2017, primarily due to an increase in donations.

Finance costs

Finance costs increased by 56.7% from RMB126.8 million in 2016 to RMB198.7 million in 2017, primarily due to an increase in loan balances as a result of our increased financing activities.

Income tax expenses

Income tax expenses increased by 19.8% from RMB1,274.7 million in 2016 to RMB1,527.6 million in 2017, primarily due to an increase in profit before taxation. The effective tax rate increased from 39.5% in 2016 to 42.8% in 2017.

Total comprehensive income for the year

As a result of the foregoing, our total comprehensive income for the year increased by 16.7% from RMB1,955.7 million in 2016 to RMB2,283.2 million in 2017.

Year Ended December 31, 2016 Compared with Year Ended December 31, 2015**Revenue**

Our revenue increased by 23.3% from RMB6,514.3 million in 2015 to RMB8,034.6 million in 2016, primarily due to increased revenue generated from property development.

Property Development. Revenue generated from property development increased by 24.6% from RMB6,028.9 million in 2015 to RMB7,513.2 million in 2016, primarily due completion and delivery of Foshan Guohua New Capital (Phase I) (佛山國華新都(一期)) and Yongqing Glory City (Phases IV and V) (永清國瑞城(四、五期)) for the year ended December 31, 2016.

Primary Land Construction and Development Services. Revenue generated from primary land construction and development services decreased by 4.0% from RMB143.4 million in 2015 to RMB137.6 million in 2016 primarily due to the progress of resettlement and demolition projects during the same period.

Property Investment. Rental income from leasing investment properties increased slightly by 4.3% from RMB280.6 million in 2015 to RMB292.7 million in 2016.

Property Management and Related Services. Revenue generated from property management and related services increased by 48.3% from RMB61.4 million in 2015 to RMB91.1 million in 2016, primarily due to increased area of properties under our management.

Cost of sales and services

Our cost of sales and services increased by 28.2% from RMB3,835.5 million in 2015 to RMB4,916.5 million in 2016, primarily due to the increased cost of property development.

Our cost of property development increased by 29.2% from RMB3,591.7 million in 2015 to RMB4,642.0 million in 2016, primarily due to completion and delivery of Foshan Guohua New Capital (Phase I) (佛山國華新都(一期)) and Yongqing Glory City (Phases IV and V) (永清國瑞城(四、五期)) for the year ended December 31, 2016.

Cost of services of primary land development decreased by 5.6% from RMB142.5 million in 2015 to RMB134.5 million in 2016, primarily due to the progress of resettlement and demolition projects during the same period.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased by 16.4% from RMB2,678.8 million in 2015 to RMB3,118.1 million in 2016. Our overall gross profit margin decreased from 41.1% in 2015 to 38.8% in 2016.

Other gains and losses

Other losses increased from RMB7.0 million in 2015 to RMB23.7 million in 2016.

Other income

Other income increased by 53.6% from RMB13.2 million in 2015 to RMB20.2 million in 2016.

Gain on fair value change of investment properties

Gain on fair value change of investment properties increased by 8.7% from RMB783.6 million in 2015 to RMB851.9 million in 2016, primarily due to increased market price of rentals.

Share of result of associates

We had share of loss of associates of RMB0.7 million in 2016, whereas we had share of gain of associates of RMB3.3 million in 2015.

Selling expenses

Selling expenses increased by 5.9% from RMB246.2 million in 2015 to RMB260.8 million in 2016, primarily due to an increase in the marketing efforts as a result of increased GFA under our sales.

Administrative expenses

Administrative expenses decreased by 8.3% from RMB358.7 million in 2015 to RMB329.1 million in 2016, primarily due to stringent management and control of administrative expenses and the decrease in relevant staff costs in relation to equity incentives to the staff incurred by the Group.

Other expenses

Other expenses decreased by 29.2% from RMB26.4 million in 2015 to RMB18.7 million in 2016.

Finance costs

Finance costs decreased by 10.1% from RMB141.1 million in 2015 to RMB126.8 million in 2016, primarily because part of our borrowings were settled.

Income tax expenses

Income tax expenses increased by 14.2% from RMB1,116.1 million in 2015 to RMB1,274.7 million in 2016, primarily due to an increase in profit before taxation. The effective tax rate decreased from 41.3% in 2015 to 39.5% in 2016.

Total comprehensive income for the year

As a result of the foregoing, our total comprehensive income for the year increased by 23.5% from RMB1,583.5 million in 2015 to RMB1,955.7 million in 2016.

LIQUIDITY AND CAPITAL RESOURCES

We have financed our working capital, capital expenditures and other capital requirements primarily through internally generated funds and bank borrowings and to a lesser extent, trust financings. We may also raise additional funds through debt or equity offerings or sales or other dispositions of assets or business units in the future to finance our working capital, capital expenditures and other capital requirements.

Cash Flows

The table below sets out selected cash flow data from our consolidated statements of cash flows for the periods indicated:

	Year ended December 31,				Six months ended June 30,		
	2015	2016	2017	2017	2017	2018	
	RMB	RMB	RMB	US\$	RMB	RMB	US\$
	(in thousands)						
Net cash (used in) generated from operating activities	(1,879,208)	(1,425,294)	(3,240,374)	(489,697)	(3,894,169)	(1,395,103)	(210,833)
Net cash (used in) generated from investing activities	(17,664)	(2,523,313)	(4,782,092)	(722,687)	(967,372)	1,017,876	153,825
Net cash (used in) generated from financing activities	3,310,578	3,226,594	8,379,722	1,266,374	4,814,433	(79,907)	(12,076)
Net increase (decrease) in cash and cash equivalents	1,413,706	(722,013)	357,256	53,990	(47,108)	(457,134)	(69,084)
Cash and cash equivalents at beginning of the year/period	542,557	1,956,263	1,234,250	186,524	1,234,250	1,591,506	240,514
Cash and cash equivalents at end of the year/period	1,956,263	1,234,250	1,591,506	240,514	1,187,142	1,134,372	171,430

Cash flows (used in) generated from operating activities

Cash generated from operating activities is principally from proceeds received from sales and pre-sales of our properties, rental income from the leasing of our investment properties, and income from our property management and other property related services. Cash used in operating activities principally comprises payments in connection with our property development activities.

For the six months ended June 30, 2018, we had net cash used in operating activities of RMB1,395.1 million (US\$210.8 million), primarily due to payments of land acquisition costs for the first half of 2018.

For the year ended December 31, 2017, we had net cash used in operating activities of RMB3,240.4 million (US\$489.7 million), primarily due to an increase in expenditure for land acquisition in connection with a bid for a land parcel in Yinghai Town, Daxing District, Beijing City in the first half of 2017.

For the year ended December 31, 2016, we had net cash used in operating activities of RMB1,425.3 million, consisting primarily of (i) decrease in prepayment paid for land acquisition of RMB2,564.8 million, (ii) decrease in trade and other receivables of RMB56.0 million and (iii) increase in trade and other payables of RMB883.0 million, partially offset by (i) profit before taxation of RMB3,230.4 million and (ii) increase in properties under development and properties held for sale of RMB7,526.7 million.

For the year ended December 31, 2015, we had net cash used in operating activities of RMB1,879.2 million, consisting primarily of (i) increase in prepayment paid for land acquisition of RMB2,869.5 million, (ii) increase in trade and other receivables of RMB317.6 million and (iii) decrease in trade and other payables of RMB194.5 million, partially offset by (i) profit before taxation of RMB2,699.6 million and (ii) decrease in properties under development and properties held for sale of RMB202.1 million.

Cash flows (used in) generated from investing activities

Cash generated from investing activities consists primarily of the disposal of land use rights and subsidiaries, withdrawal of restricted bank deposits and repayment from related parties and independent parties. Cash used in investing activities primarily consists of acquisition of subsidiaries, placement of restricted bank deposits and advances to related parties and independent third parties.

For the six months ended June 30, 2018, we had net cash generated from investing activities of RMB1,017.9 million (US\$153.8 million), which primarily consists of repayments from related parties of RMB1,715.2 million (US\$259.2 million).

For the year ended December 31, 2017, we had net cash used in investing activities of RMB4,782.1 million (US\$722.7 million), which primarily consists of advance to related parties of RMB3,668.8 million (US\$554.4 million) incurred as a result of our joint development projects in Beijing with other property developers.

For the year ended December 31, 2016, we had net cash used in investing activities of RMB2,523.3 million, consisting primarily of (i) net cash outflow on acquisition of subsidiaries of RMB1,886.8 million, and (ii) payment for investment properties of RMB507.8 million. These and other investing activities offset withdrawal of restricted bank deposits of RMB8.0 million.

For the year ended December 31, 2015, we had net cash used in investing activities of RMB17.7 million, consisting primarily of (i) net cash outflow on acquisition of a subsidiary of RMB400.0 million, (ii) payment for investment properties of RMB382.5 million and (iii) settlement on debts assigned in an acquisition of a subsidiary of RMB200.0 million. These and other investing activities offset withdrawal of restricted bank deposits of RMB1,153.3 million.

Cash flows (used in) generated from financing activities

Cash generated from financing activities primarily consists of proceeds from new bank and other borrowings, advances from related parties and capital injection from our shareholders. Cash used in financing activities primarily consists of repayment of bank and other borrowings, dividend paid to equity holders, payment of interest, repayments to related parties and acquisition of interests in subsidiaries.

For the six months ended June 30, 2018, we had net cash used in financing activities of RMB79.9 million (US\$12.1 million).

For the year ended December, 2017, we had net cash generated from financing activities of RMB8,379.7 million (US\$1,266.4 million), consisting primarily of (i) new bank loans raised of RMB8,154.0 million (US\$1,232.3 million), (ii) new other loans raised of RMB4,760.0 million (US\$719.3 million) and (iii) proceeds on issue of senior notes of RMB2,072.1 million (US\$313.1 million), partially offset by (i) repayment of banks loans of RMB4,244.8 million (US\$641.5 million) and (ii) interest paid of RMB1,655.3 million (US\$250.2 million).

For the year ended December 31, 2016, we had net cash generated from financing activities of RMB3,226.6 million, consisting primarily of (i) new bank loans raised of RMB9,117.5 million and (ii) proceeds from issue of corporate bonds of RMB1,000.0 million, partially offset by (i) repayment of bank loans of RMB3,698.2 million and repayment of other loans of RMB1,809.5 million.

For the year ended December 31, 2015, we had net cash generated from financing activities of RMB3,310.6 million, consisting primarily of (i) new bank loans raised of RMB5,953.9 million and (ii) proceeds from issue of corporate bonds of RMB3,000.0 million, partially offset by (i) repayment of bank loans of RMB4,141.4 million and repayment of other loans of RMB1,278.0 million.

INDEBTEDNESS AND CONTINGENT LIABILITIES

Bank and Other Borrowings, Senior Notes and Corporate Bonds

The table below sets forth our total bank and other borrowings as of the dates indicated:

	As of December 31			As of June 30,
	2015	2016	2017	2018
	RMB	RMB	RMB	RMB
	(in thousands)			
Bank loans, secured	10,188,650	15,607,867	19,517,064	18,074,083
Other loans, secured	2,109,475	300,000	4,710,000	3,932,700
Senior notes	—	—	1,940,948	4,259,880
Corporate bonds	2,977,127	3,980,214	3,989,651	3,994,639
	<u>15,275,252</u>	<u>19,888,081</u>	<u>30,157,663</u>	<u>30,261,302</u>
Bank and other loans are repayable:				
— Within one year	3,718,997	2,877,489	11,625,399	1,022,763
— More than one year, but not exceeding two years	1,812,157	11,071,080	6,427,891	5,976,973
— More than two years, but not exceeding five years	6,062,130	1,521,298	3,185,080	2,382,400
— More than five years	704,841	438,000	2,988,694	3,424,647
	<u>12,298,125</u>	<u>15,907,867</u>	<u>24,227,064</u>	<u>22,006,783</u>
Less: Amount due within one year shown under current liabilities . . .	<u>(3,718,997)</u>	<u>(2,877,489)</u>	<u>(11,625,399)</u>	<u>(1,022,763)</u>
Amount due after one year	<u>8,579,128</u>	<u>13,030,378</u>	<u>12,601,665</u>	<u>11,784,020</u>

Our outstanding current and non-current bank and other loans amounted to RMB12,298.1 million, RMB15,907.9 million, RMB24,227.1 million (US\$3,661.3 million) and RMB22,006.8 million (US\$3,325.7 million) as of December 31, 2015, 2016, 2017 and June 30, 2018, respectively. Our current and non-current bank and other loans increased steadily, primarily due to the increase in our property development activities.

For the years ended December 31, 2015, 2016, 2017 and for the six months ended June 30, 2017 and 2018, the effective interest rate of our variable rate borrowings ranged from 5.23% to 8.52% , 2.46% to 6.65%, 2.58% to 6.50%, 2.55% to 6.50% and 2.76% to 7.13% respectively. The effective interest rate of our fixed rate borrowings ranged from 2.09% to 12.20%, 5.90% to 10.00%, 5.90% to 8.75%, 4.90% to 9.80% and 4.75% to 12.00%, for the years ended December 31, 2015, 2016, 2017 and for the six months ended June 30, 2017 and 2018, respectively. Bank borrowings are one of the most important sources of funding for our property developments. As of December 31, 2015, 2016, 2017 and June 30, 2018, bank borrowings (excluding corporate bonds and senior notes) accounted for 82.8%, 98.1%, 80.6% and 82.1%, respectively, of our bank and other borrowings. The increase in the effective interest rate on our bank borrowings was primarily due to an increase in the PBOC benchmark rates and the tightened credit policies imposed by banks towards PRC property developers. Other loans comprise loans from non-bank financial institutions. As of December 31, 2015, 2016, 2017 and June 30, 2018, our other loans from non-bank financial institutions amounted to RMB2,109.5 million, RMB300.0 million, RMB4,710.0 million (US\$711.8 million) and RMB3,932.7 million (US\$594.3 million), respectively. While drawdowns on bank loans usually depend on actual construction progress, drawdowns on trust financings may be made in full in one or multiple installments as agreed with the relevant trust companies, which provide better cash position and liquidity. See the section entitled “Description

of Other Material Indebtedness — Trust Financings” in this offering memorandum for more details. While trust financing companies do not usually link their interest rates to the PBOC benchmark interest rates, they typically charge rates higher than those charged by commercial banks. For further information, see the section entitled “Risk Factors — Risks Relating to Our Business — Our total interest expenses for our borrowings are subject to changes in interest rates” in this offering memorandum.

Some of our borrowings are secured by properties under development for sale, properties held for sale, investment properties and prepaid lease payments as well as property, plant and equipment and restricted bank deposits, or combinations of the above. The table below sets forth assets pledged to secure certain borrowing granted to us as of the dates indicated:

	As of December 31,			As of June 30,
	2015	2016	2017	2018
	RMB	RMB	RMB	RMB
	(in thousands)			
Investment properties	13,628,300	14,824,090	16,769,654	17,482,594
Properties under development	3,913,890	12,318,147	14,215,345	15,523,302
Properties held for sale	1,390,967	1,880,084	1,203,340	1,083,468
Property, plant and equipment	74,008	63,245	617,349	837,376
Prepaid lease payment	2,171	2,121	286,638	283,649
Restricted bank deposits	10,104	10,146	224,995	224,995
Total	<u>19,019,440</u>	<u>29,097,833</u>	<u>33,317,321</u>	<u>35,435,384</u>

Certain of our loan agreements are subject to a number of customary affirmative and/or negative covenants, such as restrictions on change of control and disposition of material assets, as well as financial ratios, such as debt-to-equity ratio, with which we must comply. For further information, see the sections entitled “Description of Other Material Indebtedness” and “Risk Factors — Risks Relating to Our Business — We are subject to certain restrictive covenants and risks normally associated with borrowings which may limit or otherwise materially and adversely affect our business, financial condition and results of operations” in this offering memorandum.

Contingent Liabilities

In line with industry practice, we have entered into arrangements with various banks for the provision of mortgage financing to our customers. We do not conduct independent credit checks on the purchasers, but rely on credit checks conducted by relevant banks. As with other property developers in the PRC, the banks usually require us to guarantee our customers’ obligations to repay the mortgage loans on the properties. The guarantee period normally lasts until the bank receives the strata-title building ownership certificate (分戶產權證) from the customer as security of the mortgage loan granted. As of December 31, 2015, 2016, 2017 and June 30, 2018, our outstanding guarantees in respect of the mortgages of our customers were RMB3,997.2 million, RMB6,609.0 million, RMB7,662.5 million (US\$1,158.0 million) and RMB7,909.2 million (US\$1,195.3 million), respectively. If a customer defaults under a mortgage loan during the term of the guarantee, we may be required to repay all debt owed by such purchaser to the mortgagee bank under the loan. Under such circumstances, we are entitled to forfeit the down payment received and sell the repossessed properties.

Contractual Obligations and Capital Commitments

The table below sets forth our property development expenditures as of the dates indicated:

	As of December 31,			As of June 30,
	2015	2016	2017	2018
	RMB	RMB	RMB	RMB
	(in thousands)			
Contracted but not provided for in the Financial Information:				
— Expenditure in respect of properties under development	<u>2,565,291</u>	<u>3,569,079</u>	<u>3,557,378</u>	<u>6,861,935</u>

We have committed tenant arrangements ranging from six months to twenty years, most of which contain fixed rental provisions, for the properties we held for rental purpose. The table below sets forth our minimum operating lease commitments as of the dates indicated:

	As of December 31,			As of June 30,
	2015	2016	2017	2018
	RMB	RMB	RMB	RMB
	(in thousands)			
Within one year	233,004	314,171	332,710	344,328
In the second to the fifth year inclusive	359,544	550,769	550,211	643,034
After the fifth year	<u>258,433</u>	<u>213,743</u>	<u>208,410</u>	<u>175,158</u>
Total	<u>850,981</u>	<u>1,078,683</u>	<u>1,091,331</u>	<u>1,162,520</u>

We intend to fund our capital and lease commitments principally from bank financings and proceeds from sales and pre-sales of our properties completed or under development.

Off-Balance Sheet Arrangements

Except for the contingent liabilities disclosed, we have not entered into any off-balance sheet arrangements or commitments to guarantee the payment obligations of any third parties. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing or hedging services with us.

QUALITATIVE AND QUANTITATIVE DISCLOSURE ABOUT MARKET RISK

We are exposed to various types of market risks, including credit risk, interest rate risk, and liquidity risk.

Credit Risk

The carrying amounts of bank deposits, and trade and other receivables included in the consolidated statements of financial position represent our maximum exposure to credit risk in relation to our financial assets. We have policies in place to ensure that sales of properties are made to buyers with appropriate financial strength and with appropriate percentage of down payment. In addition, we reserve the right to cancel the sales contracts in the event that the buyers default in payment and put the underlying properties back to the market for re-sale. The credit

risk from sales of properties is therefore limited. Other receivables mainly comprise receivables from related parties and deposits made in the ordinary course of business. We closely monitor these other receivables to ensure actions will be taken to recover these balances in the case of any risk of default.

The credit risk on amounts due from related parties is limited as our related parties are in good financial position. Other than the amounts due from related parties and Beijing Municipal People's Government, we have no significant concentration of credit risk on our receivables from counterparties and customers, with exposure spread over a number of counterparties and customers. Other than deposits with several banks with high credit ratings, we do not have any other significant concentration of credit risk on liquid funds. The credit risk on bank deposits is limited because the counterparties are mainly state-owned banks and with high credit ratings in the PRC.

Interest Rate Risk

Our interest rate risk relates primarily to our fixed-rate borrowings and variable-rate borrowings. Borrowings at fixed-rates expose us to fair value interest rate risk and borrowings at variable rates expose us to cash flow interest rate risk. We have not entered into interest rate swaps to hedge against our exposure to changes in fair values of our borrowings.

In addition, to the extent that we may need to raise debt financing in the future, upward fluctuations in interest rates will increase the cost of new debts. Fluctuations in interest rates can also lead to significant fluctuations in the fair values of our debt obligations and interest rate risks.

We currently do not use any derivative instruments to manage our interest rate risk. To the extent we decide to do so in the future, there can be no assurance that any future hedging activities will protect us from fluctuations in interest rates.

Foreign Exchange Rate Risk

We conduct our business primarily in Renminbi. We are exposed to foreign exchange rate risk on bank deposits. On July 21, 2005, the PRC government changed its policy of pegging the value of the Renminbi to the U.S. dollar. Under the new policy, the Renminbi is permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies. This change in policy has resulted in a gradual appreciation of the Renminbi against the U.S. dollar and, in turn, the Hong Kong dollar which value is linked to the U.S. dollar. The PRC government may take further actions that could cause future exchange rates to vary significantly from current or historical exchange rates. A depreciation in the Renminbi would (i) adversely affect the value of any dividends we pay to our shareholders outside the PRC and (ii) require us to use more Renminbi funds to service the same amount of any foreign currency debt (including the Notes). An appreciation in the Renminbi, however, would adversely affect the value of our foreign currency-denominated assets or any capital contributions we received in foreign currency if they are not converted into Renminbi in a timely manner. We do not have a formal hedging policy and have not entered into any foreign currency exchange contracts or derivative transactions to hedge our currency risk. However, our directors monitor our foreign exchange exposure closely and may, depending on the circumstances and trend of foreign currencies, consider adopting a significant foreign currency hedging policy in the future.

Liquidity Risk

The capital-intensive nature of our business exposes us to liquidity risk. We are exposed to liquidity risk if we are unable to raise sufficient funds to meet our capital commitments. To manage our liquidity risk, we monitor and maintain a level of cash and cash equivalents considered adequate by our management to finance our operations and mitigate the effects of fluctuations in cash flows.

Inflation

According to the National Bureau of Statistics of China, China's overall national inflation rate, as represented by the general consumer price index, was approximately 1.4%, 2.0%, 1.6% and 2.0%, respectively, for the years ended December 31, 2015, 2016, 2017 and for the six months ended June 30, 2018. Recent inflation and deflation have not materially affected our business, despite relatively significant increases in inflation since 2015. Deflation could adversely affect our business, as it might be a disincentive for prospective purchasers to purchase our properties.

NON-GAAP FINANCIAL MEASURES

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

- finance costs;
- depreciation and amortization;
- other gains and losses;
- share of result of an associate;
- share of result of a joint venture;
- income tax expense;
- other expenses;
- other income; and
- changes of fair value.

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

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

The following table reconciles our profit before taxation under IFRS to our definition of EBITDA for the periods indicated.

	Year ended December 31,			Six months ended June 30,	
	2015	2016	2017	2017	2018
	RMB	RMB	RMB	RMB	RMB
	(in thousands, except percentages)				
Profit before tax	2,699,598	3,230,427	3,567,133	1,097,783	910,896
Adjustments:					
Less:					
Other gains/(losses), net.	(6,956)	(23,671)	161,185	40,765	(28,532)
Other income	13,170	20,227	88,241	10,226	74,943
Share of result of a joint venture	—	—	(936)	—	(1,039)
Share of result of associates.	3,312	(727)	(6,014)	—	(6,029)
Gain on fair value change of investment properties	783,601	851,934	955,743	434,438	539,592
Add:					
Finance costs	141,095	126,824	198,683	79,963	108,826
Other expenses.	26,388	18,656	45,676	21,348	29,675
Depreciation and amortization	27,241	33,055	33,207	15,464	36,995
EBITDA	2,101,195	2,561,199	2,646,480	729,129	507,457
EBITDA margin	32.3%	31.9%	39.0%	33.4%	22.7%

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

INDUSTRY OVERVIEW

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

THE CHINESE ECONOMY AND REAL ESTATE MARKET

Overview of the Chinese Economy

Since the PRC government started the profound economic reform more than 30 years ago, China has maintained strong economic growth. The nominal GDP of China increased at a CAGR of 10.8% from RMB40,151 billion in 2010 to RMB74,413 billion in 2016. The GDP per capita of China increased at a CAGR of 10.3% from RMB30,015 in 2010 to RMB53,980 in 2016 and the per capita disposable income increased at a CAGR of 9.9% from RMB19,109 in 2010 to RMB33,616 in 2016.

The table below shows the selected economic indicators of China for the periods indicated:

	As of December 31,							CAGR (%)
	2010	2011	2012	2013	2014	2015	2016	
Total population (million)	1,341	1,347	1,354	1,361	1,368	1,375	1,383	0.5
Nominal GDP (RMB billion). . .	40,151	47,288	51,932	56,885	63,591	67,671	74,413	10.8
Real GDP growth (%)	10.4	9.3	7.8	7.7	7.3	6.9	8.1	—
GDP per capita (RMB)	30,015	35,181	38,355	41,804	47,203	49,228	53,980	10.3
Real estate investment ⁽¹⁾ (RMB billion)	4,826	6,180	7,180	8,601	9,504	9,598	10,258	13.4
Per capita disposable income (RMB)	19,109	21,810	24,565	26,955	28,844	31,195	33,616	9.9
Fixed-asset investment (FAI) (RMB billion)	27,812	31,149	37,468	44,707	51,202	562,000	60,647	13.9
Retail sales (RMB billion)	15,700	18,392	21,031	23,781	27,190	30,093	33,232	13.3

- (1) According to the National Bureau of Statistics of China, real estate investment includes investment by real estate developers and commodity property construction companies in the construction of house buildings, such as residential buildings, factory buildings, warehouses, hotels, guesthouses, holiday villages, office buildings, and the complementary service facilities and land development projects. Real estate investment excludes simple land transactions.

Such rapid growth was primarily the result of expanding government expenditure and infrastructure investment as well as increasing domestic consumption. In line with the rapid growth in GDP, real estate investment also experienced rapid growth. Real estate investment increased at a CAGR of 13.4% from RMB4,826 billion in 2010 to RMB10,258 billion in 2016. Retail sales of consumer goods increased at a CAGR of 13.3% from RMB15,700 billion in 2010 to RMB33,232 billion in 2016.

As a result of urbanization along with the economic growth, China experienced a rapid urbanization process. China's urbanization rate increased continuously from 45.9% in 2007 to 57.4% in 2016. The 13th Five-Year Plan continues to support urbanization across the country. The table below shows selected information on urbanization for the periods indicated:

	As of December 31,										CAGR
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	(%)
Urban residents (million) . . .	606.3	624.0	645.1	669.8	690.8	711.8	731.1	749.2	771.2	793	3.0
Total population (million) . . .	1,321.3	1,328.0	1,334.5	1,340.9	1,347.4	1,354.0	1,360.7	1,367.8	1,374.6	1,383	0.5
Urbanization rate (%)	45.9	47.0	48.3	50.0	51.3	52.6	53.7	54.8	56.1	57.4	—

Source: National Bureau of Statistics of China

Per Capita Disposable Income

The wealth of urban residents is also growing rapidly along with the growth of the national economy. The per capita disposable income of urban residents in China increased at a CAGR of 9.9% from RMB19,109 in 2010 to RMB33,616 in 2016.

The Real Estate Market in China

China's economic growth has fueled the development of the real estate industry. Total real estate investment in China increased at a CAGR of 16.8% from RMB2,529 billion in 2007 to RMB10,258 billion in 2016. In the meantime, both GFA under construction and GFA completed increased significantly. Demand for properties, driven by economic development, urbanization and increased disposable incomes, has played a key role in the growth of the real estate industry as well as housing prices. The total GFA sold increased at a CAGR of 6.5% from 774 million sq.m. in 2007 to 1,573 million sq.m. in 2016. The average selling price of properties increased at a CAGR of 7.6% from RMB3,864 per sq.m. in 2007 to RMB7,476 per sq.m. in 2016.

The table below shows key real estate market indicators in China for the periods indicated:

	As of December 31,										CAGR
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	(%)
Real estate investment (RMB billion)	2,529	3,120	3,624	4,826	6,180	7,180	8,601	9,504	9,598	10,258	16.8
Raw land transaction volume (million sq.m.) . . .	402	394	319	400	443	357	388	334	228	220	(6.5)
Properties under construction (million sq.m.)	2,363	2,833	3,204	4,055	5,068	5,734	6,656	7,265	7,357	7,590	13.8
Total GFA completed (million sq.m.)	606	665	727	787	926	994	1,014	1,075	1,000	1,061	6.4
Total GFA sold (million sq.m.)	774	660	948	1,048	1,094	1,113	1,306	1,206	1,285	1,573	8.2
Average selling price of properties (RMB per sq.m.)	3,864	3,800	4,681	5,032	5,357	5,791	6,235	6,324	6,793	7,476	7.6

Source: National Bureau of Statistics of China

REGIONAL ECONOMY AND PROPERTY MARKET

Beijing Overview

Beijing, the capital of China, is also its political, economic, transportation, cultural and educational center. It covers a land area of 16,410 sq.km. In 2016, Beijing's population reached 21.7 million.

Beijing accommodates the headquarters of numerous large state-owned enterprises (SOEs), prestigious domestic private enterprises and multinational firms. With the fast-growing national economy, Beijing is becoming a world-class metropolis. The city's GDP increased at a CAGR of 10.9% from RMB985 billion in 2007 to RMB2,490 billion in 2016, and its per capita disposable income increased at a CAGR of 10.2% from RMB21,989 in 2007 to RMB52,530 in 2016. The table below shows selected economic indicators of Beijing for the years indicated:

	As of December 31,										CAGR (%)
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	
Population (million)	16.8	17.8	18.6	19.6	20.2	20.7	21.1	21.5	21.7	21.7	2.9
GDP (RMB billion).	985	1,112	1,215	1,411	1,625	1,780	1,950	2,133	2,297	2,490	10.9
GDP per capita (RMB)	60,096	64,491	66,940	73,856	81,658	87,091	93,213	99,995	106,284	114,589	7.4
FAI (RMB billion)	397	385	486	549	591	646	703	756	799	846	8.8
Per capita disposable income (RMB)	21,989	24,725	26,738	29,073	32,903	36,469	40,321	43,910	48,458	52,530	10.2
Retail sales (RMB billion)	384	465	531	623	690	770	838	964	1,034	1,101	12.4

Source: Bureau of Statistics of Beijing

Beijing Property Market

Real estate investment in Beijing increased at a CAGR of 8.2% from RMB199.6 billion in 2007 to RMB404.5 billion in 2016. The total GFA completed decreased by 2.1% from 28.9 million sq.m. in 2007 to 23.8 million sq.m. in 2016. The total GFA sold decreased by 2.9% from 21.8 million sq.m. in 2007 to 16.8 million sq.m. in 2016. The average selling price increased at a CAGR of 10.1% from RMB11,553 per sq.m. in 2007 to RMB27,497 per sq.m. in 2016.

Beijing residential market

The GFA completed in 2016 reached 12.8 million sq.m., representing an decrease of 7.2% from 2015. The GFA sold in 2016 reached 9.9 million sq.m., representing a decrease of 12.4% from 2015. The average selling price reached RMB28,489 per sq.m. in 2016, representing a CAGR of 11.5% from 2007. The Beijing residential market features a wide variety of potential buyers and shrinking supply in urban areas, driving the appreciation of residential properties in urban areas and the demand for properties in neighboring areas.

Beijing office market

The GFA of office properties completed in Beijing increased by 6.3% (or a CAGR of 0.8%) from 3.2 million sq.m. in 2007 to 3.4 million sq.m. in 2016. The average selling price of office properties in Beijing increased at a CAGR of 8.1% from RMB15,152 per sq.m. in 2007 to RMB30,491 per sq.m. in 2016.

Beijing retail market

The retail market in Beijing witnessed a boom in supply from 2007 to 2009, as developers tried to capture retail opportunities during the 2008 Olympics Games. In 2009, 3.2 million sq.m. of retail space was completed, the largest amount from 2007 to 2012. The GFA of retail properties completed then declined to 2.3 million sq.m. in 2011, but increased by 4.3% in 2012. The GFA of retail properties sold decreased by 21.4% from 2010 to 2011, but then increased by 4.6% from 2011 to 2012. The average selling price of retail properties increased at a CAGR of 5.7% from RMB17,585 per sq.m. in 2007 to RMB27,312 per sq.m. in 2015.

Beijing land market

The supply of raw land is limited in Beijing, especially within the Second Ring Road. In 2013, only 32,754 sq.m. of raw land was allotted to the transaction market, which accounts for 0.2% of total supply in the city. In addition, the Beijing population continued to increase between 2007 and 2016. The CAGR of population was 2.9% between 2007 and 2016. The limited supply of raw land combined with the strong population growth makes real properties valuable assets. It also promotes the demand for properties in neighboring area of Beijing as a result of the shortage of supply in Beijing's central area. For instance, the adjacent city such as Langfang is increasingly becoming a popular choice for many people working in Beijing.

The table below shows selected Beijing property market indicators for the periods indicated:

	As of December 31,										CAGR (%)
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	
Real estate investment (RMB billion)	199.6	190.9	233.8	290.1	303.6	315.3	348.3	371.5	422.6	404.5	8.2
Residential	99.2	94.1	90.7	150.9	177.83	162.8	172.5	184.6	196.3	195.1	7.8
Office	24.2	17.1	16.7	25.9	36.4	38.5	61.2	71.3	90.7	69.9	12.5
Retail	26.7	24.0	20.1	33.6	29.7	27.6	114.7	119.9	135.7	139.6	20.2
Total GFA completed (million sq.m.)	28.9	25.6	26.8	23.9	22.5	23.9	26.7	30.5	26.3	23.8	(2.1)
Residential	18.5	14.0	16.1	15.0	13.2	15.2	16.9	18.0	13.8	12.8	(4.0)
Office	3.2	3.7	3.2	2.0	2.5	2.3	2.7	3.9	3.9	3.4	0.8
Retail	3.2	3.1	3.2	2.7	2.3	2.4	7.0	8.6	8.7	7.6	10.2
Total GFA sold (million sq.m.)	21.8	13.4	23.6	16.4	14.4	19.4	19.0	14.5	15.5	16.8	(2.9)
Residential	17.3	10.3	18.8	12.0	10.4	14.8	13.6	11.4	11.3	9.9	(6.0)
Office	2.7	1.4	2.6	2.1	2.1	2.5	3.2	1.4	2.4	4.2	4.9
Retail	1.4	1.1	1.6	1.4	1.1	1.1	2.2	1.8	1.8	2.7	7.4
Average selling price (RMB per sq.m.)	11,553	12,418	13,799	17,782	16,852	17,022	18,553	18,833	22,633	27,497	10.1
Residential	10,661	11,648	13,224	17,151	15,518	16,553	17,854	18,499	22,300	28,489	11.5
Office	15,152	16,554	16,857	23,413	23,702	22,114	23,426	26,266	28,917	30,491	8.1
Retail	17,585	17,148	19,091	22,452	24,920	20,476	26,405	25,414	27,312	N/A	5.7

Source: Bureau of Statistics of Beijing

* This data is calculated from 2007 to latest available year.

Shenyang Overview

Shenyang is the capital city of Liaoning Province. Situated in central northeast China, Shenyang covers a land area of 12,881 sq.km. with a population of 8.3 million in 2016. Shenyang's GDP increased at a CAGR of 6.6% from RMB307 billion in 2007 to RMB546 billion in 2016, and the per capita disposable income in Shenyang increased at a CAGR of 11.6% from RMB14,607 in 2007 to RMB39,135 in 2016. The table below shows selected economic indicators of Shenyang for the years indicated:

	As of December 31,										CAGR (%)
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	
Population (million)	7.1	7.1	7.2	7.2	7.2	7.2	7.3	8.3	8.3	8.3	1.7
GDP (RMB billion).	307	386	436	502	592	661	677	710	728	546	6.6
GDP per capita (RMB)	43,499	48,230	55,816	63,667	72,637	80,532	82,112	85,816	87,833	65,851	4.7
FAI (RMB billion)	236	301	368	501	456	563	638	656	533	163	(4.0)
Per capita disposable income (RMB)	14,607	17,013	18,475	20,541	23,326	26,431	29,074	31,720	36,643	39,135	11.6
Retail sales (RMB billion)	123	150	178	207	243	280	319	357	388	399	14.0

Source: Bureau of Statistics of Shenyang

Shenyang Property Market

Real estate investment in Shenyang increased at a CAGR of 7.9% from RMB73.0 billion in 2007 to RMB133.8 billion in 2015. The total GFA completed in Shenyang decreased at a CAGR of 2.7% from 12.9 million sq.m. in 2007 to 10.4 million sq.m. in 2015. The total GFA sold in Shenyang decreased at a CAGR of 3.9% from 14.6 million sq.m. in 2007 to 10.7 million sq.m. in 2015. The average selling price in Shenyang increased at a CAGR of 7.6% from RMB3,699 per sq.m. in 2007 to RMB7,128 per sq.m. in 2016.

Shenyang residential market

Shenyang's residential market has been stable since 2007. The GFA of residential properties completed increased at a CAGR of 2% from 10.9 million sq.m. in 2007 to 12.3 million sq.m. in 2013. The GFA of residential properties sold increased at a CAGR of 6.8% from 13.6 million sq.m. in 2007 to 20.2 million sq.m. in 2013. The average selling price of residential properties increased steadily at a CAGR of 7.6% from RMB3,536 per sq.m. in 2007 to RMB6,838 per sq.m. in 2016.

Shenyang office market

Office space is limited in Shenyang. The GFA of office properties completed in Shenyang increased at a CAGR of 8.4% from 0.4 million sq.m. in 2007 to 0.6 million sq.m. in 2012. The GFA of office properties sold in Shenyang increased at a CAGR of 14.9% from 0.1 million sq.m. in 2007 to 0.2 million sq.m. in 2012. The average selling price of office properties in Shenyang increased at a CAGR of 19.7% from RMB5,394 per sq.m. in 2007 to RMB27,310 per sq.m. in 2016.

Shenyang retail market

The GFA of retail properties completed in Shenyang increased at a CAGR of 17.8% from 1.1 million sq.m. in 2007 to 2.5 million sq.m. in 2012. The GFA of retail properties sold in Shenyang increased at a CAGR of 18.9% from 0.8 million sq.m. in 2007 to 1.9 million sq.m. in 2012. The average selling price of retail properties in Shenyang increased at a CAGR of 10.0% from RMB6,017 per sq.m. in 2007 to RMB9,712 per sq.m. in 2012.

The table below shows selected property market indicators of Shenyang for the periods indicated:

	As of December 31,										CAGR
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	(%)
Real estate investment											
(RMB billion)	73.0	101.1	118.9	145.0	168.5	194.3	218.4	197.6	133.8	71.0	(0.3)
Residential	55.9	72.9	80.2	100.4	126.1	133.1	157.5	141.6	93.5	49.0	(1.4)
Office	2.5	4.6	6.1	6.4	5.1	10.1	6.2	7.2	4.3	3.2	2.8
Retail	10.7	17.5	26.3	29.1	27.3	35.9	39.7	39.9	28.9	N/A	13.2
Total GFA completed											
(million sq.m.)	12.9	12.9	12.9	13.9	19.8	20.7	14.6	12.3	10.4	9.0	(3.9)
Residential	10.9	10.8	10.8	11.1	16.1	16.4	12.3	9.9	7.7	8.0	(3.4)
Office	0.4	0.3	0.2	0.2	0.3	0.6	0.09	0.2	0.1	0.1	(13.1)
Retail	1.1	1.3	1.6	2.0	2.6	2.5	1.8	1.6	N/A	N/A	17.8
Total GFA sold (million											
sq.m.)	14.6	14.7	15.3	17.5	21.7	24.7	22.6	15.0	10.7	11.8	(2.3)
Residential	13.6	13.1	13.7	15.2	19.5	22.0	20.2	13.4	9.5	11.0	(2.3)
Office	0.1	0.2	0.2	0.3	0.1	0.2	0.2	0.1	0.1	0.1	0.8
Retail	0.8	1.2	1.2	1.7	1.6	1.9	2.0	1.2	N/A	N/A	18.9
Average selling price (RMB											
per sq.m.)	3,699	4,128	4,464	5,411	5,884	6,321	6,348	6,217	6,861	7,128	7.6
Residential	3,536	3,856	4,196	5,109	5,613	5,989	6,074	5,865	6,416	6,838	7.6
Office	5,394	6,622	7,639	6,939	7,175	11,288	10,670	14,187	11,286	27,310	19.7
Retail	6,017	6,681	7,113	7,788	8,999	9,712	8,715	9,445	N/A	N/A	6.7

Source: Bureau of Statistics of Shenyang

Note: * This data is calculated from 2007 to latest available year.

As of June 30, 2014, our project in Shenyang is Shenyang Glory City. Considering the location of the property and the preference of our target customers, our major competitors in Shenyang include Shenyang Changfeng Real Estate Development Co. and China Vanke Co., Ltd.

Zhengzhou Overview

Zhengzhou is the capital city of Henan Province. Zhengzhou covers a land area of 7,446 sq.km. with a population of 9.7 million in 2016. The GDP of Zhengzhou increased at a CAGR of 14.4% from RMB242 billion in 2007 to RMB811 billion in 2016, which is the highest among all major cities in central China. Meanwhile, the per capita disposable income increased at a CAGR of 8.3% from RMB13,692 in 2007 to RMB28,039 in 2016. The table below shows selected economic indicators of Zhengzhou for the years indicated:

	As of December 31,										CAGR (%)
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	
Population (million)	7.4	7.4	7.5	8.7	8.9	9.0	9.2	9.4	9.6	9.7	3.1
GDP (RMB billion).	242	300	330	400	491	555	620	678	732	811	14.4
GDP per capita (RMB)	33,169	40,617	44,000	49,000	56,086	63,328	68,070	72,265	76,447	84,114	10.9
FAI (RMB billion)	137	177	229	276	300	367	440	536	637	700	19.9
Per capita disposable income (RMB)	13,692	15,732	17,117	18,897	21,612	24,246	26,615	29,095	31,099	28,039	8.3
Retail sales (RMB billion)	98	121	143	168	199	229	259	296	329	367	15.8

Source: Bureau of Statistics of Zhengzhou

Zhengzhou Property Market

Zhengzhou's economic growth has fueled the development of its real estate industry. The total real estate investment in Zhengzhou increased at a CAGR of 28.1% from RMB29.9 billion in 2007 to RMB277.9 billion in 2016. The total GFA completed in Zhengzhou increased at a CAGR of 9.0% from 6.7 million sq.m. in 2007 to 14.6 million sq.m. in 2016. The total GFA sold in Zhengzhou increased at a CAGR of 11.2% from 11.0 million sq.m. in 2007 to 28.6 million sq.m. in 2016. The average selling price in Zhengzhou increased at a CAGR of 8.5% from RMB3,926 per sq.m. in 2007 to RMB8,163 per sq.m. in 2016.

Zhengzhou residential market

The GFA of residential properties completed in Zhengzhou increased at a CAGR of 7.7% from 5.4 million sq.m. in 2007 to 10.6 million sq.m. in 2016. The GFA of residential properties sold in Zhengzhou increased at a CAGR of 10.9% from 10.1 million sq.m. in 2007 to 25.7 million sq.m. in 2016. The average selling price of residential properties in Zhengzhou increased at a CAGR of 10.4% from RMB3,328 per sq.m. in 2007 to RMB8,093 per sq.m. in 2016.

The table below shows selected Zhengzhou property market indicators for the periods indicated:

	As of December 31,										CAGR (%)
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	
Real estate investment (RMB billion)	29.9	43.0	51.4	77.5	92.4	109.5	144.5	174.4	200.0	277.9	28.1
Residential	22.5	33.8	39.4	55.6	62.7	67.6	91.1	117.7	133.8	191.6	26.9
Total GFA completed (million sq.m.)	6.7	6.9	6.4	9.5	14.9	14.5	11.4	18.9	10.8	14.6	9.0
Residential	5.4	6.3	5.3	7.5	13.1	10.4	7.6	11.2	6.7	10.6	7.7
Total GFA sold (million sq.m.)	11.0	7.0	12.0	15.6	15.6	14.4	16.2	15.9	19.0	28.6	11.2
Residential	10.1	6.3	10.9	14.3	13.1	12.3	13.1	12.9	17.0	25.7	10.9
Average selling price (RMB per sq.m.)	3,926	4,467	4,910	4,957	5,704	6,253	7,162	7,571	7,537	8,163	8.5
Residential	3,328	3,648	4,054	4,595	4,692	5,643	6,587	6,579	7,223	8,093	10.4

Source: Bureau of Statistics of Zhengzhou

As of June 30, 2014, our project in Zhengzhou is Zhengzhou Glory City. Considering the location of the property and the preference of our target customers, our major competitors in Zhengzhou include Joyi Real Estate and Yuhong Real Estate.

Foshan and Shantou Overview

Both Foshan and Shantou are located in Guangdong Province. Foshan is located on the Pearl River Delta (PRD), the most economically developed region in Guangdong Province, occupying a land area of 3,848 sq.km. with a population of 7.5 million in 2016. Shantou is located in the east of Guangdong Province, with a land area of 2,064 sq.km. and a population of 5.6 million in 2016.

Foshan has been strengthening its links with the rest of Guangdong Province by establishing a range of intercity transportation systems, including the Guangfo Metro and road networks. The integration of Guangzhou and Foshan is expected to be completed by 2020, with an urbanization rate of above 90%. The GDP of Foshan increased at a CAGR of 10.2% from RMB359 billion in 2007 to RMB863 billion in 2016, which is the third highest GDP among all PRD cities. In addition, the per capita disposable income of Foshan increased at a CAGR of 7.9% from RMB21,112 in 2007 to RMB41,941 in 2016.

Shantou is the economic and cultural center in eastern Guangdong Province. Shantou's GDP increased at a CAGR of 10.8% from RMB83 billion in 2007 to RMB208 billion in 2016. In addition, the per capita disposable income of Shantou increased at a CAGR of 6.5% from RMB11,716 in 2007 to RMB20,713 in 2016. The tables below show selected economic indicators of Foshan and Shantou for the years indicated:

Foshan

As of December 31,											CAGR (%)
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	
Population (million)	6.3	6.6	6.9	7.2	7.2	7.3	7.3	7.4	7.4	7.5	1.9
GDP (RMB billion).	359	433	482	565	658	671	701	760.3	800.4	863	10.2
GDP per capita (RMB)	59,329	68,033	71,691	80,313	86,073	92,781	96,000	103,438	107,716	116,141	7.7
FAI (RMB billion)	99	126	147	172	194	213	238	261	304	351	15.1
Per capita disposable income (RMB)	21,112	22,494	24,578	27,245	30,718	34,580	38,038	35,140	38,501	41,941	7.9
Retail sales (RMB billion) .	95	118	143	169	193	202	226	256	269	271	12.3

Source: Bureau of Statistics of Foshan

Shantou

As of December 31,											CAGR (%)
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	
Population (million)	5.0	5.1	5.1	5.2	5.3	5.3	5.4	5.5	5.6	5.6	1.2
GDP (RMB billion).	83	95	104	121	128	142	156	172	185	208	10.8
GDP per capita (RMB)	16,563	18,789	20,283	23,067	24,095	26,252	28,661	31,201	33,321	37,473	9.5
FAI (RMB billion)	21	26	29	30	44	61	78	100	127	158	25.1
Per capita disposable income (RMB)	11,716	12,542	13,651	15,179	17,474	20,024	22,207	17,266	23,260	20,713	6.5
Retail sales (RMB billion) .	48	57	66	83	97	103	116	129	134	152	13.6

Source: Bureau of Statistics of Shantou

Shantou Property Market

Real estate investment in Shantou increased at a CAGR of 27.3% from RMB3.5 billion in 2007 to RMB30.6 billion in 2016. The total GFA completed in Shantou increased at a CAGR of 10.9% from 1.6 million sq.m. in 2007 to 4.1 million sq.m. in 2016. The total GFA sold in Shantou increased at a CAGR of 7.8% from 1.8 million sq.m. in 2007 to 3.5 million sq.m. in 2016. The average selling price in Shantou increased at a CAGR of 10.8% from RMB3,249 per sq.m. in 2007 to RMB7,372 per sq.m. in 2015.

Shantou residential market

The GFA of residential properties completed in Shantou decreased at a CAGR of 9.3% from 1.3 million sq.m. in 2007 to 2.9 million sq.m. in 2016. The GFA of residential properties sold in Shantou increased at a CAGR of 8.9% from 1.5 million sq.m. in 2007 to 3.2 million sq.m. in 2016. The average selling price of residential properties in Shantou increased at a CAGR of 11.2% from RMB3,061 per sq.m. in 2007 to RMB7,149 per sq.m. in 2015.

The table below shows selected Shantou property market indicators for the periods indicated:

	As of December 31,										CAGR (%)
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	
Real estate investment (RMB billion)	3.5	3.3	3.8	4.9	7.1	8.3	15.1	20.2	24.6	30.6	27.3
Residential	2.6	2.4	2.8	3.5	5.6	5.8	10.1	13.8	16.9	N/A	26.4
Total GFA completed (million sq.m.)	1.6	1.3	1.6	1.1	1.9	2.1	1.9	3.6	1.4	4.1	10.9
Residential	1.3	1.0	1.2	0.9	1.5	1.6	1.4	2.6	1.0	2.9	9.3
Total GFA sold (million sq.m.)	1.8	1.4	1.3	1.6	1.7	1.9	1.7	1.6	2.2	3.5	7.8
Residential	1.5	1.2	1.1	1.5	1.4	1.7	1.6	1.4	2.0	3.2	8.9
Average selling price (RMB per sq.m.)	3,249	3,095	3,696	4,270	5,124	6,039	7,304	6,780	7,372	N/A	10.8
Residential	3,061	3,125	3,504	4,159	4,790	5,879	6,993	6,541	7,149	N/A	11.2

Source: Bureau of Statistics of Shantou

As of June 30, 2014, our project in Shantou is Shantou Glory City. Considering the location of our property and the preference of our target customers, our major competitors in Shantou include GoTop and Xiangjiang Furniture.

Foshan Property Market

Real estate investment in Foshan increased at a CAGR of 16.3% from RMB31.5 billion in 2007 to RMB123.0 billion in 2016. The total GFA completed in Foshan increased at a CAGR of 2.3% from 4.6 million sq.m. in 2007 to 5.7 million sq.m. in 2016. The total GFA sold in Foshan increased at a CAGR of 4.7% from 7.7 million sq.m. in 2007 to 10.6 million sq.m. in 2015. The average selling price in Foshan increased at a CAGR of 7.7% from RMB5,280 per sq.m. in 2007 to RMB8,862 per sq.m. in 2015.

Foshan residential market

As one of the fastest developing cities in the PRD, the residential market in Foshan has also seen rapid growth. The GFA of residential properties completed in Foshan increased at a CAGR of 5.0% from 4.0 million sq.m. in 2007 to 5.1 million sq.m. in 2012. The GFA of residential properties sold in Foshan increased at a CAGR of 3.6% from 6.9 million sq.m. in 2007 to 8.8 million sq.m. in 2014. The average selling price of residential properties in Foshan increased at a CAGR of 7.5% from RMB5,275 per sq.m. in 2007 to RMB8,728 per sq.m. in 2015.

The table below shows selected property market indicators of Foshan for the periods indicated:

	As of December 31,										CAGR (%)
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	
Real estate investment (RMB billion)	31.5	40.4	35.8	48.6	59.7	63.8	74.5	83.3	94.5	123.0	16.3
Residential	20.5	26.7	26.3	40.0	45.7	43.2	50.5	58.4	64.5	86.3	17.3
Total GFA completed (million sq.m.)	4.6	3.2	2.4	6.2	6.1	6.5	6.0	5.4	3.6	5.7	2.3
Residential	4.0	2.7	2.0	5.0	5.0	5.1	4.4	3.8	N/A	N/A	(0.6)
Total GFA sold (million sq.m.)	7.7	5.4	7.8	8.9	8.7	8.0	9.4	10.6	N/A	N/A	4.7
Residential	6.9	4.8	7.1	7.8	7.5	7.1	7.9	8.8	N/A	18.6	11.6
Average selling price (RMB per sq.m.)	5,280	5,384	6,256	7,545	8,039	8,046	9,062	8,862	N/A	N/A	7.7
Residential	5,275	5,366	6,204	7,648	8,207	7,944	8,837	8,728	N/A	N/A	7.5

Source: Bureau of Statistics of Foshan

Note: * This data is calculated from 2007 to latest available year.

Langfang Overview

Langfang in Hebei Province is located between Tianjin and Beijing, with a land area of 6,429 sq.km. and a population of 4.7 million in 2016.

Langfang is regarded as a corridor between Beijing and Tianjin, and the hinterland of the Bohai Economic Rim (BER). The PRC central government is considering plans to upgrade regional cooperation among Beijing, Tianjin and Hebei province in order to build a trilateral economic sphere in the Bohai Bay area. Economists expect Langfang to benefit from this regional coordinated development plan and grow rapidly in the next few years. On April 3, 2014, Langfang government and Beijing Xicheng District government made an initial agreement to relocate Beijing Zoo Clothing Wholesale Market to Yongqing Taiwan New City. It is worth noting that Yongqing Glory City is about one kilometer away from Yongqing Taiwan New City. The relocation of the wholesale market will enhance the economic vitality of this region, and affluent merchants of the wholesale market will be potential buyers of Yongqing Glory City. Langfang's GDP increased at a CAGR of 13.3% from RMB88 billion in 2007 to RMB271 billion in 2016 and the per capita

disposable income in Langfang increased at a CAGR of 13.3% from RMB13,809 in 2007 to RMB34,633 in 2016. The table below shows selected economic indicators of Langfang for the years indicated:

	December 31,										CAGR (%)
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	
Population (million)	4.0	4.1	4.1	4.2	4.3	4.3	4.4	4.5	4.6	4.7	1.8
GDP (RMB billion).	88	106	116	133	161	179	194	206	247	271	13.3
GDP per capita (RMB)	25,248	29,120	28,097	31,843	36,790	37,391	43,268	45,648	53,769	59,307	10.0
FAI (RMB billion)	69	93	128	91	109	131	158	188	217	249	15.3
Per capita disposable income (RMB)	13,809	16,117	18,333	20,268	22,818	25,766	26,985	29,416	31,925	34,633	10.8
Retail sales (RMB billion)	24	30	35	44	49	57	64	72	79	88	15.6

Source: Bureau of Statistics of Langfang

Langfang Property Market

Real estate investment in Langfang increased at a CAGR of 21.4%, from RMB12.3 billion in 2007 to RMB70.4 billion in 2016. The total GFA completed increased at a CAGR of 56.5% from 1.8 million sq.m. in 2007 to 10.4 million sq.m. in 2016. The total GFA sold increased at a CAGR of 14.5% from 3.6 million sq.m. in 2007 to 7.1 million sq.m. in 2012. The average selling price increased at a CAGR of 11.7% from RMB3,384 in 2007 to RMB5,877 per sq.m. in 2012.

Langfang residential market

Langfang's residential market has grown rapidly since 2007. The GFA of residential properties completed in Langfang increased at a CAGR of 27.7% from 1.5 million sq.m. in 2007 to 5.1 million sq.m. in 2012. The GFA of residential properties sold in Langfang increased at a CAGR of 13.2% from 3.5 million sq.m. in 2007 to 6.5 million sq.m. in 2012. Average selling price of residential properties in Langfang has increased steadily over the past decade, peaking at RMB5,581 per sq.m. in 2012, representing a CAGR of 10.8% from 2007 to 2012. Although the strict mortgage requirements slowed transactions from 2011 to 2012, the average selling price increased by 10% from 2011 to 2012, driven by purchasing restricted buyers shifting from Beijing to Langfang.

The table below sets forth selected property market indicators of Langfang for the periods indicated:

	As of December 31,										CAGR (%)
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	
Real estate investment (RMB billion)	12.3	22.0	24.8	24.9	29.4	24.3	30.4	52.2	67.1	70.4	21.4
Residential	11.3	18.8	23.0	20.8	22.6	19.5	N/A	43.7	55.8	56.3	19.5
Total GFA completed (million sq.m.)	1.8	2.2	5.0	5.8	7.5	6.1	N/A	N/A	N/A	101.4	56.5
Residential	1.5	2.1	4.6	5.2	6.5	5.1	N/A	N/A	N/A	N/A	27.7
Total GFA sold (million sq.m.)	3.6	4.2	6.3	8.2	7.3	7.1	N/A	N/A	N/A	N/A	14.5
Residential	3.5	4.1	6.1	7.6	6.8	6.5	N/A	N/A	N/A	N/A	13.2
Average selling price (RMB per sq.m.)	3,384	3,931	4,157	4,877	5,345	5,877	N/A	N/A	N/A	N/A	11.7
Residential	3,336	3,904	4,142	4,869	5,070	5,581	N/A	N/A	N/A	N/A	10.8

Source: Bureau of Statistics of Langfang

Note: This data is calculated from 2007 to latest available year.

As of June 30, 2014, our project in Langfang is Yongqing Glory City. Considering the location of the property and the preference of our target customers, our major competitors in Langfang include Risesun Real Estate Development Co. Ltd. and Xianghe Rural Real Estate Development Co. Ltd.

Haikou and Wanning Overview

Both Haikou and Wanning are located in Hainan Province, a popular tourist destination. Haikou is situated on the north coast of the Hainan Island, with a land area of 2,305 sq.km., and a population of 2.2 million in 2016. Wanning is in the southeast of Hainan Province, 139 kilometers south of Haikou and 112 kilometers north of Sanya. It has a land area of 4,444 sq.km. and a population of 554,500 in 2013.

Haikou, the capital city of Hainan Province, is the economic, cultural, business center and an essential transportation hub of Hainan Province. Haikou's GDP increased at a CAGR of 13.6% from RMB40 billion in 2007 to RMB126 billion in 2016, and the per capita disposable income in Haikou increased at a CAGR of 8.9% from RMB12,289 in 2007 to RMB26,447 in 2016.

Wanning is now upgrading its infrastructure, including roads, electricity networks and water provision, to improve prospects for coastal tourism. The city's 12th Five-year Plan mentions that further development will rely upon the advancement of the industrial and tourism sectors. Wanning's GDP increased at a CAGR of 13.6% from RMB6 billion in 2007 to RMB17 billion in 2015. The per capita disposable income in Wanning increased at a CAGR of 13.4% from RMB9,303 in 2007 to RMB25,523 in 2015.

The tables below show selected economic indicators of Haikou and Wanning for the years indicated:

Haikou

As of December 31,											CAGR
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	(%)
Population (million)	1.5	1.6	1.6	1.6	1.6	1.6	1.7	2.2	2.2	2.2	4.6
GDP (RMB billion).	40	44	49	59	71	82	91	101	116	126	13.6
GDP per capita (RMB)	22,109	24,420	26,366	30,329	35,669	38,719	41,955	45,690	52,239	56,284	10.9
FAI (RMB billion)	18	22	28	35	40	51	65	82	101	127	24.3
Per capita disposable											
income (RMB)	12,289	14,150	15,237	16,720	19,730	22,331	24,461	26,530	28,535	26,447	8.9
Retail sales (RMB billion) .	19	23	28	33	39	44	49	54	60	65	14.7

Source: Bureau of Statistics of Haikou

Wanning

As of December 31,											CAGR
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	(%)
Population (million)	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	N/A	(0.8)
GDP (RMB billion).	6	6	7	9	11	14	15	17	17	N/A	13.6
GDP per capita (RMB)	10,007	12,472	14,056	16,972	22,616	24,476	26,735	29,582	29,428	N/A	14.4
FAI (RMB billion)	2	4	6	7	10	11	14	15	16	15	28.7
Per capita disposable											
income (RMB)	9,303	10,941	12,566	14,830	17,470	19,980	22,038	23,684	25,523	N/A	13.4
Retail sales (RMB billion) .	2	2	3	3	3	4	5	5	6	N/A	15.6

Source: Bureau of Statistics of Wanning

Haikou Property Market

Real estate investment in Haikou increased at a CAGR of 27.7% from RMB6.1 billion in 2007 to RMB55.1 billion in 2016. The total GFA completed in Haikou increased at a CAGR of 10.0% from 1.3 million sq.m. in 2007 to 3.1 million sq.m. in 2016. The total GFA sold in Haikou increased at a CAGR of 10.9% from 1.7 million sq.m. in 2007 to 4.3 million sq.m. in 2016. The average selling price in Haikou increased at a CAGR of 11.1% from RMB3,516 per sq.m. in 2007 to RMB9,043 per sq.m. in 2016.

Haikou residential market

The total GFA of residential properties completed in Haikou increased at a CAGR of 8.8% from 1.1 million sq.m. in 2007 to 2.3 million sq.m. in 2016. The total GFA of residential properties sold in Haikou increased at a CAGR of 10.5% from 1.6 million sq.m. in 2007 to 3.9 million sq.m. in 2016. The average selling price of residential properties in Haikou increased at a CAGR of 11.2% from RMB3,403 per sq.m. in 2007 to RMB8,868 per sq.m. in 2016.

Haikou office market

Compared with cities in mainland China, Haikou's office market emerged much later and developed less rapidly, due to the local economic conditions. The GFA of office properties

completed in Haikou remained stable from 2007 to 2012 at 0.04 million sq.m. The GFA of office properties sold in Haikou increased from 0.03 million sq.m. in 2007 to 0.07 million sq.m. in 2016. The average selling price of office properties in Haikou increased at a CAGR of 12.5% from RMB4,814 per sq.m. in 2007 to RMB13,908 per sq.m. in 2016. Before 2011, the quality of office properties in Haikou was relatively low, which resulted in a low average selling price. Since 2011, the quality of office properties has significantly improved as a number of Grade A office projects have entered the Haikou's office market, which has led to a significant increase in the average selling price of office properties.

The table below shows selected Haikou property market indicators for the periods indicated:

As of December 31,											
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	CAGR (%)
Real estate investment (RMB billion)	6.1	7.5	7.8	10.4	14.5	17.6	25.6	30.0	53.5	55.1	27.7
Residential	4.0	5.5	6.8	8.3	11.7	13.0	20.6	20.8	27.6	34.2	26.9
Office	0.2	0.3	0.1	0.6	1.1	0.1	0.5	0.7	1.5	4.3	40.8
Total GFA completed (million sq.m.)	1.3	1.1	1.2	1.3	0.3	3.1	2.0	3.9	2.2	3.1	10.0
Residential	1.1	0.9	1.1	0.8	0.3	2.3	1.5	3.3	1.7	2.3	8.8
Office	0.04	0.03	N/A ⁽¹⁾	0.18	N/A ⁽¹⁾	0.04	1.5	N/A	N/A	0.03	(4.4)
Total GFA sold (million sq.m.)	1.7	1.7	1.9	2.1	2.3	2.7	3.4	3.4	3.7	4.3	10.9
Residential	1.6	1.6	1.8	2.0	2.0	2.5	3.2	3.0	3.3	3.9	10.5
Office	0.03	0.01	0.03	0.05	0.02	nil ⁽²⁾	N/A	N/A	N/A	0.07	9.8
Average selling price (RMB per sq.m.)	3,516	4,594	5,368	8,015	6,654	6,825	7,423	7,903	7,948	9,043	11.1
Residential	3,403	4,496	5,317	8,069	6,664	6,512	7,473	7,342	7,636	8,868	11.2
Office	4,814	5,831	4,963	6,463	27,729	30,294	N/A	N/A	N/A	13,908	12.5

Source: Bureau of Statistics of Haikou; CRIC

Note:

- (1) Bureau of Statistics of Haikou does not release GFA completed of office properties in 2009 and 2011.
- (2) According to Bureau of Statistics of Haikou, 2,000 sq.m. of office properties were sold in Haikou in 2012. The average selling price of office properties in 2012 represents the selling price of these office properties.

* This data is calculated from 2007 to latest available year.

As of June 30, 2014, our projects in Haikou are Haikuotiankong Glory City and Haidian Island Glory Garden. Considering the location of our properties and the preference of our target customers, our major competitors in Haikou include Hainan Wenxin Real Estate Co, Ltd and HNA Real Estate.

Wanning Property Market

Real estate investment in Wanning increased at a CAGR of 72.5% from RMB0.1 billion in 2008 to RMB7.8 billion in 2016, driven by several large-scale developments such as Shenzhou Peninsula (神州半島).

Wanning residential market

The GFA of residential properties completed in Wanning increased at a CAGR of 38.5% from 25,000 sq.m. in 2008 to 92,000 sq.m. in 2012. The GFA of residential properties sold in Wanning increased at a CAGR of 64.6% from 62,000 sq.m. in 2008 to 455,000 sq.m. in 2012. The average selling price in Wanning increased at a CAGR of 38.4% from RMB3,375 per sq.m. in 2009 to RMB8,943 per sq.m. in 2012.

The table below shows selected Wanning property market indicators for the periods indicated:

As of December 31,										CAGR (%)
	2008	2009	2010	2011	2012	2013	2014	2015	2016	
Real estate investment (RMB billion).	0.1	1.5	2.0	4.3	5.9	10.4	8.7	9.8	2.2	4.6
Total GFA completed (thousand sq.m.)	25	215	N/A	183	92	N/A	N/A	N/A	126	13.6
Residential	25	215	N/A	183	92	N/A	N/A	N/A	56,284	10.9
Total GFA sold (thousand sq.m.)	62	160	382	420	455	629	495	508	127	24.3
Residential	62	160	382	420	455	N/A	N/A	501	26,447	8.9
Average selling price (RMB per sq.m.)	N/A	3,375	4,560	8,222	8,943	11,508	9,685	10,763	65	14.7
Residential	N/A	3,375	4,560	8,222	8,943	N/A	N/A	N/A	2.2	4.6

Source: Bureau of Statistics of Wanning

Note: Bureau of Statistics of Wanning does not release total GFA completed, GFA completed of residential properties, total GFA sold of residential properties in 2007. Bureau of Statistics of Wanning does not release the average selling price of real properties and average selling price of residential properties in 2008.

* This data is calculated from 2007 to latest available year.

As of June 30, 2014, our project in Wanning is Wanning Glory City. Considering the location of our property and the preference of our target customers, our major competitors in Haikou include Baoan Real Estate and Hainan Haocheng Investment Co.

Xi'an Overview

Xi'an is the capital city of Shaanxi Province. Situated in northwest China, Xi'an covers a land area of 10,108 sq.km. with a population of 8.8 million in 2016. Xi'an's GDP increased at a CAGR of 14.4% from RMB186 billion in 2007 to RMB626 billion in 2016, and the per capita disposable income in Xi'an increased at a CAGR of 10.1% from RMB12,662 in 2007 to RMB30,032 in 2016. The following table shows selected economic indicators of Xi'an for the years indicated:

	As of December 31,										CAGR (%)
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	
Population (million)	7.6	7.7	7.8	7.8	7.9	8.0	8.1	8.2	8.7	8.8	1.7
GDP (RMB billion).	186	232	272	324	386	437	488	5,493	581	626	14.4
GDP per capita (RMB)	22,463	27,794	32,411	38,343	45,475	54,892	56,871	63,794	66,739	71,357	13.7
FAI (RMB billion)	144	191	250	325	335	424	514	59	517	519	15.3
Per capita disposable income (RMB)	12,662	15,206	18,963	22,244	25,981	29,982	33,100	30,715	33,188	30,032	10.1
Retail sales (RMB billion)	94	118	138	164	197	224	255	309	341	373	16.6

Source: Bureau of Statistics of Xi'an

Xi'an Property Market

Real estate investment in Xi'an increased at a CAGR of 19.7% from RMB38.7 billion in 2007 to RMB195.0 billion in 2016. The total GFA completed in Xi'an increased at a CAGR of 13.9% from 4.8 million sq.m. in 2007 to 15.5 million sq.m. in 2016. The total GFA sold in Xi'an increased at a CAGR of 10.5% from 8.3 million sq.m. in 2007 to 20.4 million sq.m. in 2016. The average selling price in Xi'an increased at a CAGR of 7.7% from RMB3,395 per sq.m. in 2007 to RMB6,602 per sq.m. in 2016.

The following table shows selected property market indicators of Xi'an for the periods indicated:

	As of December 31,										CAGR (%)
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	
Real estate investment (RMB billion)	38.7	54.0	69.6	84.2	99.7	128.2	159.6	174.2	183.2	195.0	19.7
Total GFA completed (million sq.m.)	4.8	4.4	5.4	4.6	6.3	10.6	8.0	15.1	9.8	15.5	13.9
Total GFA sold (million sq.m.)	8.3	7.6	12.6	15.9	17.8	15.4	16.3	17.0	17.6	20.4	10.5
Average selling price (RMB per sq.m.)	3,395	3,901	3,877	4,447	6,131	6,634	6,716	6,465	6,501	6,602	7.7

Source: Bureau of Statistics of Xi'an

* This data is calculated from 2007 to 2016.

Metropolitan regions of China

According to the National Development and Reform Commission of China (NDRC), the Beijing-Tianjin Metropolis¹, the PRD² and the Yangtze River Delta (YRD)³ are three major economic regions in China and will spearhead China's economic growth in the near future.

Beijing-Tianjin Metropolis

Beijing is the capital city of China. It is also China's political, cultural and educational center. Tianjin is one of the four directly controlled municipalities of China. Real estate investment in the Beijing-Tianjin Metropolis increased at a CAGR of 10.9% from RMB250 billion in 2007 to RMB635 billion in 2016. GFA completed in the Beijing-Tianjin Metropolis increased at a CAGR of 0.5% from 49 million sq.m. in 2007 to 53 million sq.m. in 2016.

PRD Economic Zone

The PRD is one of the most economically dynamic regions of China, and its GDP reached RMB6,784 billion in 2016, accounting for approximately 9.1% of China's total GDP.

Among all the cities in the PRD, the combined GDP of Guangzhou and Shenzhen, the two major metropolises in this region, historically accounted for approximately 57.6% of the total GDP of the PRD in 2016. The economies of Guangzhou and Shenzhen are fast-growing. Guangzhou's GDP increased at a CAGR of 12.0% from RMB705.0 billion in 2007 to RMB1,961.1 billion in 2016, while Shenzhen's GDP increased at a CAGR of 12.5% from RMB676.5 billion in 2007 to RMB1,949.3 billion in 2016. According to the Bureau of Statistics of Guangdong Province, the per capita disposable income of Guangzhou increased at a CAGR of 11.6% from RMB18,951 in 2007 to RMB50,941 in 2016, and the per capita disposable income of Shenzhen increased at a CAGR of 7.8% from RMB24,870 in 2007 to RMB48,695 in 2016.

The real estate market in the PRD is highly developed, with real estate investment increasing at a CAGR of 16.1% from RMB224 billion in 2007 to RMB860 billion in 2016. Total GFA completed in the PRD increased by 5.3% from 33 million sq.m. in 2007 to 45 million sq.m. in 2013 and total GFA sold increased at a CAGR of 5.9% from 49 million sq.m. in 2007 to 82 million sq.m. in 2016.

YRD Economic Zone

The YRD economic zone includes Shanghai and other important economic hubs in the region such as Nanjing, Suzhou, Hangzhou and Ningbo. The GDP of the YRD increased at a CAGR of 11.1% from RMB5,699 billion in 2007 to RMB14,719 billion in 2016. In 2016, the GDP of YRD accounted for approximately 19.8% of China's total GDP.

In June 2010, the NDRC released the regional development plan (《長江三角洲地區區域規劃》) for the YRD. According to the plan, the YRD will emerge as a world-class metropolitan area and become a hub of logistics, finance and international trade.

¹ Beijing-Tianjin Metropolis is a metropolitan area in China, consisting of Beijing and Tianjin.

² PRD includes Guangzhou, Shenzhen, Foshan, Zhuhai, Zhongshan, Zhaoqing, Huizhou, Dongguan and Jiangmen.

³ YRD includes Shanghai, Jiangsu Province and Zhejiang Province.

Real estate investment in the YRD experienced rapid growth from 2007 to 2016, despite a series of housing purchasing restrictions (HPRs) released in 2011. According to the Bureau of Statistics of local governments, real estate investment in the YRD increased at a CAGR of 15.2% from RMB565 billion in 2007 to RMB2,013 billion in 2016. GFA completed in the YRD increased at a CAGR of 2.5% from 155 million sq.m. in 2007 to 188 million sq.m. in 2015.

The table below lists selected economic indicators of the Beijing-Tianjin Metropolis, PRD and YRD.

		As of December 31,										CAGR (%)
		2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	
Beijing-Tianjin	GDP (RMB billion)	1,510	1,783	1,967	2,334	2,756	3,069	3,387	3,705	3,955	6,886	18.4%
	Real estate investment											
Metropolis	(RMB billion)	250	256	307	377	412	441	496	561	610	635	10.9%
	GFA completed (million sq.m.)	49	51	55	46	48	51	66	60	55	53	0.9%
	GFA sold (million sq.m.)	37	26	40	32	31	36	37	31	33	44	1.9%
PRD	GDP (RMB billion)	2,576	2,995	3,215	3,767	4,372	4,790	5,306	5,780	6,227	6,784	11.4%
	Real estate investment											
	(RMB billion)	224	256	258	312	402	448	539	629	708	860	16.1%
	GFA completed (million sq.m.)	33	34	39	42	45	30	45	N/A	N/A	N/A	5.3%
	GFA sold (million sq.m.)	49	38	55	56	55	58	63	58	77	82	5.9%
YRD	GDP (RMB billion)	5,699	6,585	7,249	8,631	10,062	10,877	11,833	12,880	13,797	14,719	11.1%
	Real estate investment											
	(RMB billion)	565	645	706	931	1,221	1,381	1,623	1,871	1,873	2,013	15.2%
	GFA completed (million sq.m.)	155	150	153	148	152	164	167	183	188	N/A	2.5%
	GFA sold (million sq.m.)	158	107	192	164	133	149	187	166	198	253	5.4%

Source: Bureau of Statistics of local governments

The following chart illustrates our corporate structure as of the date of this offering memorandum:



✻

BUSINESS

OVERVIEW

We are a fast growing residential property developer with commercial property operations. We focus on developing residential projects and large-scale mixed-use complex projects in the PRC. We also selectively retain the ownership of a substantial amount of self-developed commercial properties with strategic value to generate stable and recurring rental income. In addition, we undertake primary land development projects in order to access potentially available land reserves for property development and diversify our sources of income.

Founded in Guangdong Province, we commenced our property development operations in the late 1990s and since then have significantly grown our business in Beijing and successfully expanded into other selected cities with rapid growth in China, including, amongst others, Haikou and Wanning in Hainan Province, Shantou and Foshan in the Pearl River Delta region, Shenyang in Liaoning Province, Zhengzhou in Henan Province, Langfang in Hebei Province, Xi'an in Shaanxi Province, Shenzhen in Guangdong Province, Suzhou and Qidong in Jiangsu Province and Ezhou in Hubei Province. As a result, we have established a strategic nationwide coverage that is centered around Beijing and the Pearl River Delta region and covers a number of selected major areas with rapid economic growth in China. We plan to continue to deepen the operation in cities where we have strategic presence, focused on the key cities in the four major regions, being the Beijing-Tianjin-Hebei region, the Yangtze River Delta region, the Pearl River Delta region and the economic corridor of the BRI. In view of the increased policy and financial pressure emerged in first-tier cities including Beijing, Shanghai, Guangzhou and Shenzhen, we will strictly control the risks, remain cautious in countercyclical land acquisition and avoid acquisition of any land at a high price. At present, the core districts in second-tier cities are capable of competing with first-tier cities, and the outbound expansion trend of second-tier cities has emerged with obvious urban spillover effects, new districts in second-tier cities are good for investment. Meanwhile, the demand for low-density products for improved residential purpose is gradually increasing in areas surrounding second-tier cities, giving rise to development opportunities in the future to some extent. In respect of third- and fourth-tier cities, we select land with strong supporting resources, such as the government, schools, hospitals, subways, core commercial areas and other regional strong resources, with a view to avoiding the risks arising from limited market capability faced by third- and fourth-tier cities.

We operate in four business segments: property development, primary land construction and development services, property investment and property management and related services. The following is a brief overview of our current business segments:

- **Property development:** We focus on developing residential projects and large-scale mixed-use complex projects that typically consist of a combination of residential properties with a variety of commercial properties. We offer a wide range of residential properties to meet the demand of the middle-to-upper class customers. In addition, we also develop commercial properties for sale or lease. We plan to develop Grade A office buildings in central business districts of first-tier cities and second-tier cities that are provincial capitals in the PRC as we expect market demand for such properties will grow significantly. As of June 30, 2018, we had completed 16 projects and certain phases of eight projects with a total GFA of 6.5 million sq.m.
- **Primary land construction and development services:** We undertake primary land development projects in order to access potentially available land reserves for property development and diversify our sources of income. Primary land development refers to the process of preparing land to conditions ready for public tender, auction and listing-for-sale. It typically involves relocating existing business establishments and residents on the land, demolishing existing buildings and other structures, clearing the site and installing basic infrastructure for future commercial property development. As

of June 30, 2018, we had completed three primary land development projects, namely, the Foshan Glory project, the Shenping Commercial Center project, the Siji Garden project and the Elegant Villa project, and we were undertaking seven primary land development projects and urban renewal projects with a total planned GFA of 10 million sq.m. in Beijing, Shantou, Chaozhou and Shenzhen.

- Property investment: We selectively retain the ownership of a substantial amount of self-developed commercial properties with strategic value to generate stable and recurring rental income. As of June 30, 2018, we had investment properties located at commercial centers in Beijing, Shenyang, Shantou, Shenzhen Haikou and Foshan with a total GFA of 805,671 sq.m., including investment properties in Beijing with a total GFA held for investment of 323,544 sq.m.
- Property management and related services: We provide property management and related services to owners of the properties developed by us and generate income from providing such services.

With respect to both “sales” and “land reserves”, we place our core resources in first-tier and second-tier cities as well as certain hot-spot cities in China. Based on our contracted sales data for the six months ended June 30, 2018, our sales performance was mainly from Shantou, Chongming Island and Foshan, amounting to approximately RMB1,068.6 million, RMB1,017.1 million and RMB983.8 million, respectively, representing 15.62%, 14.86% and 14.38% of our total contracted sales, respectively.

We have acquired substantial and strategically located land reserves at low costs to support our property development operations. As of June 30, 2018, we had land reserves with a total GFA of 14.3 million sq.m. in 21 cities in the PRC, comprising a total GFA of 1.2 million sq.m. completed but remaining unsold, a total GFA of 5.2 million sq.m. under development and a total GFA of 7.9 million sq.m. held for future development. We implement a standardized and streamlined process for developing property projects, supported by a comprehensive information technology system and a proprietary bank of product designs, which, together with our two-tier management structure and centralized procurement practice, enables us to enhance our operational efficiency while effectively managing our risks.

For the years ended December 31, 2015, 2016 and 2017, our contracted sales were RMB6,569.0 million, RMB11,099.0 million and RMB14,876.7 million (US\$2,286.5 million), respectively, representing a CAGR of 50.0%. For the six months ended June 30, 2018, our contracted sales were approximately RMB6,843.2 million (US\$1,034.1 million), representing an increase of 32.3% as compared to the six months ended June 30, 2017. The contracted GFA was 563,379 sq.m., representing an increase of 63.7% as compared to the six months ended June 30, 2018. Contracted sales of the Company, by geographical location, were mainly from Shantou, Chongming Island and Foshan, amounting to approximately RMB1,068.6 million, RMB1,017.1 million and RMB983.8 million, respectively, representing 15.62%, 14.86% and 14.38% of the Company’s total contracted sales, respectively.

For the years ended December 31, 2015, 2016 and 2017 and for the six months ended June 30, 2017 and 2018, our revenue was RMB6,514.3 million, RMB8,034.6 million, RMB6,787.4 million (US\$1,025.7 million), RMB2,181.9 million and RMB2,238.4 million (US\$338.3 million), respectively, and our total comprehensive income for the same periods was RMB1,583.5 million, RMB1,955.7 million, RMB2,283.2 million (US\$345.0 million), RMB630.5 million and RMB542.7 million (US\$82.0 million), respectively. Revenue from property development for the year ended December 31, 2016 was RMB7,513.2 million, representing an increase of 24.6% as compared to the year ended December 31, 2015. This increase was primarily due to completion and delivery of Foshan Guohua New Capital (Phase I) (佛山國華新都(一期)) and Yongqing Glory City (Phases IV

and V) (永清國瑞城(四、五期)) for the year ended December 31, 2016. The decrease in revenue from 2016 to 2017 was primarily due to the decreased revenue from property development. Revenue from property development for the year ended December 31, 2017 was RMB6,381.7 million, representing a decrease of 15.1% as compared to the year ended December 31, 2016. This decrease was primarily due to uneven progress of project delivery and settlement for the year ended December 31, 2017. Revenue from property development for the six months ended June 30, 2018 was RMB1,955.8 million (US\$295.6 million), representing a decrease of 2.4% as compared to the six months ended June 30, 2017.

OUR COMPETITIVE STRENGTHS

We believe the following are our key competitive strengths to support our sustainable and profitable growth:

We have acquired substantial and strategically located land reserves at low costs

We have acquired a substantial amount of low-cost land reserves in strategic locations with high growth potential. As of June 30, 2018, we had land reserves comprising a total GFA of 14.3 million sq.m., with an average cost of land acquisition of RMB3,355 per sq.m. We believe the following factors have contributed to our ability to acquire strategically located land reserves at relatively low costs to support our sustainable and profitable growth:

- We have substantial experience and expertise in the real estate industry in China through over 20 years of operations which enable us to identify land parcels with significant development potential for property development and acquire land parcels at early development stages of their respective areas;
- We have substantial experience in developing large-scale mixed-use complex projects combining residential properties with various commercial properties which tend to substantially improve the local living and commercial environment. As a result, such projects are normally well-received by the local communities, which enables us to have relatively easy access to land reserves from the local government authorities;
- We have established a strong brand in the cities where we have property development projects and our brand name “Glory City” is well recognized in the market;
- We have substantial experience in primary land development and our projects are well-received by the local communities; and
- We have stable and substantial cash flows generated from our investment properties to support our land acquisitions.

Our investment properties located at commercial centers provide us with a stable and recurring revenue source

We selectively retain the ownership of a substantial amount of self-developed commercial properties with strategic value to generate stable and recurring rental income. As of June 30, 2018, we had investment properties located in six core cities including Beijing and Shenzhen, with a total GFA of 805,671 sq.m., comprising primarily shopping malls, offices, specialized markets, retail outlets and siheyuan (四合院). In particular, we had investment properties in Beijing with a total GFA of 323,544 sq.m. as of June 30, 2018. All of our investment properties are located at commercial centers in their respective cities. For example, our Beijing Glory Mall (北京國瑞購物中心), with a completed GFA of 159,999 sq.m., is located in the Chongwai Avenue catchment (崇文商圈). Beijing Glory Mall is well-received among young, fashion-oriented consumers due to its distinctive design and commercial value.

We maintain a diversified tenant portfolio for our investment properties. Our tenants include well-known overseas and domestic brand owners. We have entered into strategic cooperation agreements with various tenants, including catering and entertainment operators, apparel and home furnishing manufacturers and retail chains for our investment properties, which enables us to rapidly expand our investment property portfolio into selected regional markets. For the years ended December 31, 2015, 2016, 2017 and for the six months ended June 30, 2017 and 2018, our investment properties generated rental income of RMB280.6 million, RMB292.7 million, RMB310.3 million (US\$46.9 million), RMB140.4 million and RMB207.1 million (US\$31.3 million), respectively.

In addition to generating stable and recurring rental income, our substantial amount of investment properties also provides us with significant flexibility in business planning and operations and enhances our ability to manage financial risks. For example, we are able to leverage our substantial amount of investment properties to obtain funding from financial institutions to support our property development. In addition, as all of our investment properties are located at commercial centers in their respective cities, we expect to enjoy significant capital appreciation over the long term.

Our primary land construction and development business allows us to access strategically located land reserves

We have substantial experience in primary land development and our projects are well-received by the local communities. We undertook the primary land development of the sites of Beijing Fugui Garden in 2001 and Beijing Glory City in 2003, both of which were listed by the Beijing Municipal People's Government (北京市人民政府) as key renovation projects of dangerous old houses (重點危舊房改造項目). Our performance significantly contributed to the urbanization in the former Chongwen District of Beijing and improved the local living environment, which was well-received by the local communities. We also completed the Beijing Hademen Center project in 2012 and subsequently successfully obtained the land use rights of the relevant sites. As of June 30, 2018, we were undertaking seven primary land development projects and urban renewal projects with a total planned GFA of 10 million sq.m. in Beijing, Shantou, Chaozhou and Shenzhen. We identify and evaluate primary land development opportunities by conducting comprehensive studies of local market trends and conditions and analyzing, among other items, any government plans for the future use of land and the estimated return on investment of primary land development operations. We believe our substantial experience and strong reputation in primary land development have facilitated us, and will continue to facilitate us, to procure opportunities to engage in primary land development at strategic locations, which provides us with a direct avenue towards our land bank strategy for our property development business.

We have established a strategic nationwide coverage

Founded in Guangdong Province, we commenced our property development operations in the late 1990s and since then have significantly grown our business in Beijing. Leveraging our strong brand and execution capabilities as well as substantial expertise and experience in property development, we have successfully expanded into other selected cities with rapid growth in China, including, amongst others, Haikou and Wanning in Hainan Province, Shantou and Foshan in the Pearl River Delta region, Shenyang in Liaoning Province, Zhengzhou in Henan Province, Langfang in Hebei Province, Shenzhen in Guangdong Province, Xi'an in Shaanxi Province and Suzhou and Qidong in Jiangsu Province. As a result, we have established a strategic nationwide coverage that is centered around the Beijing-Tianjin-Hebei region, the Yangtze River Delta region and the Pearl River Delta region and covers a number of selected major areas with rapid economic growth in China. All these cities are either located in or in close proximity to national or regional economic centers and have easy access to transportation networks:

- Beijing is the capital as well as political, economic, transportation, cultural and educational center of China. Beijing accommodates the headquarters of numerous

large-scale State-owned enterprises, reputable domestic private enterprises and multinational enterprises. According to the “Report on Economic Development of Beijing (2012 — 2013)” (北京經濟發展報告) (2012 — 2013) issued in June 2013, one of the blue book series of Beijing Academy of Social Sciences (北京市社會科學院), Beijing has stepped into the early stage of a developed economy;

- Hainan Province is a popular tourist destination and attracts millions of overseas and domestic tourists each year. In line with the development plan of Hainan International Tourism Island of the PRC government, the economy and property market of Haikou and Wanning are expected to continue to grow rapidly;
- Shantou is one of the five special economic zones established by the PRC government in the 1980s, the economic and cultural center of East Guangdong Province and one of the most densely populated cities in China;
- Foshan is located in the central Pearl River Delta region and is in close proximity to the three major transportation hubs in Guangzhou, namely, Guangzhou New Baiyun International Airport, Guangzhou Nansha Port and Guangzhou Railway Station;
- Shenyang is the capital of Liaoning Province and the economic, cultural, transportation and trading center of Northeast China;
- Zhengzhou is the capital of Henan Province and a major transportation hub in central China;
- Langfang is located in the Bohai Economic Rim. It is a satellite city of Beijing and is regarded as the corridor connecting Beijing and Tianjin;
- Xi'an is the capital of Shaanxi Province and the economic and cultural center of Shaanxi Province;
- Qidong is located in the Yangtze River Delta Region. With excellent natural resources, convenient transportation, developed economy and favorable industry policy environment, Qidong has become one of the major receiving areas for the spillover effect of first-tier cities in recent years;
- Shenzhen is a major city in Guangdong Province and China's first special economic zone. Throughout its years of development, Shenzhen has become one of the four tier-1 cities in China and one of the three major financial centers in China; and
- Ezhou is a member city of Wuhan city circle and a major transportation hub located in eastern Hubei Province. Throughout China's history, Ezhou has remained an important historical and cultural city with its strategic position along the middle part of the Yangtze River.

We plan to continue to deepen the operation in cities where we have strategic presence, focused on the key cities in the four major regions, being the Beijing-Tianjin-Hebei region, the Yangtze River Delta region, the Pearl River Delta region and the economic corridor of the BRI. We believe that our strategic nationwide coverage has laid a solid foundation for our sustainable and profitable growth and we are well-positioned to capitalize on the opportunities in the property market in China.

We have an established track record in developing large-scale mixed-use complex projects

We develop large-scale mixed-use complex projects that typically consist of a combination of residential properties with a variety of commercial properties with the following features:

- All of our large-scale mixed-use complex projects are located at commercial centers in their respective cities. Therefore, we expect our customers will enjoy significant capital appreciation over the long term.
- In developing large-scale mixed-use complex projects, we aim to satisfy the one-stop living and consumption needs of our target customer groups. We therefore include a mix of commercial properties, including retail outlets, shopping malls, offices, hotels, specialized markets and SOHO apartments with urban-life functionalities, to complement residential properties in such complexes. These projects tend to substantially improve the local living and commercial environment, which in turn increases the value and marketability of our properties.

We expect increasing demand for such large-scale mixed-use complex projects to continue as the urbanization process in China continues and the population of the middle-to-upper class and their demand for high-quality life style continues to increase.

We have diverse sales channels and an effective sales and marketing team

We have established a professional sales and marketing team and we provide competitive compensation to our sales and marketing team, which is linked to the sales prices and the terms of payment collection, in order to increase our sales and accelerate cash flow. Our marketing and planning management center is responsible for the overall sales and marketing of all our projects and participates in the entire property development process, including site selection, product positioning, project design and budget planning. Such involvement by our marketing and planning management center throughout the property development process enables us to deliver products catered to market demand.

We also engage international and domestic third-party real estate sales agencies, including Centaline, Sys win, Union-lucky and Hopefluent, to form a collective sales force and compete with our in-house sales and marketing team, which not only incentivizes our staff, but also enables us to benefit from the quality customer bases of such third-party agencies and enhance our brand recognition in the market.

We have established a strong brand supported by our product design and strict quality control

We were awarded “2016 Gold Hong Kong Shares - The Most Socially Responsible Listed Company (2016年度金港股最具社會責任上市公司)” by Zhitong Finance (智通財經) and Tonghuashun Finance (同花順財經) in 2017, “2016 China Mainland Real Estate Company Top 10 listed in Hong Kong in terms of Financial Soundness and Investment Value Ranking (中國大陸在港上市房地產公司財務穩健TOP10, 投資價值TOP10)” by Enterprise Research Institute, Development Research Center of the State Council (國務院發展研究中心企業研究所), Real Estate 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 2016 and Gold Phoenix Global Chinese Real Estate “2016 Annual Award of Enterprise of Most Potential Value” (2016金鳳凰全球華人地產“年度企業最具潛力價值獎”) by Ifeng.com (鳳凰網), Phoenix TV (鳳凰衛視) and house.ifeng.com (鳳凰房產) in 2016. We were recognized as one of the “2016 China Real Estate Top 100 Enterprises (2016 中國房地產百強企業)” by Enterprise Research Institute, Development Research Center of the State Council (國務院發展研究中心企業研究所), Real Estate 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 2016. Our Beijing Hademen Center (北京哈德門中心) project was awarded “New Landmark Buildings of 100 Cities for 2016-2017

(2016-2017中國百城建築新地標)” by China Index Academy (中國指數研究院) in 2016. We were recognized as one of the “2017 China TOP 100 Real Estate Developers” (“2017中國房地產百強企業”) by Enterprise Research Institute, Development Research Center of the State Council (國務院發展研究中心企業研究所), Real Estate 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 2017. In 2018, we were recognized as one of the 2018 Best 100 of China Real Estate Developers (2018中國房地產開發企業100強) jointly by China Real Estate Association (中國房地產協會), Shanghai E-House Real Estate Research Institute (上海易居房地產研究院) and China Real Estate Appraisal Center (中國房地產測評中心). For more information about our awards and recognitions, see the section entitled “— Awards and Recognitions.” We have established a strong brand in the cities where we have property development projects. As a result of our strong brand, we are able to sell our products at prices higher than the average market prices for some of our property projects, such as the residential properties of Haikuotiankong Glory City and Zhengzhou Glory City. In addition, we have been undertaking primary land development activities and developing large-scale mixed-use complex projects, both of which tend to significantly improve the local living and commercial environment, thus enhancing our corporate image and reputation.

We are able to constantly improve our product design to meet the evolving market demand

We have a dedicated in-house design team with more than 100 members at our headquarters responsible for the overall planning and design of our projects. Our in-house design team comprises specialists in various areas in our project development, including planning, construction, structure, mechanics, gardening and decoration. Members of our in-house design team hold various qualifications; they include national certified architects, certified structural engineers and certified urban planners. Our in-house design team enables us to provide designs tailored to the specific needs of our targeted customer base and market. In addition, our in-house design capability enables us to effectively manage our costs by optimizing project design, such as the structure and materials to be used, at the early stages of the property development process.

Over the years, we have developed a proprietary bank of product designs featuring neoclassical architectural styles and encompassing various structural layouts such as high-rise apartments and garden houses. These product designs can be quickly fine-tuned and applied to suit the tastes of customers in a broad range of markets. In addition, during our years of operations in the property development industry in China, we have established a strategic nationwide coverage and have been able to offer a wide range of products that capture the specific preferences and needs of targeted customer base, which offers us an in-depth understanding of the demand in different markets. As a result, we are able to constantly improve our product designs to meet the evolving market demand in a flexible and efficient manner without compromising quality.

Leveraging our in-depth understanding of the property market, we have been able to establish long-term cooperation relationships with a number of selected third-party design firms to supplement our in-house design capability. For example, we normally engage international design firms such as WY Design International Limited to provide conceptual design for our projects to meet the market trends. For construction drawing design, we normally engage domestic design firms with Grade A qualifications that work closely with those international conceptual design firms. We also engage international and domestic design firms including Belt Collins International (HK) Limited and Ricky Wong Designers Ltd. for the landscape and interior design of some of our projects. We have entered into strategic cooperation agreements with the Ninth Design Institute of China Building Technique Group Co., Ltd., which was founded and is controlled by China Academy of Building Research, to provide technical support and services. China Academy of Building Research is a large-scale State-owned enterprise under the direct supervision of the SASAC and the only national scientific research institution in the architectural industry in China. Our in-house design team works closely with these design firms to translate designs into detailed

development proposals and actively monitors the progress and quality of the appointed design firms to ensure that their work meets our specifications. In addition, we have adopted strict criteria in our selection of construction contractors for the construction of our projects to ensure that the construction workmanship complies with both of our product design and quality standards.

We have an effective management structure with a standardized and streamlined process

We implement a two-tier management structure, with our headquarters as the first tier and the regional project companies as the second tier, to balance operational efficiency with risk management. Our headquarters is responsible for making strategic decisions including product positioning as well as overall planning for acquiring land reserves and developing projects, while the regional project companies are responsible for the day-to-day operations of their respective property development projects. This management structure ensures that our overall strategies are effectively implemented throughout our organization. In addition, our management structure also provides our regional project companies with the appropriate autonomy to adapt to local situations.

Our management structure is supported by a comprehensive information technology system, which comprises various components covering operations planning, financial and capital management, tendering and procurement, real-time construction progress monitoring, cost management, sales and property management and our office automation platform. Through our information technology system, our management and employees can, among other things, access the latest sales and collection information, approve contracts, make payment instructions and review the cost status within their authorization level on a real-time basis. Our use of information technology allows us to maintain a high degree of intra-group transparency, enables us to streamline the allocation of responsibility and authority and facilitates our decision-making process.

In addition, based on our substantial experience in developing property projects in China, we have developed a standardized and streamlined property development process. We apply our standardized property development process across our entire value chain of business operations, including site selection, project positioning, product design, brand promotion, procurement, construction, quality control, sales and marketing and customer services. We implement centralized procurement for procuring construction materials and equipment to take advantage of economies of scale. We also apply standardized designs with necessary adjustments tailored for the local markets, which enables us to provide product designs to suit local tastes in a timely manner. In addition, our standardized processes of selecting construction contractors and procuring construction materials and equipment enable us to ensure the quality of our properties and effectively control costs. We believe our standardized and streamlined property development process is a key factor for rapidly replicating our products and delivering properties to meet the demand of various types of customers.

As a result, through our integrated management structure and our standardized and streamlined property development process, we are committed to maximizing our investment return by shortening the development cycle, which in turn improves our operating cash flow.

We have a highly experienced and motivated senior management team

The key members of our senior management team have substantial expertise and experience in property development and corporate management. Chairman Zhang has more than 20 years of experience in the PRC real estate industry. Other members of our senior management team have an average of over 16 years of relevant experience in the real estate industry. In particular, our founder, Chairman Zhang, has served us for nearly 20 years and five other members of our senior management team have served us for over 11 years. Despite the significant fluctuations in the

property market in China in recent years, under the leadership of our management, we have been rapidly growing our business in a sustainable and profitable manner. We believe our experienced senior management team has contributed to our success and will continue to be a critical factor for our expansion and long-term growth.

In addition, we have a team of qualified and dedicated employees with substantial experience and expertise in property development, planning, design, finance, financing and other relevant areas. We provide our employees with continuing vocational training by external and internal experts to enhance their competency. We have adopted a staff remuneration policy that offers competitive compensation to our employees. Our remuneration structure generally consists of a base salary, quarterly performance-based bonuses and a long-term share option scheme. We believe our staff remuneration policy offers competitive compensation and enables us to attract and retain talents.

OUR STRATEGIES

Our goal is to become a leading property developer in the PRC. We plan to implement the following strategies to achieve our goal:

Focus on Beijing and the Pearl River Delta region, and identify other suitable markets with high growth potential

We plan to focus on Beijing and the Pearl River Delta region, and identify other suitable markets with high growth potential for our further expansion in the next five to 10 years and we believe we are well-positioned to leverage our competitive strengths to capitalize on expected continuous economic growth in these regions.

We intend to continue to devote substantial resources to expanding our business in Beijing and its neighboring areas. We believe that the property market in Beijing and its neighboring areas has enormous growth potential. As of June 30, 2018, we have a mixed-use complex project under development with a planned GFA of 140,057 sq.m. located within the Second Ring Road, namely, Beijing Hademen Center. Beijing Hademen Center comprises primarily a shopping mall and a high-rise Grade A office building, all of which we intend to hold as investment properties. We are currently undertaking one primary land development project on the west side of Qinian Street within the Second Ring Road in Beijing with a planned GFA of 474,304 sq.m. We believe our existing projects will enable us to maintain our leading position in the property market within the Second Ring Road of Beijing. In addition, our sizeable land reserves in Langfang enable us to benefit from the rapid growth in the regional economy centered around Beijing. We are developing a large-scale residential project in Langfang, comprising high-rise apartments, stand-alone houses, townhouses, retail outlets and a hotel. This project will be in close proximity to Beijing's second international airport, which is currently under construction and expected to commence operations in 2020 to facilitate rapid regional economic growth. Therefore, we believe our land reserves in Langfang will be able to enjoy significant capital appreciation. We will actively explore additional opportunities in Beijing and its neighboring areas to develop projects with a view to becoming a leader in this market.

In the Pearl River Delta region, based on our existing operations in Shantou and Foshan, we plan to implement our expansion plan with a focus on Guangzhou and Shenzhen (for example, our recent Nanshan project in Shenzhen) to rapidly increase our market share in this region. We expect the property market in the Pearl River Delta region, especially in Guangzhou and Shenzhen, to continue to grow. Accordingly, we plan to devote significant resources to developing and expanding our business in these two cities. In addition, we plan to increase our research efforts to identify other suitable markets with high growth potential and enter those markets when appropriate opportunities arise.

We believe our in-depth knowledge of the regional property markets developed over our years of operations will be instrumental to implementing our expansion strategy. In addition, our strong execution capabilities, effective management structure combined with standardized and streamlined property development process have formed a solid foundation for rapid expansion and penetration into the selected new markets, and successful acquisition and development of additional projects. We plan to continue to adopt a prudent and disciplined approach when selecting target cities for expansion, taking into account timing and market conditions to ensure our financial performance and liquidity.

Continue to maintain an optimal mix of properties for sale and for investment, while further strengthening our well-recognized brand name

We intend to strategically increase the proportion of investment properties in our property portfolio. We believe that the strategic retention of the long-term ownership of selected commercial properties will generate stable and recurring rental income, thereby enhancing the sustainability of our revenue streams, diversifying the policy and operating risks we face in the residential property market and supporting our long-term growth. Furthermore, we plan to continue to regularly conduct property owner satisfaction surveys in respect of quality of properties delivered, property management services and community maintenance. We will continue to improve the quality of our products and services based on customer feedback in order to further enhance our brand name. In addition, we plan to leverage our strong brand name and good relationships with large institutional customers to increase bulk sales of residential properties and en-bloc sales of entire office buildings. We believe such bulk sales will enable us to accelerate payment collection and reduce marketing expenses and capital costs.

Develop Grade A office buildings in central business districts of first-tier cities and second-tier cities that are provincial capitals in the PRC

Leveraging our substantial experience in the real estate industry in the PRC and our expertise in developing large-scale mixed-use complex projects, we plan to develop Grade A office buildings in central business districts of first-tier cities and second-tier cities that are provincial capitals in the PRC. We believe the market of such types of office buildings has high growth potential. We have completed two high-rise Grade A office buildings with a total GFA of 119,663 sq.m. in our Beijing Glory City and a high-rise Grade A office building with a total planned GFA of 140,057 sq.m. in our Beijing Hademen Center, both located within the Second Ring Road of Beijing. We are currently developing three high-rise Grade A office buildings with a total planned GFA of 104,314 sq.m. and two ultra high-rise Grade A office buildings with a total planned GFA of 163,667 sq.m. in our Haikuotiankong Glory City located in the commercial center of Haikou. We plan to implement this strategy in the following three steps:

- We plan to construct an ultra high-rise Grade A office building with a total planned GFA of 289,978 sq.m. in Xi'an Glory International Financial Center;
- We plan to develop Grade A office buildings in Beijing, Shenzhen and Guangzhou and are currently conducting feasibility study for our proposed projects in these cities; and
- We plan to develop Grade A office buildings in selected second-tier cities that are also provincial capitals in the PRC.

We plan to sell a portion of such properties and hold the remainder as investment properties to generate stable and recurring rental income and retain capital appreciation. We believe our successful implementation of this strategy will enable us to become a market leader in developing Grade A office buildings in China. To implement this strategy, we have established specialized sales and marketing, design and management teams. In addition, we plan to fund the implementation of such strategy through a flexible combination of internal resources and debt and equity financings.

Continue to improve our operational efficiency

We believe improving our operational efficiency is key to increasing our profitability. We plan to improve our operational efficiency by continuing to refine our management structure and property development process. In particular, we plan to:

- engage additional third-party real estate sales agencies to increase the efficiency of our sales and marketing efforts, while continuing to maintain strict cost controls on construction costs;
- continue to monitor the real-time progress of each of our property development projects and increase the amount of performance-based bonuses to our employees; and
- continue to develop standardized product lines to shorten our project development cycle.

Attract, retain and motivate talented personnel through systematic training programs and competitive remuneration packages

We are committed to building a highly professional and specialized team with strong execution capabilities that shares and approves of our values, vision and corporate culture. We believe our future success and growth strategies depend on our ability to attract and retain talented professionals.

We plan to continue to strategically increase the percentage of specialized talents in our employee base, including those focusing on research and design of standardized products, refined cost management and quality control, and engineering management. To attract and retain talented professionals, we offer systematic and comprehensive training programs to our employees, providing various external and internal trainings for our employees at different seniority levels and specialized fields of work. We also plan to continue to implement our mentoring program by assigning a mentor for each of our new joiners for career guidance and support. In addition, we plan to refine our rotation system for our employees among different departments at our headquarters or different regional project companies to develop a qualified and versatile mid-level management team. We also plan to continue to offer competitive remuneration packages to attract and retain talented professionals, to better align our employees' interests and to foster a higher level of recognition and appreciation of our corporate value and culture.

Facilitate the sustainable development of the environment and the community

We aim to raise the development and management standard of our properties and to facilitate the sustainable development of the environment and the community through a series of measures such as green and environmental-friendly architectural planning, design, construction and operation. Our Beijing Hademen Center (北京哈德門中心) project, a landmark on the Second Ring in Beijing, has obtained the LEED Gold pre-certification granted by the U.S. Green Building Council, which not only exhibits the quality of a high-end commercial complex but also reflects our commitment to the sustainable development of the environment and the community.

RECENT DEVELOPMENTS

Contracted Sales

For the 12 months ended December 31, 2018, we achieved total contracted sales of approximately RMB21,913 million, contracted sales in terms of GFA amounted to approximately 1,304,041 sq.m. and contracted ASP of approximately RMB16,804 per sq.m.

In January 2019, we achieved total contracted sales of approximately RMB802 million, contracted sales in terms of GFA amounted to approximately 66,029 sq.m. and contracted ASP amounted to approximately RMB12,147 per sq.m.

Leasing of Investment Properties

For the 12 months ended December 31, 2018, we achieved contracted lease of investment properties of approximately RMB1,462 million and contracted leased area of approximately 127,487 sq.m.

In January 2019, we achieved contracted lease of investment properties of approximately RMB50 million and contracted leased area of approximately 7,340 sq.m.

Provision of Guarantee to a Subsidiary of the Company

On January 4, 2019, Beijing Glory Xingye Real Estate Co., Ltd. (北京國瑞興業地產股份有限公司) (“Glory Xingye”), a subsidiary of the Company, entered into a facility agreement (the “Facility Agreement”) with China Zheshang Bank Co., Ltd. Beijing Branch (“CZB”) and Bank of Beijing Co., Ltd. Guangming Branch (collectively, the “Lenders”). Pursuant to the Facility Agreement, Glory Xingye agrees to borrow and CZB agrees to act as the arranging bank and agent bank to lend a syndicated loan of RMB3 billion (the “Loan Facility”). In consideration of the provision of the Loan Facility under the Facility Agreement by the Lenders, the Company and Shantou Garden Group Co., Ltd. (汕頭花園集團有限公司) (“Garden Group”), a wholly-owned subsidiary of the Company, entered into a guarantee contract with the Lenders, respectively. Mr. Zhang Zhangsun (“Chairman Zhang”), the Chairman and an executive Director of the Company, together with Ms. Ruan Wenjuan (“Ms. Ruan”), an executive Director of the Company, also entered into a guarantee contract with the Lenders. Pursuant to the three aforesaid guarantee contracts, (i) the Company and Garden Group shall each provide a corporate guarantee in favor of the Lenders to guarantee the performance of Glory Xingye’s obligations of up to RMB3 billion, representing and not exceeding the guaranteed indebtedness of RMB3 billion under the Facility Agreement (the “Corporate Guarantees”); and (ii) Chairman Zhang and Ms. Ruan shall provide a joint and several guarantee in favor of the Lenders to guarantee the performance of Glory Xingye’s obligations of up to RMB3 billion, representing and not exceeding the guaranteed indebtedness of RMB3 billion under the Facility Agreement. The entering into of the Facility Agreement and the provision of Corporate Guarantees are for the purpose of financing for the projects of the Company.

Redemption of the March 2018 Notes

On March 1, 2019, we completed the full redemption of the March 2018 Notes at a redemption price equal to the principal amount of the March 2018 Notes plus accrued interest to the maturity date. As a result of the redemption, there are no outstanding March 2018 Notes.

Issuance of the February 2019 Notes

On February 27, 2019, we successfully issued US\$160,000,000 13.5% senior notes due 2022 listed on The Hong Kong Stock Exchange. Further details of the issue of the February 2019 Notes were disclosed in our announcements dated February 21, 2019, February 26, 2019 and February 27, 2019.

Partial redemption at the option of holders of the 2017 Notes

As at the date of this Offering Memorandum, holders of the 2017 Notes have exercised their redemption options (the “Redemption Options”) requesting us to redeem their 2017 Notes on March 21, 2019 (the “Redemption Options Date”). The aggregate principal amount plus the accrued but unpaid interest up to, but excluding, the Redemption Options Date, will be

USD280,310,000, which is to be financed by a private debt transaction and other refinancing arrangements together with the our internal funds. We are negotiating with an institutional investor (who is a third party investor independent of us) in respect of a potential private debt transaction (the “Financing”) and we have reached the stage of substantive negotiation and finalisation of contract. We intend to use the net proceeds from the Financing mainly to redeem the 2017 Notes of those holders of the 2017 Notes who exercised their Redemption Options.

OUR BUSINESS

Overview of Our Property Projects

We develop and sell a variety of residential properties and commercial properties. Our residential properties include high-rise and mid-rise apartments, multi-layer garden houses, townhouses, stand-alone houses and siheyuan (四合院). Our commercial properties primarily include retail outlets, shopping malls, offices, hotels, specialized markets and SOHO apartments. Our property development projects comprise residential projects and large-scale mixed-use complex projects that typically consist of a combination of residential properties with various commercial properties. We selectively retain the ownership of a substantial amount of self-developed commercial properties with strategic value to generate stable and recurring rental income and retain capital appreciation. As of June 30, 2018, our property portfolio consisted of 24 projects completed or under various stages of development located in Beijing, Haikou, Wanning, Shantou, Foshan, Shenyang, Zhengzhou, Langfang and Chongqing. As of June 30, 2018, we had a total GFA of 5.2 million sq.m. under development and a total GFA of 7.9 million sq.m. held for future development.

The table below sets forth the geographic breakdown of our contracted sales during the three years ended December 31, 2017 and the six months ended June 30, 2017 and 2018:

	For the Year Ended December 31						For the six months ended June 30,			
	2015		2016		2017		2017		2018	
	Contracted Sales ⁽¹⁾	% of Total Contracted Sales	Contracted Sales ⁽¹⁾	% of Total Contracted Sales	Contracted Sales ⁽¹⁾	% of Total Contracted Sales	Contracted Sales ⁽¹⁾	% of Total Contracted Sales	Contracted Sales ⁽¹⁾	% of Total Contracted Sales
	(RMB million)	(%)	(RMB million)	(%)	(RMB million)	(%)	(RMB million)	(%)	(RMB million)	(%)
Beijing	1,006.2	15.3	1,940.8	17.5	4,829.2	32.6	1,146.9	22.2	462.9	6.8
Haikou	1,487.2	22.6	1,709.3	15.4	1,432.0	9.6	784.5	15.2	524.1	7.7
Wanning	302.2	4.6	395.5	3.6	92.7	0.6	80.7	1.6	—	—
Shantou	1.6	0.0	1,002.3	9.0	1,161.1	7.8	700.0	13.5	1,068.6	15.6
Suzhou	—	—	—	—	655.4	4.4	428.8	8.3	286.5	4.2
Shenyang	770.9	11.7	563.9	5.1	750.1	5.0	447.9	8.7	425.5	6.2
Zhengzhou	1,120.6	17.1	636.2	5.7	244.4	1.6	59.4	1.1	54.8	0.8
Langfang	1,217.1	18.6	4,170.1	37.6	1,421.6	9.6	918.0	17.7	41.2	0.6
Foshan	663.2	10.1	680.9	6.1	861.6	5.8	561.1	10.8	983.8	14.4
Chongming	—	—	—	—	463.8	3.1	—	—	1,017.1	14.9
Tianjin	—	—	—	—	—	—	—	—	83.6	1.2
Chongqing	—	—	—	—	—	—	—	—	284.3	4.3
Jiangmen	—	—	—	—	—	—	—	—	132.2	2.0
Xi'an	—	—	—	—	—	—	44.8	0.9	—	—
Cooperation projects ⁽²⁾ . .	—	—	—	—	2,964.8	19.9	—	—	1,478.6	21.6
Total	6,569.0	100.0	11,099.0	100.0	14,876.7	100.0	5,172.1	100.0	6,843.2	100.0

Note:

(1) Contracted sales shown in the table include sales of car parking spaces.

(2) Contracted sales of cooperation projects refer to the total amount of contracted sales of such cooperation projects.

Our contracted ASP increased from RMB9,868.4 per sq.m. in 2015 to RMB10,433.1 per sq.m. in 2016, RMB16,260.7 per sq.m. in 2017 and decreased to RMB12,146.7 per sq.m. in the first half of 2018, primarily reflecting the changes of proportion of our projects in first-tier cities and in high-end projects.

Our actual cash receipts from property sales, which represented the aggregate cash amount received from binding pre-sale and sale contracts during such periods, were RMB6,237.0 million, RMB9,348.3 million, RMB6,713.4 million, RMB3,891.4 million and RMB3,088.8 million for the years ended December 31, 2015, 2016, 2017 and for the six months ended June 30, 2017 and 2018, respectively. Such amounts do not necessarily correspond to the amounts of our contracted sales for the corresponding periods.

In April 2016, we successfully won the bid for a prime land parcel in Wuzhong District, Suzhou and started establishing a presence in the “Yangtze River Delta” region. Currently, we have formed strategic layouts in the “Beijing, Tianjin and Hebei” region, the “Pearl River Delta” region and the “Yangtze River Delta” region, which are centered around Beijing, Shenzhen and Suzhou respectively. As of June 30, 2018, the total land reserves of the Group was approximately 14.3 million sq.m., of which those in first-tier and second-tier cities and popular cities accounted for approximately 41%.

We have also established a culture and tourism innovation business division to enhance our research and development and operational capabilities in the innovative property business sector and to support the layout and implementation of our “Real Estate +” (房地產+) business in China. In April 2016, we reached an intention for strategic cooperation with the Zhengzhou Municipal Government in respect of a cultural industry park. In May 2016, we signed an agreement with the Yongqing County Government of Hebei Province in respect of an internet finance town (永清金融小鎮) project with a view to constructing a gathering place for internet finance enterprises. In 2018, we launched Guorui Smart Eco-city project (國瑞智慧生態城項目) located in Tongren, Guizhou, with a view to building a modern, intelligentized and eco-friendly community.

We develop both residential and commercial properties. We classify a property development project as:

- a mixed-use complex project if the project comprises office building(s), shopping mall(s) and/or specialized markets and other commercial properties, and in most cases, residential properties; or
- a residential project if the project comprises residential properties and does not include any office building, shopping mall or specialized market, but in some cases, includes other commercial properties such as retail outlets, SOHO apartments or hotels.

Residential Properties

We focus on developing residential units with comfortable living environment and easy access to public transportation. We primarily develop the following types of residential properties:

- high-rise and mid-rise apartments (高層及中層住宅) — typically buildings higher than seven stories with the GFA per unit ranging from 60 sq.m. to 150 sq.m.;
- multi-layer garden houses (多層花園洋房) — typically low-rise buildings of four to six stories with the GFA per unit ranging from 90 sq.m. to 190 sq.m.;
- townhouses (聯排住宅) — typically connected houses of two to six units;

- stand-alone houses (獨棟住宅) — typically independent houses of one to four stories; and
- siheyuan (四合院) — a historical type of residence in China, also referred to as the Chinese quadrangles, namely, a courtyard surrounded by four buildings.

Some of our residential projects comprise street-level retail outlets and ancillary clubhouses, kindergartens and schools. We normally sell the street-level retail outlets but retain the ownership of the ancillary clubhouse, kindergarten and school premises within our residential projects and engage third-party operators to manage and operate them.

Mixed-use Complexes

We also develop mixed-use complex projects. We normally sell the residential and some or all of the office units of such mixed-use complexes, while retaining shopping malls, specialized markets and some of the office units, if applicable, as our investment properties.

Classification of Our Property Projects

According to the stage of development, we classify our property development projects into three categories. As some of our projects comprise multiple-phase development on a rolling basis, a single project may include different phases at various stages of development.

As of June 30, 2018, we had land reserves with a total GFA of 14.3 million sq.m., comprising (a) a total GFA of 1.2 million sq.m. completed but remaining unsold, (b) a total GFA of 5.2 million sq.m. under development, and (c) a total planned GFA of 7.9 million sq.m. held for future development.

Our classification of properties reflects the basis on which we operate our business and may differ from classifications employed by other developers. Each property development project may involve multiple land use rights certificates, construction land planning permits, construction work planning permits, construction work commencement permits, pre-sale permits and other permits and certificates which may be issued at different times throughout the development process. Our classification of our properties is also different from the classification of properties in the Accountants' Report included elsewhere in this offering memorandum. The differences between our classification of properties and the classification of properties in our financial statements are set forth in the table below:

Our Classification	Financial Statements
<ul style="list-style-type: none"> • Completed properties <p>We have received the completion certificate from the relevant government construction authorities.</p>	<p>Properties held for sale</p> <p>Investment properties</p> <p>Prepaid lease payments</p> <p>Property, plant and equipment</p>
<ul style="list-style-type: none"> • Properties under development <p>We have received the required construction work commencement permit but not the relevant completion certificate.</p>	<p>Properties under development</p>

Our Classification	Financial Statements
<ul style="list-style-type: none"> Properties held for future development <p>We (a) have received the relevant land use rights certificate, or (b) have signed the relevant land grant contract with relevant government authority but have not yet obtained land use rights certificate, or (c) have received the confirmation letter on bidding for granting land use rights of the underlying land parcel(s) but have not yet signed the relevant land grant contract, and, in each case, construction work has not yet commenced.</p>	<p>Deposits paid for land acquisition</p> <p>Properties under development</p>

In respect of properties for which we have received the confirmation letters on bidding for granting land use rights from the relevant government authorities after we have successfully won the bids, according to the “Rules on Bidding, Auctioning and Listing of State-owned Land Use Rights” (《招標拍賣掛牌出讓國有建設用地使用權規定》), which came into effect on November 1, 2007, the confirmation letters on bidding for granting land use rights are legally binding on both the successful bidders and the auctioneers. The winning bidder must sign the land grant contract with the auctioneer as prescribed in the confirmation letter on bidding for granting land use rights. Accordingly, we classify properties for which we have received confirmation letters on bidding for granting land use rights as properties held for future development. For the avoidance of doubt, we are not required to pay any fees to land authorities during the period from the time of receipt of the confirmation letter on bidding for granting land use rights to the time of signing the relevant land grant contract.

Summary Information Regarding Our Projects

We have obtained all relevant land use rights certificates for our completed properties remaining unsold and our properties under development. As of June 30, 2018, we had not obtained land use rights certificates for our properties held for future development with a total GFA of 2,227,994 sq.m., including properties held for future development with a total GFA of 7,935,349 sq.m., for which we had received the confirmation letter on delivering the relevant land parcel and have carried out the preliminary work on the relevant land parcel.

The tables below set forth a summary of our property projects. It should be noted that project names used in this offering memorandum are names we have used, or intend to use, for marketing purpose of our properties. Some of the project names require approval of the relevant authorities, and the relevant authorities may not accept the names we have used or those that we intend to use as the registered names of these projects. As a result, the actual names registered with the relevant authorities may be different from the names used in this offering memorandum and may be subject to change.

Completed Projects and Project Phases

The table below sets forth a summary of information on our completed projects and project phases as of June 30, 2018:

Project	Project Type	Site Area	Completed GFA	GFA Available for Sale or Use By Us	GFA Available for Sale	GFA Held for Investment	GFA Sold	Other GFA	Ownership Interest
		(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(%)
Beijing									
1 Beijing Fugui Garden	Mixed-use	87,075	507,857	48,042	3,463	29,316	421,374	9,125	91
2 Beijing Glory City	Mixed-use	117,473	881,590	63,159	15,715	159,999	640,252	18,180	80
3 Eudemonia Palace	Residential	14,464	33,102	3,431	—	3,431	24,931	1,309	80
4 Beijing Hademen Center	Commercial	12,738	140,057	14,817	—	119,882	—	5,358	80
Haikou									
1 Haikuotiankong Glory City	Mixed-use	141,375	800,154	203,043	73,316	6,633	553,119	37,359	80
2 Haidian Island Glory Garden	Residential	65,643	71,863	15,204	933	—	56,078	581	80
3 Glory Riverview Garden	Residential	36,634	21,658	4,415	4,415	—	16,158	1,085	80
4 Haikou West Coast Glory	Residential	34,121	21,971	2,529	2,529	—	18,161	1,281	80
Wanning									
1 Wanning Glory City (Phase I)	Residential	100,780	161,988	11,328	3,976	—	147,086	3,574	80
Langfang									
1 Yongqing Glory City (Phase I (partial), Phases III, V)	Residential	509,049	403,023	31,073	12,440	—	369,694	2,256	80
2 Yongqing Glory City (Phase IV (partial))	Residential	176,023	498,887	283,184	46,833	—	204,121	11,582	100
Zhengzhou									
1. Zhengzhou Glory City	Mixed-use	472,992	803,762	93,848	17,380	—	665,070	44,844	80
Shenyang									
1 Shenyang Glory City (Phases I to II, Phase III (partial), Phase IV and Phase V (partial))	Mixed-use	357,189	920,895	159,599	91,204	109,813	636,669	14,814	80
Foshan									
1 Foshan Guohua New Capital (Phase I and Phase II (partial))	Residential	104,576	438,279	196,746	167,528	—	214,361	27,172	44
2 Foshan Glory Shengping Commercial Center	Mixed-use	10,920	43,228	606	606	34,989	1,275	6,358	80
Shantou									
1 Shantou Glory City (Phase I)	Mixed-use	50,999	62,398	—	—	62,398	—	—	90
2 Glory Garden (Phase I)	Mixed-use	14,161	33,795	2,255	2,255	—	31,540	—	100
3 Yu Garden	Residential	8,292	25,767	—	—	—	25,767	—	100
4 Star Lake Residence	Residential	3,589	12,132	—	—	—	12,132	—	100
5 Yashi Garden	Residential	9,472	48,054	68	68	—	47,210	776	100
6 Guan Haiju	Residential	25,922	171,450	66,100	34,760	—	105,350	—	100
7 Siji Garden	Residential	42,155	204,894	127,732	127,732	—	35,183	41,979	80
8 Glory Garden (Phase II)	Residential	14,482	78,603	18,047	18,047	—	49,190	11,366	80
Chongqing									
1. Elegant Villa (書香溪墅)	Residential	59,332	100,590	23,684	23,684	—	52,610	24,296	51
Total		2,469,456	6,485,997	1,368,910	646,884	526,461	4,327,331	263,295	
Total Attributable GFA		1,982,882	5,221,968	1,093,036	467,491	430,633	3,501,016	197,283	

Properties Under Development and Properties Held for Future Development

The table below sets forth a summary of information on our projects or project phases under development or held for future development as of June 30, 2018:

Project	Project Type	Site Area	UNDER DEVELOPMENT			HELD FOR FUTURE DEVELOPMENT		
			GFA Under Development	Saleable/ Rentable GFA	GFA Pre-sold	Planned GFA	GFA of Land Use Rights Certificates Not Yet Obtained	Ownership Interest
		(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(%)
Beijing								
1 Beijing Glory Villa East	Residential	94,199	315,167	227,557	87,317	—	—	80
2 Beijing Glory Villa West	Residential	73,294	239,805	179,823	127,917	—	—	80
3 Daxing Yinghai Project	Residential	63,030	206,990	160,626	97,691	—	—	80
4 Fengtai Xitieying	Residential	65,650	335,549	324,117	—	—	—	16
5 Haidian Cuihu (海澱翠湖)	Residential	82,336	—	—	—	273,747	—	28
6 Fengtai Xiaowayao (豐台小瓦窯)	Residential	27,200	—	—	—	149,197	—	20.4
Haikou								
1 Hainan Yunlong	Mixed-use	1,084,162	111,928	92,210	—	656,916	—	72
Wanning								
1 Wanning Glory City (Phases II to III)	Residential	143,560	—	—	—	191,955	—	80
Langfang								
1 Yongqing Glory City (Phases I (partial) to II)	Residential	410,569	72,194	71,194	7,923	827,952	—	80
2 Yongqing Glory City (Phase IV (partial))	Residential	217,726	266,638	206,302	127,377	355,849	—	100
Zhengzhou								
1 Zhengzhou Glory City (Phase VIII, School)	Mixed-use	11,235	—	—	—	30,156	—	80
Shenyang								
1 Shenyang Glory City (Phase III (partial), Phases V to VII)	Mixed-use	270,402	94,511	92,832	1,915	623,417	222,249	80
Foshan								
1 Foshan Guohua New Capital (Phase II)	Residential	16,237	68,050	57,406	37,167	—	—	44
2 Foshan Glory Shengping Commercial Center	Mixed-use	79,311	313,971	245,354	—	—	—	80
3 Foshan Xiqiao	Residential	63,952	—	—	—	248,591	—	80
4 Canglonghuaifu (藏龍華府)	Mixed-use	202,611	473,302	430,259	116,067	276,085	—	35
Xi'an								
1 Guorui Xi'an Financial Center	Mixed-use	19,162	289,978	211,371	2,386	—	—	80
Shantou								
1 Convention Hotel	Mixed-use	28,439	186,799	136,357	38,176	—	—	100
2 Shantou Glory Hospital	Hospital	100,001	360,154	—	—	—	—	100
Shenzhen								
1 Shenzhen • Nanshan	Commercial	20,163	42,763	42,763	—	132,237	—	80
Suzhou								
1 Suzhou Glory Villa	Mixed-use	74,196	240,294	182,656	29,634	—	—	80
Qidong								
1 Chongming Island	Residential	1,211,544	326,079	288,751	128,303	705,934	—	72
2 Butterfly Hotel	Hotel	64,000	53,656	—	—	—	—	100
Ezhou								
1 Ezhou Huarong Market	Specialized markets	333,335	—	—	—	150,000	150,000	55
Wuxi								
1 Glory Luoshe Xincheng (國瑞洛社新城)	Residential	30,726	—	—	—	91,424	91,424	80
Tongren								
1 Guorui Zhihui Shengtaicheng Project (國瑞智慧生態城項目)	Mixed-use	780,430	—	—	—	1,764,321	1,764,321	80
Tianjin								
1 Ruichengjiayuan (瑞城嘉園)	Residential	137,816	282,760	259,476	54,937	—	—	35

Project	Project Type	UNDER DEVELOPMENT				HELD FOR FUTURE DEVELOPMENT		
		Site Area	GFA Under Development	Saleable/ Rentable GFA	GFA Pre-sold	Planned GFA	GFA of Land Use Rights Certificates Not Yet Obtained	Ownership Interest
							(sq.m.)	
		(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(%)
Chongqing								
1 Elegant Villa (書香溪墅)	Residential	146,615	253,902	212,232	68,134	91,756	—	51
Jiangmen								
1 Shanhuhaizhuangyuan (山湖海莊園)	Mixed-use	407,457	77,090	30,304	7,628	652,550	—	52
Handan								
1 Handan Glory City (邯鄲國瑞城)	Mixed-use	161,736	562,765	384,115	—	283,082	—	35
Enping								
1 Sijiquancheng (四季泉城)	Residential	106,091	—	—	—	246,862	—	68
Sanya								
1 Hongtangwan (紅塘灣)	Mixed-use	96,737	—	—	—	183,318	—	35
Total		6,623,922	5,174,345	3,835,705	932,572	7,935,349	2,227,994	
Total Attributable GFA		4,568,450	3,349,945	2,325,253	656,678	5,468,587	1,744,895	

Land Reserves

The table below sets forth a summary of our land reserves by geographic location as of June 30, 2018:

	Completed	Under Development	Future Development	Total Land Reserves	% of Total Land Reserves	Average Land Cost
	Saleable/ Rentable GFA Remaining Unsold	GFA Under Development	Planned GFA ⁽¹⁾	Total GFA		
	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(%)	(RMB/sq.m.)
Beijing	331,806	1,097,510	422,944	1,852,260	13%	15,576.9
Haikou	87,826	111,928	656,916	856,670	5.9%	1,493.3
Wanning	3,976	—	191,955	195,931	1.4%	363.2
Langfang	59,273	338,833	1,183,802	1,581,908	11.1%	250.6
Zhengzhou	17,380	—	30,156	47,536	0.3%	405.6
Shenyang	201,017	94,511	623,417	918,945	6.4%	883.9
Foshan	203,122	855,323	524,675	1,583,120	11.0%	2,972.7
Xi'an	—	289,978	—	289,978	2.0%	1,551.8
Shantou	245,261	546,953	—	792,214	5.5%	1,162.8
Shenzhen	—	42,763	132,237	175,000	1.2%	4,842.9
Suzhou	—	240,294	—	240,294	1.7%	17,191.3
Chongming Island	—	379,735	705,934	1,085,669	7.5%	1,354.5
Ezhou	—	—	150,000	150,000	1.0%	584.7
Wuxi	—	—	91,424	91,424	0.6%	4,812.7
Tongren	—	—	1,764,321	1,764,321	12.4%	532.4
Chongqing	23,684	253,902	91,756	369,342	2.6%	372.0
Tianjin	—	282,760	—	282,760	1.9%	2,182.1
Sanya	—	—	183,318	183,318	2.0%	5,002.0
Jiangmen	—	77,090	652,550	729,640	5.0%	539.0
Enping	—	—	246,862	246,862	1.7%	346.3
Handan	—	562,765	283,082	845,847	5.8%	400.8
Total	1,173,345	5,174,345	7,935,349	14,283,039	100.0%	3,354.6
Total Attributable GFA . . .	898,124	3,349,945	5,468,587	9,716,656		

Note:

- (1) Includes 127,539 sq.m. of planned GFA in respect of which the Group had received the confirmation letter on bidding for granting land use rights but had not yet signed the relevant land use right grant contract.

The table below sets forth a summary of our land reserves as of June 30, 2018 by type of properties:

	Completed	Under Development	Future Development	Total Land Reserves	% of Total Land Reserves
	Saleable/ Rentable GFA Remaining Unsold	GFA Under Development	Planned GFA	Total GFA	
	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(%)
Residential	370,184	2,772,208	6,439,029	9,581,421	67.1
Commercial for sale	192,379	625,018	640,022	1,457,419	10.2
Commercial held or intended to be held for investment	526,461	268,294	—	794,755	5.6
Hotel	—	88,092	139,607	227,699	1.6
Car parking spaces	84,321	581,827	209,566	875,714	6.1
Ancillary	—	393,680	296,952	690,632	4.8
Hospital	—	360,154	—	360,154	2.5
Specialized markets	—	—	150,000	150,000	1.1
Others	—	85,072	60,173	145,245	1.0
Total	1,173,345	5,174,345	7,935,349	14,283,039	100

OUR PROPERTY DEVELOPMENT PROJECTS

Beijing

Beijing Fugui Garden (北京富貴園)

Beijing Fugui Garden is a mixed-use complex project located in Donghuashinanli (東花市南裡), Dongcheng District, bordering Guangqumennei Avenue (廣渠門內大街) to the south and Baiqiao Avenue (白橋大街) to the east. It is approximately three kilometers from Tiananmen Square (天安門廣場). Beijing Fugui Garden is conveniently accessible to transportation facilities and surrounded by a number of public facilities including reputable kindergartens, primary and secondary schools, hospitals and a variety of commercial amenities.

Beijing Fugui Garden occupies a total site area of 87,075 sq.m. with a total GFA of 507,857 sq.m. and comprises high-rise apartments, a shopping mall, retail outlets, storage units, an ancillary kindergarten, ancillary clubhouses and car parking spaces. Construction commenced in the fourth quarter of 2001 and was completed in the fourth quarter of 2008. For the six months ended June 30, 2018, the total rental income of Beijing Fugui Garden is RMB19.1 million. Rental periods range from 1 to 5 years.

Beijing Glory City (北京國瑞城)

Beijing Glory City is a mixed-use complex project located at the center of Chongwai Avenue catchment (崇文商圈) and within the Second Ring Road, bordering Chongwenmenwai Avenue (崇文門外大街) to the west, Chongwenmendong Avenue (崇文門東大街) to the north and Huashi Avenue (花市大街) to the south. It is the second largest shopping center within the Second Ring Road, and it is one of the core shopping centers of Chongwai Avenue Catchment. It is approximately one kilometer from Tiananmen Square and is within walking distance from other popular places of historical interest including the Imperial Palace (故宮), Temple of Heaven (天壇) and Ming Dynasty City Wall Relics Park (明城牆遺址公園). Subway Line 2, Line 5 and Line 7 intersect in and more than 50 public bus routes converge on that area. Beijing Glory City is also close to a number of public facilities, including reputable kindergartens, primary and secondary schools and hospitals.

Beijing Glory City occupies a total site area of 117,473 sq.m., with a total GFA of 881,590 sq.m. The residential units of Beijing Glory City comprise high-rise apartments and siheyuan (四合院). We held 33,032 sq.m. of retail outlets, 7,219 sq.m. of siheyuan (四合院), 8,520 sq.m. of office units, 84,904 sq.m. of shopping mall and 26,324 sq.m. of car parking spaces as our investment properties. For the six months ended June 30, 2018, the total rental income of Beijing Glory City is RMB124.5 million. Rental periods range from 2 to 6 years.

Eudemonia Palace (京禧閣)

Eudemonia Palace is a residential project located on the south side of Tonghui River (通惠河), bordering the East Second Ring Road to the west, Liangguang Road (兩廣路) to the south and North Tonghui River Road (通惠河北路) and Chang'an Avenue (長安街) to the north. It is in close proximity to the CBD of Beijing and Scitech catchment (賽特商圈) and conveniently accessible to transportation facilities, including Subway Line 7.

Eudemonia Palace occupies a total site area of 14,464 sq.m. with a total GFA of 33,102 sq.m., comprising high-rise apartments and car parking spaces.

Beijing Hademen Center (北京哈德門中心)

Beijing Hademen Center is a mixed-use complex project located in the intersection of Chongwenmenwai Avenue and Chongwenmendong Avenue to the southeast, bordering our Beijing Glory City to the south. It is in the prime location of Chongwai Avenue catchment (崇文商圈) and conveniently accessible to transportation facilities including Subway Line 2 and Line 5. Beijing Hademen Center is approximately one kilometer from Tiananmen Square and less than one kilometer from the Beijing Train Station. It is also close to many public facilities and commercial amenities.

Beijing Hademen Center occupies a total site area of 12,738 sq.m. and have a total GFA of 140,057 sq.m., including 16,079.6 sq.m. of a shopping mall, 83,976 sq.m. of office units and 34,643 sq.m. of car parking spaces. Beijing Hademen Center is completed and we intend to hold as investment properties.

Beijing Glory Villa East (北京國瑞熙墅東)

Beijing Glory Villa East is a residential project located in Changping district, Beijing with convenient transportation. It is 4.8 km to the north sixth ring-road, 10 km to the north fifth ring-road, 2.1 km to the Beijing-Chengde Expressway (京承高速), and it is close to Aobei villa area (奧北別墅區) and north Airport Expressway (機場北線高速). It is also only 400 meters to the Future Technology City South Station of Beijing Subway Line No. 17. It is a large community which consists of policy-related housing, commercial residential buildings, commercial amenities, schools, nursing institutions for the aged, etc.

Beijing Glory Villa East occupies a total site area of 94,199 sq.m. and is expected to have a total GFA of 315,167 sq.m. upon completion, including 253,429 sq.m. of residential units and 36,572 sq.m. of office buildings. It is west of Haidebao Garden East Road (海德堡花園東路), east of Gouzitou West (溝自頭西), north of Baxian Villa South Road (八仙別墅南側路) and Lingshang North Road (嶺上北路), and south of Dingsi Road (定泗路).

Beijing Glory Villa West (北京國瑞熙墅西)

Beijing Glory Villa West is a residential project located in Changping district, Beijing with convenient transportation. It is 4.8 km to the north sixth ring-road, 10 km to the north fifth ring-road, 2.1 km to the Beijing-Chengde Expressway (京承高速), and it is close to Aobei villa

area (奧北別墅區) and north Airport Expressway (機場北線高速). It is also only 400 meters to the Future Technology City South Station of Beijing Subway Line No. 17. It is a large community which consists of policy-related housing, commercial residential buildings, commercial amenities, schools, nursing institutions for the aged, etc.

Beijing Glory Villa West occupies a total site area of 73,294 sq.m. and is expected to have a total GFA of 239,805 sq.m. upon completion, including 221,389 sq.m. of residential units. It is west of Gouzitou East (溝自頭東), east of Beiqijiacunzhong Road (北七家村中路), north of Baxian Villa South Road (八仙別墅南側路) and Bolinzaixian Community (柏林在線小區), and south of Haochen Garden (浩辰花園).

Daxing Yinghai (大興瀛海)

Daxing Yinghai project is located in Yinghai Town, Daxing District, Beijing. It is east to Jingfu Road (京福路), south to Zhenquzhongjie Street (鎮區中街), west to Jinger Road (經二路) and north to Zhenqubeijie Street (鎮區北街). Daxing district is in the southern part of Beijing with huge development potential. In recent years, industries, traffic, ecological environment and living quality have been gradually improved. The planned second airport of Beijing will lead to the formation of a complete industrial chain around this area. Beijing-Taiwan Expressway (京台高速) goes through Yinghai area. It takes around 30 minutes by car to the urban areas of Beijing, and the south end of Subway Line 8 extends to Yinghai directly.

The total GFA of Daxing Yinghai project is 206,989 sq.m., including 97,691 sq.m. of residential units and 48,604 sq.m. of retail outlets.

Beijing Xitieying (北京西鐵營)

Beijing Xitieying project is located in Xitieying Village (西鐵營村) of Fengtai District within Beijing Third Ring Road, which is in proximity to Lize Financial Business District. The site area of the land parcel is approximately 65,650 sq.m., with a GFA under development of 335,549 sq.m. We hold 16% of the interests in the project.

The land parcel is used for residential and commercial development, and 54% of the area is for the purpose of self-occupied residential use.

Beijing Cuihu Science and Technology Zone (北京翠湖科技園)

Beijing Cuihu Science and Technology Zone, also known as Haibin Green Lake, is a residential project located in the core area of Cuihu Science and Technology Zone, Wenquan Town (溫泉鎮翠湖科技園), Haidian District. The site area of the land parcel is approximately 82,336 sq.m., with a planned GFA of 273,747 sq.m. We hold 35% of the interests in the project.

The land parcel is used for residential development, and 36% of the area is for the purpose of self-occupied residential use.

Fengtai Xiaowayao (豐台小瓦窑)

Fengtai Xiaowayao is a residential project located in Xiaowayao Village, Lugouqiao Town, Fengtai District, Beijing. The site area of the land parcel is approximately 27,200 sq.m. with a planned GFA of 149,197 sq.m. We hold 20.4% of the interests in the project. As of June 30, 2018, we have not started construction of the project.

Qidong

Chongming Island (崇明島)

Chongming Island is a residential project located in Chongming Island, Qilong village, Qidong, Jiangsu. The total site area is 1.21 million sq.m., and the planned GFA is 1.08 million sq.m. including 908,581 sq.m. of residential units and 40,527 sq.m. of retail outlets.

Butterfly Hotel (蝶湖酒店)

Butterfly Hotel project is 500 meters north to the intersection of Qidong town Jianghainanlu Road (江海南路) and Yanjiang Road (沿江公路). The total GFA is 53,656 sq.m. Butterfly Hotel is expected to be a five-star hotel with about 200 guest rooms, ancillary buildings, a catering center and a conference center.

Shenyang

Shenyang Glory City (瀋陽國瑞城)

Shenyang Glory City is a mixed-use complex project located in the intersection of Northeastern Main Road (東北大馬路) and Guanquan Road (觀泉路), Dadong District of Shenyang. Shenyang Glory City is within the second ring rim of Shenyang. It is conveniently accessible to transportation facilities and is in close proximity to many public bus routes. Shenyang Glory City is also close to a number of public Facilities, including reputable primary and secondary schools and hospitals and is surrounded by commercial amenities such as supermarkets and ceramics plaza. Shenyang Glory City occupies a total site area of 627,592 sq.m., with a total GFA of 1,638,822 sq.m.

Haikou

Haidian Island Glory Garden (海甸島國瑞花園)

Haidian Island Glory Garden is a residential project located on the north side of Haijing Road (海景路), Haidian Island (海甸島) of Haikou. It is within 200 meters from the costal line, adjacent to Baishamen Ecological Park (白沙門生態公園), the largest theme park in Haikou. Haidian Island Glory Garden is conveniently accessible to transportation facilities and surrounded by many vacation facilities including golf courses and “five-star” hotels, public facilities including reputable kindergartens, primary and secondary schools and hospitals, and commercial amenities including supermarkets.

Haidian Island Glory Garden occupies a total site area of 65,643 sq.m. with a total GFA of 71,863 sq.m. and comprises high-rise apartments, multi-layer garden houses, retail outlets and car parking spaces.

Haikuotiankong Glory City (海闊天空國瑞城)

Haikuotiankong Glory City is a mixed-use complex project located in the intersection of the regional main road — Guoxing Road (國興大道) and Wuzhishan Road (五指山路) in Dayingshan area, the CBD area of Haikou. It is conveniently accessible to transportation facilities and surrounded by public facilities including reputable kindergartens and schools and commercial amenities including supermarkets, restaurants and cinemas. Haikuotiankong Glory City occupies a total site area of 141,375 sq.m. with a total GFA of 800,154 sq.m.

Glory Riverview Garden (國瑞江畔花園)

Glory Riverview Garden is a residential project located on the west side of Xinbu Island (新埠島), with Haidian Island across the river, bordering the scenic Henggou River (橫溝河) to the west and No. 2 Road of the Xinbu Island to the east. Glory Riverview Garden is surrounded by many vacation facilities including a “five-star” hotel and yacht club.

Glory Riverview Garden occupies a total site area of 36,634 sq.m. with a total GFA of 21,658 sq.m., including 20,573 sq.m. of residential units and 1,085 sq.m. of ancillary facilities. Glory Riverview Garden is held for future development. Its residential units will comprise townhouses.

Haikou West Coast Glory (海口西海岸國瑞)

Haikou West Coast Glory is a residential project located on the west coast of Haikou, bordering Binhai Avenue (濱海大道) to the north, West Yongwan Road (永萬西路) to the west and Changyi Road (長怡路) to the east. Haikou West Coast Glory is surrounded by the Holiday Beachside Resort (假日海灘旅遊區) and many vacation facilities including “five-star” hotels, golf courses, yacht and sailing clubs.

Haikou West Coast Glory occupies a total site area of 34,121 sq.m. with a total GFA of 21,971 sq.m., including 20,690 sq.m. of residential units and 1,281 sq.m. of ancillary facilities. Haikou West Coast Glory is held for future development. Its residential units will comprise townhouses.

Hainan Yunlong (海南雲龍)

Hainan Yunlong is a mixed-use complex project located in the area of Yunlong Reservoir (雲龍水庫). Hainan Yunlong is 12 kilometers from Meilan Airport (美蘭機場) and 20 kilometers from the downtown of Haikou.

Hainan Yunlong occupies a total site area of 1,084,162 sq.m. and is expected to have a total GFA of 768,844 sq.m. upon completion, including 595,523 sq.m. of residential units and 173,321 sq.m. of ancillary facilities. Hainan Yunlong is held for future development.

Wanning

Wanning Glory City (萬寧國瑞城)

Wanning Glory City is a residential project located on the south side of Wanghai Road (望海大道). It is in close proximity to the largest municipal central park in Wanning City. Wanning Glory City is conveniently accessible to transportation facilities and is surrounded by public facilities including schools and hospitals. Wanning Glory City occupies a total site area of 244,340 sq.m., with a total GFA of 353,943 sq.m.

Zhengzhou

Zhengzhou Glory City (鄭州國瑞城)

Zhengzhou Glory City is a mixed-use complex project located in Longhu Town of Xinzheng City (新鄭市龍湖鎮), connected to National Highway G107 to the west and Zhengxin High-speed Road (鄭新快速路) to the east. It is 11 kilometers from downtown of Zhengzhou City and 18 kilometers from Xinzheng International Airport. Zhengzhou Subway Line 2 under planning will

run through Longhu Town in the future. Zhengzhou Glory City is surrounded by several colleges and institutes and more than a dozen of kindergartens and schools are being relocated to Longhu Town. Zhengzhou Glory City occupies a total site area of 484,227 sq.m., with a total GFA of 833,918 sq.m.

Langfang

Yongqing Glory City (永清國瑞城)

Yongqing Glory City is a residential project located in Yongqing County (永清縣) of Langfang, a strategic area surrounding Beijing, being the hinterland of Bohai Economic Rim and the axis of Greater Beijing Strategic Economic Circle. Yongqing Glory City is close to Beijing-Taipei Highway (京台高速) to the west and Langba Road (廊霸路) to the east. It is 40 kilometers from Beijing to the north, 50 kilometers from Tianjin to the east and only 15 kilometers from the Beijing's second international airport under construction. Yongqing Glory City occupies a total site area of 1,313,366 sq.m., with a total GFA of 2,424,544 sq.m.

Shantou

Glory Garden (國瑞園) Phase II

Glory Garden Phase II project is a residential project located at No. 23 of Jinsha Road (金砂路) and No. 44 of Shanzhang Road (汕樟路). The total GFA is 78,603 sq.m. including 65,501 sq.m. of residential units and 9,714 sq.m. of parking spaces. The Glory Garden Phase II project is developed under the policy of urban renewal.

Yashi Garden (雅仕園)

Yashi Garden is a residential project located close to the intersection of North Tianshan Road (天山北路) and National Highway G324. It is surrounded by a number of public facilities including kindergartens, primary and secondary schools and hospitals and a variety of commercial amenities.

Yashi Garden occupies a total site area of 9,472 sq.m., with a total GFA of 48,054 sq.m. and comprises high-rise apartments, retail outlets and car parking spaces. Construction commenced in the fourth quarter of 2009 and was completed in the fourth quarter of 2011.

Shantou Glory City (汕頭國瑞城)

Shantou Glory City is a mixed-use complex project located in the intersection of East Zhongshan Road (中山東路) and Huangshan Road (黃山路), Longhu District of Shantou, bordering Shantou Harbor. Shantou Glory City (inclusive of Phase One and Phase Two) occupies a total site area of 105,360 sq.m., with a total GFA of 420,648 sq.m.

Phase I of Shantou Glory City is a furniture exhibition center. The total rental income for the six months ended June 30, 2018 is RMB13.4 million. Rental periods range from 4 to 13 years. Phase II of Shantou Glory City is a residential and hotel project, including a residential project phase, namely GuanHaiju, that has completed construction with a total GFA of 171,450 sq.m. and a hotel project phase which is under development with a planned GFA of 186,799 sq.m.

Shantou Glory Hospital (汕頭國瑞醫院)

Shantou Glory Hospital is a hospital project located in the Longhu District of Shantou. Shantou Glory Hospital is expected to be a general 3A hospital of advance international standard of medical services with 2,000 beds. The hospital is going to work on disease control, medical care, health care, rehabilitation, research and teaching, with focuses on VIP services such as neurosurgery, gastrointestinal, kidney transplantation, high-end obstetrics, network medicine.

Shantou Glory Hospital occupies a total site area of 100,001 sq.m. and is expected to have a total GFA of 360,154 sq.m. upon completion.

Siji Garden (四季園)

Siji Garden project is a residential project located in the southwest of the intersection of Taishan Road (泰山路) and Shanfen Road (汕汾路), Longhu District, Shantou City, with a total GFA of 204,894 sq.m., including 148,852 sq.m. of residential units, 3,099 sq.m. of retail outlets and 33,243 sq.m. of parking spaces. The project is developed under the policy of urban renewal.

Foshan

Foshan Guohua New Capital (佛山國華新都)

Foshan Guohua New Capital is a residential project located on the east side of Nanhai District (南海區), the commercial center of Foshan, being adjacent to Guangzhou. It is surrounded by public facilities including hospitals and schools and a variety of commercial amenities.

Foshan Guohua New Capital occupies a total site area of 120,813 sq.m., with a total GFA of 506,329 sq.m.

Foshan Glory Shengping Commercial Center (佛山國瑞升平商業中心)

Foshan Glory Shengping Commercial Center is a mixed-use complex project located in the CBD area of the old urban district of Foshan. It is in close proximity to its popular commercial center Oriental Plaza (東方廣場) and the commercial district Lingnan Xintiandi (嶺南新天地).

Foshan Glory Shengping Commercial Center occupies a total site area of 90,231 sq.m. and is expected to have a total GFA of 357,199 sq.m. upon completion, including 72,005 sq.m. of retail outlets, 19,823 sq.m. of SOHO departments, 141,397 sq.m. of shopping mall, and 119,123 sq.m. of car parking spaces. Foshan Glory Shengping Commercial Center is under development.

Foshan Xiqiao (佛山西樵)

Foshan Xiqiao is a residential project located on Bixia No.1 Road (碧霞一路), Chongshan Village, Xiqiao, Nanhai District, Foshan, and is about four kilometers to the local government. This project occupies a total site area of 63,952 sq.m. The planned GFA of the project is 248,591 sq.m., including 170,584 sq.m. of residential units, 8,000 sq.m. of retail outlets and 69,527 sq.m. of car parking spaces.

Canglonghuafu (藏龍華府)

Canglonghuafu is a mixed-use project located in Gangbei Industrial Park West Guotong Road, Chencun Town, Shunde District, Foshan. The site area of the land parcel is approximately 202,611 sq.m. with a planned GFA of 276,085 sq.m. We hold 35% of the interests in the project. As of June 30, 2018, the GFA under development of the project is 473,302 sq.m and the saleable or rentable GFA of this project is 430,259 sq.m.

Shenzhen

Shenzhen • Nanshan (深圳 • 南山)

Shenzhen • Nanshan is a commercial project located in the Industrial Area of Nanshan District of Shenzhen, next to the Tencent Building (騰訊大廈). It is west of Kejizhong'er Road (科技中二路), east of Kejizhongyi Road (科技中一路), north of Hanyu Pharmacy Area (翰宇藥業園), close to Gaoxinzhong'er Road (高新中二道), and south of Gaoxinzhongyi Road (高新中一道).

Shenzhen • Nanshan occupies a total site area of 20,163 sq.m. and is expected to have a total GFA of 175,000 sq.m. of offices upon completion.

Shenzhen Xikeng (深圳西坑)

Shenzhen Xikeng is an urban renewal project located about six kilometers northwest to the port of Yantian, Shenzhen, with a planned GFA of 2,300,000 sq.m.

We have completed the census work in the Xikeng community, including the land ownership, resident population and building information, and the urban renewal planning research program.

Suzhou

Suzhou Glory Villa (蘇州國瑞熙墅)

Suzhou Glory Villa is a mixed-use project located in the core area of Mudu in the Wuzhong District, north of Muduzhenzhuyuan Road (木渚鎮竹園路) and west of Jinfeng Road (金楓路). It is in close proximity to the prosperous commercial center of Shishan (獅山) of the new district, surrounded by a variety of public facilities and convenient public transportation system. It is only 150 meters to the Jinfeng Road Station of Subway Line No. 1. It is 3 km to core area of Shishan (獅山), 2 km to Mudu Town (木渚古鎮), 10 km to Guanqian Road (觀前街) downtown, and 10 km to Taihu Wetland Park (太湖濕地公園). It is also near to variety of famous scenery of Suzhou, such as Taiping Mountain (天平山), Lingyan Mountain (靈巖山), and Suzhou Amusement Land (蘇州樂園).

Suzhou Glory Villa occupies a total site area of 74,196 sq.m. and is expected to have a total GFA 240,294 sq.m. upon completion, including 181,999 sq.m. of residential units and 53,630 sq.m. of car parking spaces. Suzhou Mudu is under development. Its residential units will comprise high-rise apartments.

Xi'an

Guorui • Xi'an Glory Financial Center (國瑞西安金融中心)

Guorui • Xi'an Glory Financial Center is a mixed-use project located in the CBD area of Xi'an Hi-tech Industries Development Zone (西安高新技術產業開發區). It is conveniently accessible to transportation facilities.

Guorui • Xi'an Glory Financial Center occupies a total site area of 19,162 sq.m. and is expected to have a total GFA of 289,978 sq.m. upon completion, including 203,811 sq.m. of offices, 7,560 sq.m. of retail outlets and 46,276 sq.m. of car parking spaces. Guorui • Xi'an Glory Financial Center is under development.

Hubei Ezhou

Ezhou Huarong District Project (鄂州華容區項目)

Ezhou Huarong District Project is a specialized market project in the Sanjianggang New District in Huarong District of Ezhou City located close to Huapu Road (華蒲路) on the west, Wuchu Avenue (吳楚大道) on the south, No. 316 national way (316國道) on the east and Wuhan-Ezhou-Huanggang Highway (武鄂黃高速公路) on the north. Ezhou Huarong District Project occupies a total site area of 333,335 sq.m. and with a total planned GFA of 150,000 sq.m.

Chongqing

Elegant Villa (書香溪墅)

Elegant Villa is a residential project located in College Town Second-south Road, Shapingba District, Chongqing. The site area of the land parcel is approximately 146,615 sq.m. with a planned GFA of 91,756 sq.m. We hold 51% of the interests in the project. As of June 30, 2018, the GFA under development of the project is 253,902 sq.m. and the saleable or rentable GFA of this project is 212,232 sq.m.

Tianjin

Ruichengjiayuan (瑞城嘉園)

Ruichengjiayuan is a residential project located in No. 215 Xiuchuan Road, Liqizhuang Street, Xiqing District, Tianjin. The site area of the land parcel is approximately 137,816 sq.m. We hold 35% of the interests in the project. As of June 30, 2018, the GFA under development of the project is 282,760 sq.m. and the saleable or rentable GFA of this project is 259,476 sq.m.

Sanya

Hongtangwan (紅塘灣)

Hongtangwan is a mixed-use project located in Hongtangwan Resort Area, Sanya. The site area of the land parcel is approximately 96,737 sq.m. with a planned GFA of 183,318 sq.m. We hold 35% of the interests in the project. As of June 30, 2018, we have not started construction of the project.

Jiangmen

Shanhuhaizhuangyuan (山湖海莊園)

Shanhuhaizhuangyuan is a mixed-use project located in Gonghe Avenue, Gonghe Town, Hecheng Industrial City, Jiangmen. The site area of the land parcel is approximately 407,457 sq.m. with a planned GFA of 652,550 sq.m. We hold 52% of the interests in the project. As of June 30, 2018, the GFA under construction is 77,090 sq.m. and the saleable or rentable GFA of this project is 30,304 sq.m.

Enping

Sijiquancheng (四季泉城)

Sijiquancheng is a residential project located in Sanshan Village, Shengtang Town, Enping. The site area of the land parcel is approximately 106,091 sq.m. with a planned GFA of 246,862 sq.m. We hold 68% of the interests in the project. As of June 30, 2018 we have not started construction of the project.

Handan

Handan Glory City (邯鄲國瑞城)

Handan Glory City is a mixed-use project located in Southwest Henan Street and Lingyuan Road, Hanshan District, Handan. The site area of the land parcel is approximately 161,736 sq.m. with a planned GFA of 283,082 sq.m. We hold 35% of the interests in the project. As of June 30, 2018, the GFA under construction is 562,765 sq.m. and the saleable or rentable GFA of this project is 384,115 sq.m.

Wuxi

Glory Luoshe Xincheng (國瑞洛社新城)

Glory Luoshe Xincheng is a residential project located in Luoshe New City, Wuxi. The site area of the land parcel is approximately 30,726 sq.m. with a planned GFA of 91,424 sq.m. We hold 80% of the interests in the project. As of June 30, 2018 we have not started construction of the project.

Tongren

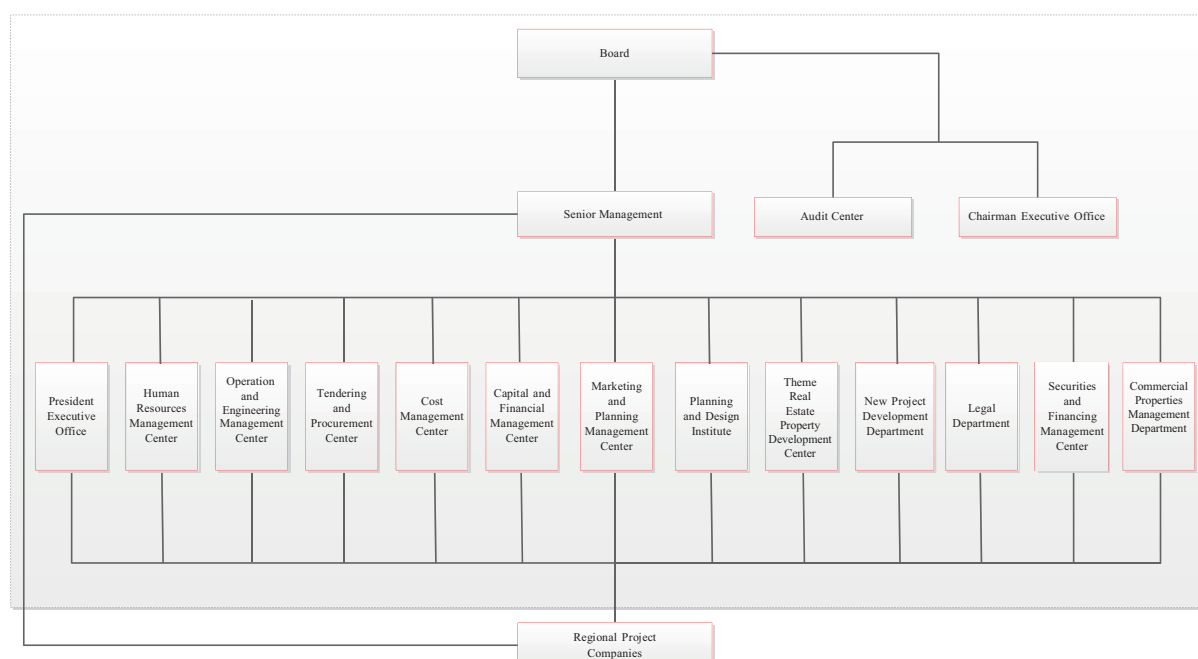
Guorui Zhihui Shengtaicheng (國瑞智慧生態城項目)

Guorui Zhihui Shengtaicheng is a mixed-use project located in Liangwan Wufu Avenue, Bijiang District, Tongren. The site area of the land parcel is approximately 780,430 sq.m. with a planned GFA of 1,764,321 sq.m. We hold 80% of the interests in the project. As of June 30, 2018 we have not started construction of the project.

PROJECT DEVELOPMENT MANAGEMENT

We have established 13 departments at our headquarters in Beijing, including the president executive office (總裁辦公室), operation and engineering management center (運營與工程管理中心), new project development department (新項目發展部), planning and design institute (規劃設計院), tendering and procurement center (招標採購中心), cost management center (成本管理中心), marketing and planning management center (行銷與策劃管理中心), theme real estate property development center (主題地產發展中心), capital and financial management center (資金與財務管理中心), securities and financing management department (證券與融資管理中心), commercial properties management department (商業物業經營事業部), human resources management center (人力資源管理中心) and legal department (法務部). They oversee, support and facilitate the operations of our regional project companies, including city and site selection, product positioning, design, cost control, public tenders, contract execution, construction and technical quality control, sales and marketing, financing, legal compliance and human resources.

The following chart sets forth our management and reporting structure:



Integrated Management Structure

We have adopted a two-tier management system with our headquarters as the first tier and the regional project companies as the second tier. Our headquarters and regional project companies work closely together in developing projects. Our headquarters is responsible for making strategic decisions about project development, while the regional project companies are responsible for the day-to-day operations of their respective property development projects. We develop, plan and execute our projects with a systematic approach that is responsive to new developments in the fast-evolving business and regulatory environments of the PRC property market. This management system and property development process allows us to effectively implement our overall strategies while retaining the ability to promptly respond to changes in local market conditions.

We have established specific procedures and policies to manage all aspects of our property development operations. Our frontline operations, comprising property development, sales and marketing and property management, are undertaken by our regional project companies. Our regional project companies are supported and monitored by our headquarters in respect of quality control, supply and procurement, budgeting and financial reporting.

In terms of division of responsibilities, our headquarters is responsible for:

- formulating strategies and budgeting;
- city and site selection;
- making decisions on land acquisitions and financing;
- exploring and entering new geographical markets;
- architectural design and product research and development;
- marketing planning;
- cost assessment and procurement;
- establishing corporate-wide operation and information technology systems;
- construction and technical quality control;
- legal compliance of our operations and corporate governance;
- formulating human resources policies;
- formulating accounting policies;
- internal control and internal audit; and
- maintaining investor, public and government relations.

Our regional project companies attend to the day-to-day operations of their respective property development projects. Our regional project companies are responsible for:

- implementing land acquisition decisions;
- obtaining government permits required for project development;
- engineering, construction and project management;

- sales and marketing;
- providing after-sales services to customers and managing customer relations; and
- providing property management services.

Our Standardized Property Development Process

We apply our standardized property development process across our entire value chain of business operations. The following diagram summarizes our standardized property development process:

Site Selection	Land Acquisition	Project Planning and Design	Pre-construction	Financing	Contracting, Procurement, Project Management and Quality Control	Sales and Marketing	Completion, Delivery and After-sales Services
<ul style="list-style-type: none"> • identify potential site • conduct market research and feasibility study • obtain final approval from the investment committee at our headquarters • monitor auction opportunities 	<ul style="list-style-type: none"> • acquire land through public tender, auction or listing-for-sale, or acquire land use rights in the secondary market or acquire project companies directly from other developers • obtain land use rights certificates 	<ul style="list-style-type: none"> • establish in-house design team responsible for the overall planning and design • work with third-party design firms to develop and finalize design • cost and 'budget control and product positioning 	<ul style="list-style-type: none"> • obtain necessary governmental permits/ certificates • comply with idle land related regulations 	<ul style="list-style-type: none"> • consolidate funds from internal financial resources and external borrowings such as bank loans and trust loans 	<ul style="list-style-type: none"> • engage construction contractors through bidding • procure construction materials • close on-site supervision of the construction process • ensure internal quality control 	<ul style="list-style-type: none"> • comply with pre-sale statutory requirements • determine sales and marketing plans and policies 	<ul style="list-style-type: none"> • deliver completed properties • provide after-sales customer services including mortgage and registration assistance and handling complaints • provide property management services • collect and analyze customer data and feedback

Site Selection

The new project development department at our headquarters is responsible for market research, identifying cities and sites for potential property development opportunities and performing primary screening. The new project development department at our headquarters conducts preliminary feasibility studies to critically assess and evaluate the potential of the target cities and the development sites and the optimal positioning of the products to be developed in such cities and sites.

The primary criteria in our site evaluation include the following:

- location and size;
- demographics, purchasing power, target customer demand and expected growth of the area/district in which the land is located;
- government development plans for the relevant site and the neighboring area;
- development prospects, taking into account social, economic and environmental effects;

- transportation access and infrastructure support;
- product positioning;
- estimated development costs and time, including demolition and resettlement costs and schedule;
- expected financial return;
- local competitive environment; and
- applicable zoning regulations and government preferential policies.

If we decide to proceed with a particular project, the new project development department at our headquarters, with the assistance of other departments at our headquarters, will prepare an in-depth feasibility study which includes product positioning, project planning and design, financial projection and return analysis. The feasibility study report will be submitted to the investment committee (投資決策管理委員會) at our headquarters, consisting of members of our senior management and heads of all the departments at our headquarters. The investment committee considers and assesses the costs, return, capital requirements and resources requirements of the proposed project against our available resources and its compatibility with our strategic direction.

We regularly monitor announcements made by local governments in relation to public tenders, auctions or listing-for-sale of land parcels, and maintain good relationships with real estate agents and brokers to obtain information on suitable projects in the secondary market.

Land Acquisition

There are two principal ways in which we acquire land for property development in the PRC: bidding in public tenders, auctions or listings-for-bidding for land use rights in accordance with the “Rules on Bidding, Auctioning and Listing of State-owned Land Use Rights” 《(招標拍賣掛牌出讓國有建設用地使用權規定)》, which came into effect on November 1, 2007; or (ii) acquiring land use rights in the secondary market through purchase of property development projects which have not been completed or acquiring project companies with property development projects from other developers.

According to the “Rules on Bidding, Auctioning and Listing of State-owned Land Use Rights”, all land to be developed for commercial purposes, including that for retail, commercial or residential property development purposes, must be granted through public tender, auction or listing-for-sale on the land exchanges. In the case of public tender, the relevant authorities will assess either solely on tender prices or, alternatively, by reference to a matrix of parameters, including tender prices, credit record of the bidders, quality of the development proposals, in determining whom to grant such rights. Where land use rights are granted through auction or listing-for-sale, however, the highest bidder normally wins. A land use rights granting process through public tender, auction or listing-for-bidding consists of following steps: paying bidding deposit and bidding in public tender, auction or listing-for-bidding for land use rights; winning the public tender, auction or listing-for-bidding process conducted by the local government authorities; entering into the land grant contract; and paying the land premium and receiving the land use rights certificate.

Grantees of land use rights may dispose of their land use rights through private sales, subject to the terms and conditions of the original land use right grant contracts and the relevant PRC laws and regulations. To the extent permitted by law, we may acquire land use rights in the secondary market from third parties through negotiated transfers. We may also obtain such rights by acquiring equity interests in companies that hold the relevant land use rights.

During 2015, 2016, 2017 and the first half of 2018, we obtained all of our land use rights through tender or listing-for-sale in accordance with the “Regulations on the Granting of State-Owned Land Use Rights through Public Tender, Auction and Listing-for-sale,” except as set out below:

Project	Means of Land Acquisition	Consideration for Acquisition (RMB million)	Basis of Determination of Consideration
Shantou hospital	Acquisition of project company in the secondary market	208.3	By arm’s-length negotiation
Shenzhen Nanshan	Acquisition of project company in the secondary market	678.0	By arm’s-length negotiation
Chongming Island	Acquisition of project company in the secondary market	1,058.5	By arm’s-length negotiation
Butterfly Hotel	Asset Acquisition	412.0	By arm’s-length negotiation
Ezhou Huarong District Project	Acquisition of project company in the secondary market	8.8	By arm’s-length negotiation

Project Planning and Design

We have strong in-house design capabilities and have established a dedicated in-house planning and design institute at our headquarters responsible for the overall planning and design of our projects. The planning and design institute at the headquarters has professional engineers specialized in planning, architecture, structure, mechanics, gardening and decoration. We also have a design team at each of our regional project companies responsible for assisting the work of the planning and design institute at our headquarters at early stage, reviewing construction drawings and any subsequent changes and resolving the issues arising from on-site designing.

To achieve distinctive designs and operational efficiency, we outsource some of the conceptual design work to selected international design firms such as WY Design International Limited, with which we have established long-term relationships. For construction drawing design, we normally engage domestic design firms with Grade A qualifications that work closely with those international concept design firms, such as Beijing Institute of Architectural Design (Group) Co., Ltd and China Building Technique Group Co., Ltd. We also engage international and domestic design firms including Belt Collins International (HK) Limited and Ricky Wong designers Ltd. for the landscape and interior design of some of our projects. In selecting design firms, we consider their proposed design concepts, reputation in terms of reliability and quality and price. Our in-house design team works closely with these selected design firms to transform the design into a detailed design proposal for approval by the relevant PRC government authorities. Once approved, such proposal becomes the basis for the construction of the relevant project or project phase. Our in-house design team also actively monitors the progress and quality of the appointed design firms to ensure that their work meet our specifications.

Depending on the type of properties to be developed, the planning and design institute at our headquarters commences the preliminary design work for each property development project at the site selection stage. This enables us to commence construction shortly after we have received the requisite approval to develop a land parcel, which shortens our project development cycle. Our procurement, cost control, engineering and marketing planning teams also participate in the preparation of the detailed design proposal for each project or project phase to ensure accurate product positioning and attractive financial return.

In May 2011, we entered into a strategic cooperation agreement with the Ninth Design Institute of China Building Technique Group Co., Ltd. (中國建築技術集團有限公司第九設計所) (the “Ninth Institute”). The Ninth Institute was founded and is controlled by China Academy of Building Research, a state-owned enterprise under the direct supervision of the SASAC and the only national scientific research institution in the architectural industry in China. The agreement will expire on December 31, 2018.

Project Financing

We finance our projects primarily through internal cash flows, including proceeds from pre-sales and sales of our properties, and bank and other borrowings.

We use proceeds from the pre-sales and sales of our properties to fund part of the construction costs of the relevant projects and repay the bank borrowings. Proceeds from the pre-sales form an integral source of the operating cash inflows during our project development. According to the PRC laws and regulations, we may pre-sell properties under construction after certain criteria are met. We seek to finance our property development projects with internal resources to the extent practicable.

To the extent necessary and subject to the guidelines issued by the CBRC, we also fund our projects with bank borrowings. The terms of our bank borrowings generally require us to apply the proceeds from such bank borrowings exclusively for the specified projects or project phases. We also finance our projects through other borrowings such as trust loans. As of June 30, 2018, the outstanding balance of our current and non-current bank borrowings amounted to RMB18,074.1 million (US\$2,731.4 million), which are primarily provided by major commercial banks in the PRC.

Our ability to finance our projects also depends on the economic and regulatory measures introduced by the central and local governments, which are often intended to stabilize the property market in China. In particular, any decisions to raise the reserve ratio by the PBOC will limit the amount available to commercial banks for lending and our ability to obtain financing from commercial banks. See the section entitled “Risk Factors — Risks Relating to Our Business — Our total interest expenses for our borrowings are subject to changes in interest rates.”

Contracting, Procurement, Project Management and Quality Control

Contracting and Procurement

We engage qualified contractors to undertake all of the construction work for our property development projects including, among other things, foundation digging, general construction and installation of equipment, as well as decoration and engineering work. We select such contractor through a tendering process in accordance with the “Law on Tender and Bidding of the PRC” (中華人民共和國招標投標法) and the “Tender Law & the Rules on the Tender Scope & Criteria for Construction Projects” (《工程建設項目招標範圍和規模標準規定》). The tendering and procurement center at our headquarters manages the tendering process. As part of the tendering process, we undertake thorough due diligence, including but not limited to:

- pre-screening contractors to bid;
- conducting interviews with bidders and requesting confirmation and undertakings with respect to their cash flows, experience and credentials; and

- conducting independent research and investigation to verify the credentials and track record submitted by the bidders.

We screen out bidders that do not meet our criteria. We take into account the quality and price quoted and the construction plan prepared by the bidders in selecting a winner bidder. The winner will enter into a construction contract with us. Our headquarters and regional project companies divide their responsibilities for selecting contractors based on the following criteria:

- For each of the construction contracts with value of more than RMB3.0 million, the tendering and procurement center at our headquarters is responsible for selecting the qualified bidders, with the participation of the cost management center, operation and engineering management center and planning and design institute at our headquarters and the assistance of the relevant regional project company, while the tendering management committee (招投標領導小組) at our headquarters, comprising the president and vice presidents of the Company and heads of the tendering and procurement center, cost management center, operation and engineering management center and planning and design institute at our headquarters, determines the winning bidder;
- For each of the construction contracts with value of more than RMB1.0 million but less than RMB3.0 million, the relevant regional project company is responsible for selecting the qualified bidders and determining the winning bidder, with the participation of the tendering and procurement center at our headquarters. The tendering management committee at our headquarters approves the decision on selecting the winning bidder; and
- For each of the construction contracts with value of less than RMB 1.0 million, the relevant regional project company determines the winning bidder.

We enter into a general construction contract with each of our general construction contractors, pursuant to which the general contractor must provide warranties in respect of the quality and construction completion schedules and will be liable for any delay in the construction and bear the costs of rectifying any construction defects. We pay our general contractors in stages in accordance with the payment schedules set forth in our general construction contracts. The percentage of each stage payment varies from case to case. In general, we pay our general contractor for approximately 80% of the work completed on a monthly basis. Our general contractor normally receives approximately 95% of the total payment by the time the project is completed and we retain the remaining 5% as retention money for a period of two to five years. During 2015, 2016, 2017 and the first half of 2018, we did not experience any incident where the retention amount was less than the amount we had to pay to correct construction work defects. During 2015, 2016, 2017 and the first half of 2018, we were not subject to any penalty, material claim or direct loss resulting from unsatisfactory work performed by third-party contractors or from construction delays.

The tendering and procurement center at our headquarters coordinates the procurement of construction materials and equipment. We source a portion of key construction materials and equipment, especially those affecting product quality such as elevators, doors, windows, stone materials and interior decoration materials directly from our suppliers, while our general contractors are responsible for procuring other materials such as cement and steel. For some of the materials which general contractors are responsible for procuring, we may designate more than two suppliers with good reputation and credit history for our general contractors to choose from. Some of our general construction contracts with general contractors provide benchmark market prices of major construction materials, such as steel, to be procured by general contractors. In the event market price fluctuates beyond 5% of the benchmark price, our payments to our contractor will be adjusted according to an agreed formula to reflect the effect of such fluctuation. We determine whether to include such benchmark price provisions in our construction contracts by

negotiation on a case-by-case basis, taking into consideration, among other things, the term of the contract, the prevailing market conditions and the contract price. In order to minimize our exposure to fluctuations in construction material prices, in the event that we expect significant increases in the prices of certain construction materials, we will make prepayment to our contractors and ask our contractors to procure such materials to be used in future.

For the construction materials and equipment which we are responsible for procuring, we select suppliers through a tendering process. We implement centralized procurement for equipment and materials that can be used in our projects all over the country, such as elevators and doors, to benefit from economies of scale. For the materials and equipment that need to be tailored to the local preferences, such as interior decoration materials, our headquarters and regional project companies divide their responsibilities for procurement based on the amount of the contract value. We maintain strict quality control procedures for the selection, inspection and testing of materials. The engineering management team of the relevant regional project company inspects the materials on site to ensure compliance with the contractual specifications before accepting the materials and approving payment. We reject and return to suppliers any materials that do not comply with our requirement.

We have established a database for qualified suppliers, including construction contractors, design firms and suppliers for construction materials, which we have selected based on their reputation, credit record and history of transactions with us. We have formed a panel consisting of members of the tendering and procurement center and operation and engineering management center at our headquarters and the cost management teams and engineering management teams of our regional project companies to evaluate their performance on an annual basis. In addition, we engage professional cost consulting firms to provide consulting services with regard to tendering process.

Project Management, Quality Control and Construction Supervision

The engineering management team of each of our regional project companies comprises qualified engineers and conducts on-site supervision on a daily basis to monitor the progress of construction and quality of construction workmanship. Close supervision is key to avoiding unnecessary delay in the construction process. It enables us to identify defects and issues in the work carried out by the construction contractors and ensure timely rectification of the same. In addition, the cost management team of each of our regional project companies reports on a monthly basis to the cost management center at our headquarters to monitor and assess the costs incurred in each of our projects.

We implement strict quality control measures to ensure the quality of our properties. Our quality control measures focus on the following aspects:

- selection of design firms and contractors;
- selection, inspection and testing of construction materials and equipment;
- establishment of quality control standards; and
- on-site inspection of construction processes by the engineering management teams of our regional project companies.

We implement standardized technical guidelines to ensure that the construction of all our projects complies with relevant laws, regulations, and other compulsory standards promulgated by the relevant PRC government authorities and industry associations. These guidelines form part of the construction contracts we enter into with the construction contractors that such construction contractors must comply with.

We closely monitor the construction processes of our projects. In addition to monitoring by the engineering management teams of the regional project companies, the operating and engineering management center at our headquarters, which comprises professional engineers, conducts regular inspections of all of our construction sites to ensure that the construction quality and safety control comply with our quality control guidelines and all relevant laws, regulations and industry standards. Our contractors are also required to produce progress reports each month. We do not allow our contractors to subcontract or transfer their contractual arrangements with us to any third party.

In compliance with the relevant PRC laws and regulations, we engage qualified independent third-party professional firms to monitor certain aspects of our project construction as specified by the relevant PRC laws and regulations. These construction supervision companies conduct on-site quality and safety control inspection on all construction materials and workmanship and monitor the progress of construction, work site safety and the construction completion schedules.

The engineering management team, together with the design team and sales team of the regional project company and the property management company of the respective project, inspect each unit of our completed property development to ensure it is in satisfactory condition before delivery to the customer.

We are not responsible for any labor issues of our contractors or accidents and injuries that may occur during construction. These risks are borne by the contractors, as provided in our contracts with them. However, our strict quality control measures require our contractors to comply with the relevant rules and regulations including environmental, labor, social and safety regulations to minimize our risks and liabilities. During 2015, 2016, 2017 and the first half of 2018, we were not involved in any disputes with our contractors nor were there any cases of material personal injury or death involving our contractors that had a material and adverse effect on our business.

Contract Management System

We have established a contract management system as part of our management information system to record, among other things, the payment schedule of each construction or procurement contract we have entered into and the feedback in respect of each of the construction contractors, design firms and suppliers we have engaged. The contract management system helps us manage our payments and development costs and evaluate the quality of our suppliers and service providers.

Sales and Marketing

Marketing

We have a dedicated in-house marketing and planning management center at our headquarters responsible for the overall supervision of sales and marketing of all of our projects. The sales teams of our project companies implement the decisions of the headquarters and organize the sales process for our projects. The marketing and planning management center at our headquarters and the sales teams of regional project companies provide valuable input throughout the property development process, including site selection, product positioning, budget planning and project design, to ensure our property development projects are well-positioned, meet customers' expectations and are appropriately and profitably priced. We also engage external real estate sales agencies to benefit from the collective sales and marketing efforts and their customer bases.

Before land acquisition and construction of our projects: The marketing and planning management center at our headquarters and the sales teams of the regional project companies collect relevant market data and the marketing and planning management center at our headquarters assists the new project development department at our headquarters in conducting the

feasibility study of each proposed land acquisition. It also participates in the product positioning and conceptual design of each of our projects. The early involvement of the marketing and planning center enables us to provide project designs tailored to the needs of our target customer base.

Before launching property pre-sale: The marketing and planning management center at our headquarters formulates strategies and plans for marketing our properties. We market our properties mainly by way of outdoor advertising, print media and the internet. The sales teams of the regional project companies also prepare and submit the benchmark unit prices and pricing related policies for our projects to our senior management for review. In addition to our approved benchmark unit prices, the selling prices of all of our properties are determined, approved and controlled in accordance with our established internal control procedures. For further information, See the section entitled “— Marketing Expenses and Pricing Control.”

Throughout and subsequent to the pre-sale period: The sales teams of the regional project companies provide comprehensive assistance to our customers, coordinate internally to address queries raised by, and collect feedback from, our customers and potential customers for us to evaluate our products and devising modifications to product designs as appropriate to address any change in market demand.

Marketing Expenses and Pricing Control

We have formulated centralized marketing expenses and pricing control policies to determine and control marketing expenses and to set selling prices for our projects, having due regard to market demand and sentiment from time to time. Before the commencement of pre-sale, the president of the Company determines and approves the marketing budget for our properties and the benchmark selling price for each property type. Such budget and benchmark selling price are determined based on the recommendation by our regional project company and adjusted monthly.

Pre-sale

We generally commence pre-sale of our properties before completion of construction. We normally launch pre-sale after a fully-furnished replica of each major floor plan in a project or project phase is established which offers our potential customers the most accurate and descriptive representation of the property we are selling. We use the proceeds received from the pre-sale of our properties to finance our project development.

Various PRC laws and regulations governing pre-sale of properties impose conditions to be fulfilled before the pre-sale of a particular property can commence. These conditions include obtaining the relevant construction land planning permit, land use rights certificate, construction work planning permit, construction work commencement permit and pre-sale permit. In addition, property developer must use a standard form of pre-sale contract prescribed by the local authorities.

During 2015, 2016, 2017 and for the first half of 2018, we did not experience any significant delays in obtaining the aforesaid certificates and permits. For details of the laws and regulations governing pre-sales, See the section entitled “Regulation.”

Completion, Delivery and After-sales Services

Customers Payment Arrangements

Our customer may purchase our property either by one lump sum payment or by mortgage financing. If our customer chooses to settle the purchase price by making one lump sum payment, such customer must fully settle the purchase price shortly after the execution of the sale and purchase contract. If the customer chooses to settle the purchase price by mortgage financing,

such customer must pay a down payment upon signing of the sale and purchase contract in accordance with the terms stipulated thereof. Typically, upon confirmation of the sale, the customer must make a down payment of no less than 30% of the purchase price in the case of purchase of residential property and 50% of the purchase price in the case of purchase of commercial property. The remainder of the purchase price is normally paid by the mortgagee bank within two to three months, depending on the approval process of the relevant mortgagee bank. If the customer chooses to fund the purchase by a mortgage loan from a bank, we assist such customer in applying for such mortgage loan as needed. The payment terms for sales and pre-sales of our properties are substantially identical.

In line with market practice, we have entered into arrangements with various banks for the provision of mortgage financings to our customers. We do not conduct independent credit checks on the purchasers, but rely on credit checks conducted by the relevant banks. As with other property developers in the PRC, the banks usually require us to guarantee our customers' obligations to repay the mortgage loans on the properties. The guarantee period normally lasts until the bank receives the strata-title building ownership certificate (分戶產權證) from the customer as security of the mortgage loan granted. As of June 30, 2018, our outstanding guarantees in respect of the mortgages of our customers amounted to RMB7,909.2 million (US\$1,195.3 million). If a purchaser defaults under a mortgage loan during the term of the guarantee, we are obligated to repay the balance of the mortgage loan owed by such purchaser to the mortgagee bank under the loan. Under such circumstances, we are entitled to forfeit the down payment received and sell the repossessed properties. During 2015, 2016, 2017 and for the first half of 2018, we did not encounter any incident of default by purchasers.

Delivery of Properties for Sale

We aim to deliver properties to our customers within the time frame prescribed in the sale and purchase contracts (including the pre-sale contracts). Under the current PRC laws and regulations, we must obtain the completion certificate or pass the on-site examination and inspection before delivering properties to our customers. For details of the PRC laws and regulations governing delivery of properties for sale, See the section entitled "Regulation". During 2015, 2016, 2017 and for the first half of 2018, we did not experience any significant delays in the completion of our projects or delivery of relevant title documents after sale.

We also aim to deliver quality properties and satisfactory purchasing experience to our customers. Before delivery of properties to our customers, the engineering management team, together with the design team and sales team of the regional project company and the property management company of the respective project, conducts on-site inspections to ensure such properties are in satisfactory condition. The sales team and customer services team of the regional project company then arrange for our customers to inspect their purchased properties before the expected delivery date to ensure the properties meet our prescribed standards as well as our customers' expectations. The sales team and customer services team of the regional project company also assist customers in applying for strata-title building ownership certificates and stay closely in touch with them after delivery to gather feedback for future improvement of our products and services.

After-sales Services

The sales teams and customer services teams of the regional project companies are responsible for our after-sales customer services and the formulation of customer services processes and standards. We provide comprehensive after-sales services including assisting customers in obtaining property ownership certificates and handling customer complaints. We are also responsible for supervising the repair and ongoing maintenance of the properties we have developed. In addition, the sales teams of our regional project companies also collect and analyze customer data to identify the latest market trends and conduct customer satisfaction surveys to improve our projects' market positioning, design, marketing strategies and quality of services.

We believe our property management services enhance property value for our customers and improve our brand recognition and reputation. We provide property management services to owners of most of the properties developed by us through our own property management company, which holds valid level two property management permit. Our property management company normally participates in the early stage of property development and throughout the overall planning and design and sales and marketing stages to minimize future maintenance costs. We engage external property management companies to provide consulting services during the sales cycle.

We typically enter into property management contracts with property owners, which specify the services to be offered, the scope of such services, the quality requirements and the fees to be charged for such services. Our property management services include maintenance and security of common areas, gardening and landscaping, cleaning, fire protection and rental agency services. We charge our customers management fees on a semi-annual or annual basis. In accordance with PRC laws, we may not assign overall management obligations to third parties but may outsource certain responsibilities (such as cleaning and security services) to third parties. According to relevant laws and regulations, we cannot increase the fee rate set out in the property management contracts without the approval of the majority of property owners.

Under PRC laws, property owners have the right to engage or dismiss a property management company with the consent of more than half of the owners who, in the aggregate, hold more than 50% of the interest in the non-communal areas of the property. We conduct annual customer surveys on our management performance to constantly improve our services. As of June 30, 2018, our property management companies have not been dismissed from the management of any properties.

PRIMARY LAND DEVELOPMENT

Apart from engaging in property development projects, we also actively undertake primary land development projects as a strategic business in order to access potentially available land reserves. Primary land development refers to the process of preparing land to conditions ready for public tender, auction and listing-for-sale. It typically involves relocating existing business establishments and residents on the land, demolishing existing buildings and other structures, clearing the site and installing basic infrastructure for future commercial property development. Resettlement may be accomplished by way of (a) cash compensation (貨幣補償); (b) provision of resettlement residential properties developed or purchased by primary land developers (異地安置) or (c) provision of resettlement residential properties to be developed on the original site (原址回遷) in exchange for the existing residents' properties that are to be demolished. After completion of a primary land development project, we will engage a third-party valuer selected by the government to review the total development costs we reported and the government will generally compensate us in the amount of total assessed development costs determined by the government based on the independent valuation conducted by such valuer and a reward of a specific percentage of the total assessed development costs and make such payment in a lump sum. Development costs of primary land development comprise primarily resettlement compensation and sub-contracting charges of demolition and resettlement work. We have undertaken primary land development and under the "Urban Redevelopment", policy projects in Beijing, Shantou and Chaozhou.

Beijing

Since September 2007, we have undertaken a primary land development project in Beijing, namely, the West Qinian Street project, with a planned GFA of approximately 474,304 sq.m., comprising five land parcels. The site of West Qinian Street project is located on the west side of Qinian Street and is less than one kilometer from Tiananmen Square. As of June 30, 2018, we had completed the primary land development of one of the five land parcels, and another land parcel is in the process of acceptance check by us. As of June 30, 2018, the projects under development of us incurred development costs of approximately RMB982.8 million (US\$148.5 million).

Shantou

Pursuant to the cooperation agreements with local self-governing organizations and enterprises under the “Urban Redevelopment” policy, we undertook the development of land parcels in Shantou, which comprises four development projects with a total planned GFA of approximately 4.3 million sq.m. during the first half of 2014. The local self-governing organizations and enterprises have agreed to cooperate in development and construction of the relevant land parcels with us after completion of the requisite government procedures under the relevant local regulations. We have completed a detailed control plan for two of the development projects. The demolition work has been completed successfully and approval has been obtained from relevant governmental authorities on transformation and distribution solutions, and has begun to develop residential properties. As of June 30, 2018, we incurred aggregate preliminary development costs of the remaining two projects of approximately RMB5.7 million (US\$0.9 million).

Chaozhou

We are also undertaking a primary land development project in Chaozhou, Guangdong Province, with a planned GFA of 2.9 million sq.m., namely, Meilin Lake project (梅林湖項目). We have obtained the approval from the local government on preliminary land-use planning, completed preliminary work such as project establishment, project environment assessment, collection of evidence on land ownership and structures thereon (including buildings), and completed the pre-proclamation of approximately 4,419 mu of land. As of June 30, 2018, we incurred preliminary development costs of RMB9.4 million (US\$1.4 million) for this project to cover preliminary planning, design and surveying expenses. The Meilin Lake project is still currently under development.

Shenzhen

In the first half of 2014, Shenzhen Dachaoshan entered into a cooperation agreement with Shenzhen Longgang Xikeng Co., Ltd. (深圳市龍崗區西坑股份合作公司) to carry out urban renewal of the Xikeng community. The planned construction area of the project was about 2.3 million sq.m.. We have completed the census work including the land ownership, residential population and building information in the Xikeng community, the urban renewal planning research program and consultation, and has launched the establishment of phase I. As of June 30, 2018, the development costs paid by us at the early stage in relation to this project were approximately RMB438.5 million (US\$66.3 million).

We engage qualified contractors to carry out demolition and resettlement work for our primary land development projects, including negotiating resettlement compensation with existing residents, after we have obtained the demolition permits. Such demolition permit typically provides a time frame for completion of demolition work which can be extended through application to and approval by the relevant government authority. We select such contractors through a tendering process and take into account both the quality and prices quoted by the bidders. We pay our contractors a fixed amount per household subject to demolition and resettlement. We normally require our contractors to complete the demolition and resettlement

work according to specified schedules and some of the agreements provide that we may terminate the agreements if our contractors fail to complete the work on time. We generally make payments to our contractors in stages in accordance with the payment schedules set forth in the relevant agreements, which are determined by negotiation on a case-by-case basis. Each contractor must obtain government approval and our approval before carrying out its demolition and resettlement plans. We assign engineers to monitor the quality and progress of demolition and resettlement work on-site and conduct regular inspections to ensure our contractors comply with our guidelines and relevant laws and regulations. Such engineers also liaise with local authorities to conduct on-site safety inspections as required under relevant laws and regulations. During 2015, 2016, 2017 and for the first half of 2018, there was no material disagreement or dispute among us, the government, our contractors and the residents of the properties subject to demolition.

We identify and evaluate primary land development opportunities generally through conducting comprehensive studies of the local market trends and conditions and analyzing, among other things, government plans, if any, on the future use of the land and the estimated return on investment in the primary land development operations. We undertook the primary land development of the sites of Beijing Fugui Garden in 2001 and Beijing Glory City in 2003, both of which were listed by the Beijing Municipal People's Government as key renovation projects of dangerous old houses. Our performance significantly contributed to the urbanization in former Chongwen District of Beijing and improved the local living environment, which was well-received by the local communities. As local governments generally intend to engage developers with substantial capabilities for primary land development, we believe our substantial experience and capabilities in primary and secondary land development, substantial capital resources and good reputation can help us secure primary land development opportunities with strategic value. During 2015, 2016, 2017 and for the first half of 2018, we obtained all of our primary land development projects in Beijing through direct authorization and written approval by the Beijing Municipal State-owned Land Resources Bureau (北京市國土資源局) after approval by a joint committee comprising Beijing Municipal Commission of Development and Reform (北京市發展和改革委員會), Beijing Municipal of Urban Planning (北京市規劃委員會), Beijing Municipal Commission of Construction (北京市建設委員會) (now known as "Beijing Municipal Commission of Housing and Urban-Rural Development" (北京市住房和城鄉建築委員會) and Beijing Municipal State-owned Land Resources Bureau and from the Beijing Municipal Affordable Housing, Renovation of Dangerous Old Houses and Ancient Capital Protection Leading Group Office (北京市經濟適用房、危舊房改造和古都保證領導小組辦公室). Other than obtaining the aforesaid written approval, we did not enter into any agreements with the government in Beijing to undertake our primary land development projects. We plan to continue to undertake similar projects. In addition to generating income from such projects, we expect undertaking such projects will enhance our professional image in the relevant communities, which in turn, will increase our likelihood to acquire the rights to the secondary land development of these sites when the relevant land parcels are put on tender, auction or listing-for-sale.

INVESTMENT PROPERTIES AND COMMERCIAL LEASING

We selectively retain the ownership of a substantial amount of self-developed commercial properties with strategic value to generate stable and recurring income. Our Board determines whether to sell or retain for investment commercial properties at the early stage of developing each of our projects. Our decision on whether to sell or retain a commercial property depends on various factors such as location, regional market conditions, supporting commercial facilities and our commercial interests. As of June 30, 2018, we had investment properties with a total GFA of 805,671 sq.m. in Beijing Fugui Garden, Beijing Glory City, Beijing Bei Wu Lou, Shenyang Glory City, Shantou Glory City, Eudemonia Palace, Beijing Hademen Center, Shenzhen • Nanshan, Haikou Glory City and Foshan Glory Shengping Commercial Center.

The table below sets forth a summary of information on our investment properties as of June 30, 2018:

Project	Types of Properties	Total GFA Held for Investment (sq.m.)	Leasable GFA (sq.m.)	Effective Leased GFA (sq.m.)
Beijing		323,544	270,088	165,021
Beijing Glory City	Shopping mall	84,904	46,366	45,212
	Offices	8,520	8,520	6,871
	Car parking spaces	26,324	26,324	21,779
	Retail outlets	33,032	29,546	23,586
	Siheyuan (四合院)	7,219	7,219	3,825
Eudemonia Palace	Car parking spaces	3,431	3,431	3,431
Beijing Fugui Garden	Shopping mall	26,146	26,146	17,202
	Retail outlets	3,170	3,170	2,887
Beijing Hademen Center	Commercial	15,671	14,703	2,217
	Offices	75,171	69,830	27,095
	Car parking spaces	29,040	23,917	—
Beijing Bei Wu Lou	Offices	10,916	10,916	10,916
Shantou				
Shantou Glory City	Specialized markets	62,398	62,398	61,499
Shenyang				
Shenyang Glory City	Specialized markets	50,841	50,841	26,419
	Retail outlets	58,972	58,972	15,385
Foshan		260,520	34,989	2,815
Foshan Glory Shengping	Retail outlets	24,267	24,267	2,815
Commercial Center	Car parking spaces	10,722	10,722	—
Foshan Glory Shengping	Retail outlets	225,531	—	—
Commercial Center*	Car parking spaces	—	—	—
Shenzhen				
Shenzhen • Nanshan*	Offices	42,763	—	—
Haikou				
Haikou Glory City	Offices	6,633	6,633	6,633
Total		805,671	483,921	277,772

* Projects currently under construction.

We derive stable and recurring income from a diversified portfolio of commercial properties and car parking spaces, we select our tenants based on factors such as the positioning of the project, market demand in surrounding areas, level of market rent and needs of the tenants. Our tenants include major anchor tenants which increase the attractiveness of our investment properties and visitor volume. We have entered into strategic cooperation agreements with various tenants including catering and entertainment operators, apparel and home furnishing manufacturers and retail chains, which enables us to rapidly expand our investment property portfolio into selected regional markets. We believe our investment strategy, by combining a diverse mix of tenants, effective advertising and flexible leasing arrangements, will generate steady recurring income and result in significant appreciation of our investment properties.

Our rents are typically determined based on the prevailing market rates. The rent payable by our retail tenant is normally the higher of a fixed monthly rate and a turnover-based rate calculated by reference to a pre-determined percentage of our tenant's monthly sales turnover (the "Turnover Rental"), which is usually determined by our tenant and us based on, among others, the GFA leased by our tenant and reputation of our tenant. We typically require our tenant to prepay a fixed-rate rent on a monthly basis and pay the excess of Turnover Rental over the fixed rate, if any, by the first half of the following month. We selectively offer concessions such as rent-free periods for interior decoration to our tenants. We usually require our tenant to pay security deposits of three months' fixed-rate rent plus three months' property management fees for our investment properties. If our tenant breaches the relevant lease agreement, we are entitled to deduct or retain the security deposits they have paid. Our tenants have the right to renew their leases by giving us a three-month prior written notice, and they have the right of first refusal according to the lease agreements. In addition to our rents and property management fees, we also charge our retail tenants fixed-rate promotion fees on a monthly basis for our marketing activities and advertising plans for our investment properties.

Our profitability may be subject to fluctuation according to the revaluation of our investment properties. See the section entitled "Risk Factors — Risks Relating to Our Business — Our financial results included changes in fair value of investment properties and our results may fluctuate due to such changes in the fair value of our investment properties." Depending on the general economic and market conditions, we intend to maintain an optimal mix of properties for sale and for investment and strategically increase the proportion of investment properties in our property portfolio, thereby enhancing the sustainability of our revenue streams, diversifying the policy and operating risks we face in the residential property market and supporting our long-term growth.

PROPERTY MANAGEMENT

We provide property management and related services to owners of the properties developed by us and generate income from providing such services. See the section entitled "— Project Development Management — Our Standardized Property Development Process — Completion, Delivery and After-sales Services — Property Management" for details.

CORPORATE GOVERNANCE AND LEGAL COMPLIANCE

Our overall corporate governance and legal compliance management is carried out across our integrated organizational structure through the work of (1) the legal department at our headquarters that formulates and monitors the implementation of our corporate governance and compliance standards and (2) all operation departments at our headquarters and our regional project companies that implement such standards. The legal department at our headquarters institutionalizes our legal and compliance management, provides legal training to our employees, keeps active communication with the relevant government authorities, improves our legal and regulatory compliance and enhances our corporate governance.

CUSTOMERS AND SUPPLIERS

Our customers for residential properties are primarily individual purchasers in the PRC. Our customers for commercial properties primarily include various types of corporations and other business entities. Our five largest customers accounted for 4.8%, 4.5% and 2.3% of our total revenue for the years ended December 31, 2015, 2016 and 2017, respectively, and our largest customer accounted for 2.2%, 1.7% and 0.9% of our total revenue for the years ended December 31, 2015, 2016 and 2017, respectively. Our five largest customers during such periods included individuals and corporations for the purchase or lease of our residential properties and commercial

properties and local government and public service units for our services rendered in our primary land development projects. The length of their business relationship with us ranges from one year to seven years. Our five largest customers during such periods are independent third parties of our Group.

Our major suppliers are construction material and equipment suppliers, construction contractors and design firms. We have access to a wide range of construction contractors and design firms. All of our major contractors and design firms are sizeable, and are properly qualified in respect of the construction and design work contracted to them. Some of such contractors or design firms have a greater-than-10-year business relationship with us. Our five largest suppliers accounted for 20.6%, 22.7% and 19.0% of our total purchases for the years ended December 31, 2015, 2016 and 2017, respectively. Our largest supplier accounted for 8.4%, 9.1% and 10.6% of our total purchases for the years ended December 31, 2015, 2016 and 2017, respectively. Our five largest suppliers during such periods are general construction contractors and the length of their business relationship with us ranges from two years to 12 years. Each of our five largest suppliers during such periods is an independent third party of our Group.

AWARDS AND RECOGNITIONS

Over the past years, we have received widespread recognition. The table below sets out some of the awards we received in respect of our property development operations:

Year	Recipient/Project	Awarding Body	Award/Recognition
Corporate Level Awards			
2018 . . .	Guorui Properties Limited	China Real Estate Association (中國房地產業協會)/ Shanghai E-House Real Estate Research Institute (上海易居房地產研究院)/ China Real Estate Appraisal Center (中國房地產測評中心)	2018 Best 100 of China Real Estate Developers (2018 中國房地產開發企業100強)
2017 . . .	Guorui Properties Limited	Enterprise Research Institute, Development Research Center of the State Council (國務院發展研究中心企業研究所)/Real Estate Research Institute of Tsinghua University (清華大學房地產研究所)/China Index Academy (中國指數研究院)	2017 China Real Estate Top 100 Enterprise (2017 中國房地產百強企業)
2016 . . .	Guorui Properties Limited	Enterprise Research Institute, Development Research Center of the State Council (國務院發展研究中心企業研究所)/Real Estate Research Institute of Tsinghua University (清華大學房地產研究所)/China Index Academy (中國指數研究院)	2016 China Real Estate Top 100 Enterprise (2016 中國房地產百強企業)

Year	Recipient/Project	Awarding Body	Award/Recognition
2016 . . .	Guorui Properties Limited	Enterprise Research Institute, Development Research Center of the State Council (國務院發展研究中心企業研究所)/Real Estate Research Institute of Tsinghua University (清華大學房地產研究所)/China Index Academy (中國指數研究院)	China Mainland Real Estate Company Top 10 listed in Hong Kong in terms of Investment Value Ranking (中國大陸在港上市房地產公司投資價值 TOP10)
2016 . . .	Guorui Properties Limited	China Index Academy (中國指數研究院)	Top 100 of “Sales Results List of Branded Real Estate Enterprises for the First Half of 2016” (2016 年上半年品牌房企銷售業績榜單)
2013 . . .	Original Beijing Glory	Tencent- Real Estate Henan Station (騰訊 • 房產河南站)	Driving Enterprise of Real Estate Development for 20 Years (地產發展20年推動力企業)
2013 . . .	Original Beijing Glory	China International Urbanization Development Strategy Research Committee (中國國際城市化發展戰略研究委員會)	Institution of Influence on Civilization of Year 2012 (2012 中國城市化影響力機構)
2012 . . .	Original Beijing Glory	Organization Committee of Chinese Urban Construction Summit (中國城市建設峰會即建設行業公益年會組委會)	Excellent Enterprise of Chinese Urban Construction of Year 2012 (2012 中國城市建設優秀企業)

Project Level Awards

2014 . . .	Beijing Glory City	The 14th China Real Estate Development Annual Committee in 2014 (2014 第十四屆中國房地產發展年會組委會)/SouFun.com (搜房網)	China International Quality Project for the Year 2014 (2014 中國國際化品質樓盤)
2014 . . .	Beijing Glory City	China Real Estate Annual Conference and Annual List Committee (中國房地產年會暨總評榜組委會)	China High-end Property Model for the Year from 2013 to 2014 (2013-2014 年度中國高端物業典範)
2013 . . .	Beijing Glory City	House.sina.com.cn (新浪樂居)/eju.com (易居購房網)	Most Influential Project for the Year 2013 in Beijing (2013 年度北京地區最具影響力樓盤大獎)
2013 . . .	Zhengzhou Glory City	Hnhaofang.com (好房網)	Best Quality Project for the Year 2013 (2013 年度最具品質樓盤)

Year	Recipient/Project	Awarding Body	Award/Recognition
2013 . . .	Zhengzhou Glory City	SouFun.com (搜房網)	The 10th China Real Estate Internet Popular List — Best Livable Project for the Year 2013 in Zhengzhou (第十屆中國房地產網絡人氣榜2013年度鄭州最宜居好樓盤)
2013 . . .	Zhengzhou Glory City	House.sina.com.cn (新浪樂居)	Ecological and Livable Project for the Year 2013 Award (2013 年度生態宜居樓盤獎)
2013 . . .	Zhengzhou Glory City	Zhengzhou People's Government (鄭州市人民政府)	Zhengzhou Garden Community (鄭州市園林小區)
2013 . . .	Wanning Glory City	House.sina.com.cn (新浪樂居)/house.baidu.com (百度樂居)/eju.com (易居購房網)	Livable Model Project among Hainan Tourism Real Estate for the Year 2013 (2013 海南旅遊地產宜居典範樓盤)
2013 . . .	Shenyang Glory City	House.sina.com.cn (新浪樂居)/house.baidu.com (百度樂居)/t.house.sina.com.cn (微房產)	Most Influential Project for the Year 2013 in Shenyang (2013年度瀋陽最具影響力樓盤)
2013 . . .	Shenyang Glory City	Shenyang City Good Properties Committee (瀋陽市好房子理事會)/Shenyang Four Seasons Real Estate Transactions Committee (瀋陽四季房交會組委會)/Shenyang Daily (《瀋陽日報》)	“Good Property” Award of the Annual List for the Year 2013 in Shenyang (2013年度瀋陽市好房子總評榜“好房子大獎”)

COMPETITION

The PRC property market is highly fragmented and competitive. Our existing and potential competitors include major domestic property developers and, to a lesser extent, foreign property developers, such as leading property developers from Hong Kong. We compete with them on various factors including, but not limited to, size and the geographic location of land reserves, the types of properties offered, brand recognition, financial resources, price, design, product and service qualities. Some of these competitors may have better track records, financial, human and other resources, larger sales networks and better name recognition.

The PRC property market has substantial potential for growth. However, competition in the PRC property market has intensified in the past few years. In addition, different regions of the PRC have different regulatory requirements for property development. Consumer preference for properties also varies from region to region in the PRC. Moreover, the PRC government has implemented policies tightly controlling the amount of new land available for development, which has increased competition and land grant premium in relation to land made available for development.

We constantly strive to enhance our reputation and boost our market presence in the selected cities. We believe that, with our solid foothold in multiple regions, strategically located low-cost land reserves, substantial amount of investment properties, expertise in both primary and secondary land development and strong in-house design team, we have demonstrated resiliency to market changes and competition. Further, given our brand recognition, product creativity, creditworthiness, reputation, quality products and services and our excellent management skills in developing properties, we believe we can react promptly to the challenges in the PRC property market. For further information, See the section entitled “Risk Factors — Risks Relating to the Real Estate Industry in the PRC — We face intense competition” and “Industry Overview.”

INTELLECTUAL PROPERTY RIGHTS

We believe our well-known brand, which is formally recognized on a national level, is an invaluable asset. We conduct our business under seven trademarks which we have registered in the PRC and three trademarks which we have registered in Hong Kong. We are also the registered owner of one Internet domain name, namely, glorypty.com (information contained on such website does not form part of this offering memorandum).

As of June 30, 2018, we were not aware of any threatened or pending claims by any third party against us for use of our intellectual property rights and we were not aware of any opposition made by third parties against the registration of our trademarks under application in the PRC. As of June 30, 2018, we were not aware of any infringement (i) by us of any intellectual property rights owned by any third party, or (ii) by any third party of any intellectual property rights owned by us.

INSURANCE

According to applicable PRC laws and regulations, property developers are not required to maintain insurance coverage in respect of their property development operations. As such, we do not maintain and do not require our construction contractors to maintain insurance coverage on our properties developed for sale other than for which we are required to maintain insurance coverage under the relevant loan agreements. If we secure bank loans from a commercial bank with our properties under development, such commercial bank normally requests us to maintain insurance coverage against potential losses or damages with respect to such properties until the full repayment of the respective bank loans. We believe third-party contractors should bear liabilities from tortious acts or other personal injuries on our project sites and we do not maintain insurance coverage against such liabilities. In accordance with applicable PRC laws and regulations, we require our contractors to maintain accidental personal injury insurance for their construction workers.

We do not maintain insurance policies for properties that we have delivered to our customers. However, we do maintain property all-risks insurance for our investment properties. We also require the respective commercial management companies of our investment properties to maintain third-party liability insurance for these properties.

We also carry basic endowment insurance, basic medical insurance, occupational injury insurance and unemployment insurance for our employees in compliance with the relevant PRC laws and regulations. However, we did not register with the relevant authorities to make basic medical insurance and housing provident fund contributions for our employees in six of our subsidiaries as required under PRC laws and regulations up to July 2013. In July 2013, all these subsidiaries registered with the relevant authorities in respect of medical insurance and housing provident fund contributions and have since then made full contribution in accordance with relevant PRC laws and regulations.

There are certain types of losses, such as losses from natural disasters, terrorist attacks, construction delays and business interruptions, for which insurance is either not available at all or not available at a reasonable cost. We believe our overall insurance package is consistent with the customary industry practice in China and is adequate and appropriate for our current operations. We paid an aggregate of RMB27.6 million, RMB34.5 million, RMB35.7 million (US\$5.4 million) and RMB18.9 million (US\$2.9 million) in insurance premiums (excluding housing provident fund contributions) in 2015, 2016, 2017 and in the first half of 2018, respectively. However, we may incur losses beyond the limits, or outside the coverage, of our insurance policies. See the section entitled “Risk Factors — Risks Relating to Our Business — Our current insurance coverage may not be adequate to cover all risks related to our operations.”

PROPERTIES FOR SELF-OCCUPATION

Our corporate headquarters are located in East Block, Hademen Center, 8-1# Chongwenmenwai Street, Dongcheng District, Beijing, which is owned by us. In addition, we also maintain offices in Shantou and Foshan where we have operations. Such offices are located in leased properties owned by independent third parties or in our own properties. We do not anticipate any difficulty in renewing these leases or leasing replacement premises.

ENVIRONMENTAL MATTERS

We are subject to a number of environmental laws and regulations, including the Environmental Protection Law (中華人民共和國環境保護法), the Prevention and Control of Noise Pollution Law (中華人民共和國環境噪聲污染防治法), the Environmental Impact Assessment Law (中華人民共和國環境影響評價法) and the Administrative Regulations on Environmental Protection for Development Projects (建設項目環境保護管理條例). See the section entitled “Regulation” for more details. The particular environmental laws and regulations that apply to a specific property development project vary according to the location of the project, nature of the land, the planning and design of the project, construction and/or operations and the current and expected use of the land and the properties. Pursuant to these laws and regulations, each property development project must undergo an environmental assessment. We must submit an environmental impact assessment report, environmental impact assessment form or environmental impact assessment registration to the relevant local regulatory authority of environmental protection before the relevant authority issues the construction work commencement permit for the project.

During 2015, 2016, 2017 and the first half of 2018, we incurred immaterial cost of compliance with applicable environmental laws and regulations. Our Directors expect that we will continue to incur costs to comply with applicable environmental laws and regulations at a similar rate. We require our contractors to comply with applicable environmental laws and regulations in our contracts with them and we conduct regular inspection on-site to ensure compliance and immediately require contractors to rectify any problem that may arise.

During 2015, 2016, 2017 and the first half of 2018, except for those that would not be reasonably be expected to have a material adverse effect, no fines or penalties for non-compliance of PRC environmental laws and regulations were imposed on us. As of June 30, 2018, we had not encountered any material issues in passing inspections conducted by the relevant environmental authorities upon completion of our properties.

LABOR AND SAFETY

We are subject to various PRC laws and regulations with respect to labor, health, safety, insurance and accidents, including the Labor Law of the PRC (中華人民共和國勞動法), the Labor Contract Law of the PRC (中華人民共和國勞動合同法), the Social Insurance Law of PRC (社會保險法), the Regulations on Work-related Injury Insurances (工傷保險條例), the Regulations on Unemployment Insurance (失業保險條例), the Trial Procedures for Childbirth Insurance for Enterprise Employees (企業職工生育保險試行辦法), Safety Production Law of the PRC (中華人民共和國安全生產法) and other related regulations, rules and provisions issued by the relevant government authorities from time to time, for our operations in the PRC.

We provide safety protective equipment to our employees and require our contractors to ensure their onsite constructions comply with applicable PRC labor and safety laws and regulations and our work safety guidelines. Our employees' manual contains policies and procedures regarding work safety and occupational health issues. Our human resources management center at our headquarters is responsible for recording and handling work accidents as well as maintaining health and work safety compliance records. We are not aware of any material violation of applicable PRC labor and safety regulations by us or any material employee safety issues involving us during 2015, 2016, 2017 and the first half of 2018. During 2015, 2016, 2017 and the first half of 2018, no fines or penalties for non-compliance of PRC labor and safety laws and regulations were imposed on us.

EMPLOYEES

As of December 31, 2015, 2016, 2017 and June 30, 2018, we had 1,618, 1,040, 1,098 and 1,164 full-time employees, respectively.

We equip our employees with the skills and knowledge relevant to their work by providing internal and external training programs. During 2015, 2016, 2017 and the first half of 2018, we did not experience any material disruption during our normal business operations due to strikes or other labor disputes, nor was there any material labor related legal proceedings against us. We believe that our management has and will continue to maintain positive relations with the labor union and our employees.

The remuneration package for our employees generally includes salary and performance-based quarterly bonuses. As required by applicable PRC laws and regulations, we participate in various employee benefit plans by the municipal and provincial governments, including housing provident funds, pension, medical, maternity, occupational injury and unemployment benefit plans. In addition to statutory contributions, we also provide voluntary benefits to our employees, such as allowances for lunch, local transportation, communication and festivals. For the three years ended December 31, 2015, 2016, 2017 and the first half of 2017 and 2018, we incurred employee costs of RMB333.3 million, RMB352.9 million, RMB347.2 million (US\$52.5 million), 157.8 million and RMB154.6 million (US\$23.4 million), respectively.

LEGAL PROCEEDINGS

As a property developer in the PRC, we are subject to legal or arbitration proceedings, disputes or claims in the ordinary course of business. During 2015, 2016, 2017 and the first half of 2018, we were involved in litigation proceedings concerning the quality of our products and services and contractual arrangements with our contractors, business associates and joint venture partners. These proceedings had either been settled or are, in our view, immaterial in terms of their impact on our financial and operational conditions. Save as disclosed herein, to the best of our knowledge, there is no other litigation or claim of material importance pending or threatened against any member of our Group.

REGULATION

LEGAL FRAMEWORK REGULATING THE PRC PROPERTY MARKET

Establishment of a Real Estate Development Enterprise

According to the Urban Real Estate Management Law (《城市房地產管理法》) implemented on January 1, 1995 and amended on August 30, 2007 and August 27, 2009 (the “Urban Real Estate Law”), a real estate developer is defined as an enterprise which engages in the development and business of real estate for the purpose of making profits. Under the Development Regulations, in addition to requirements on establishing enterprises, an enterprise that engages in development of real estate must satisfy the following requirements:

- its registered capital must be RMB1 million or more; and
- it must have four or more full-time professional real estate/construction technicians and two or more fulltime accounting officers, each of whom must hold the relevant qualification certificate. The local government of a province, autonomous region or municipality directly under the central government may, based on local circumstances, impose more stringent requirements on the registered capital and the professional personnel of a real estate developer.

To establish a real estate development enterprise, the developer should apply for registration with the administration for industry and commerce on or above the county level. The real estate developer must also report its establishment to the real estate development authority in the location of the registration authority, within 30 days of the receipt of its business license.

On July 11, 2006, the Ministry of Construction, MOFCOM, NDRC, People’s Bank of China (the “PBOC”), State Administration of Industry and Commerce (“SAIC”) and SAFE jointly promulgated the Circular on Standardizing the Admittance and Administration of Foreign Capital in the Real Estate Market (《關於規範房地產市場外資准入和管理的意見》) and on August 14, 2006, the General Office of MOFCOM promulgated the Circular of Further Implementation of Opinions on Foreign Investment in Real Estate (《商務部辦公廳關於貫徹落實〈關於規範房地產市場外資准入和管理的意見〉有關問題的通知》), and on August 19, 2015, the Ministry of Construction, MOFCOM, NDRC, People’s Bank of China (the “PBOC”), State Administration of Industry and Commerce (“SAIC”) and SAFE jointly promulgated the Notice of the Ministry of Housing and Urban-Rural Development and Other Departments on Amending the Policies Concerning Access by and Administration of Foreign Investment in the Real Estate Market (《住房城鄉建設部等部門關於調整房地產市場外資准入和管理有關政策的通知》), which state that: (i) an overseas entity or individual investing in real estate in the PRC other than for self-use, shall apply for the establishment of a Foreign Invested Real Estate Enterprise (“FIREE”) in accordance with applicable PRC laws and shall only conduct operations within the authorized business scope after obtaining the relevant approvals from and registering with the relevant governmental authorities; (ii) the ratio of the registered capital to the total investment of an FIREE shall be in conformity with the following provisions: Where the total investment of an FIREE is USD3 million or less, the registered capital of the FIREE shall be at least seven tenths of the total investment; Where the total investment of an FIREE is more than USD3 million and not exceeding USD10 million, the registered capital of the FIREE shall be at least one half of the total investment, provided that the registered capital shall be no less than USD2.1 million if the total investment is less than USD4.2 million; Where the total investment of an FIREE is more than USD10 million and not exceeding USD30 million, the registered capital of the FIREE shall be at least two fifths of the total investment, provided that the registered capital shall be no less than USD5 million if the total investment is less than USD12.5 million; Where the total investment of an FIREE is more than USD30 million, the registered capital of the FIREE shall be at least one third of the total

investment, provided that the registered capital shall be no less than USD12 million if the total investment is less than USD36 million; (iii) a newly established FIREE can first obtain an approval certificate and business license which are valid for one year. The official approval certificate and business license can be obtained by submitting the land use right certificate to the relevant government departments after the land grant premium for the land has been paid; (iv) an equity transfer of a FIREE or the transfer of its projects, as well as the acquisition of a domestic real estate enterprise by foreign investors, must first be approved by the commercial authorities. The investor shall submit a letter to the commercial authorities confirming that it will abide with the land grant contract, the construction land planning permit and the construction works planning permit. In addition, the investor shall also submit the land use right certificate, the evidence from the construction authorities confirming the alteration of archives and evidence from the tax authorities confirming that tax relating to the transfer has been fully paid; (v) foreign investors acquiring a domestic real estate enterprise through an equity transfer, acquiring the Chinese investors' equity interest in an equity joint venture or through any other methods shall pay the purchase price from its own capital in a lump sum rather than by installments and shall ensure that the enterprise's employees and bank loans are treated and dealt with in accordance with applicable PRC laws; (vi) if the registered capital of a FIREE is not fully paid up, its land use right certificate has not been obtained or the paid-in capital is less than 35% of the total investment amount of the project, the FIREE is prohibited from borrowing from any domestic or foreign lenders and SAFE shall not approve the settlement of any foreign loans; (vii) the investors in a FIREE shall not in any manner stipulate a fixed-return clause or equivalent clause in their joint venture contract or in any other documents; and (viii) a branch or representative office established by a foreign investor in the PRC (other than a FIREE), or a foreign individual working or studying in the PRC for more than one year, is permitted to purchase commodity residential properties located in the PRC only for the purpose of self-residence. Residents of Hong Kong, Macau and Taiwan and overseas Chinese may purchase commodity residential properties limited to a certain floor area based on their living requirements in the PRC for self-residence purposes.

On May 23, 2007, MOFCOM and SAFE jointly issued the Notice on Further Strengthening and Regulating the Approval and Supervision on Foreign Investment in Real Estate Sector in the PRC (《關於進一步加強、規範外商直接投資房地產業審批和監管的通知》) which made the following requirements for approval and supervision of foreign investment in real estate:

- foreign investment in the real estate sector in the PRC relating to high-grade properties will be strictly controlled;
- before obtaining approval for the setup of real estate entities with foreign investment, either (i) both the land use right certificates and housing ownership right certificates must be obtained or, (ii) contracts for obtaining land use rights or housing ownership rights must be entered into;
- entities which have been set up with foreign investment need to obtain approval before they expand their business operations into the real estate sector and entities which have been set up with foreign investment for real estate development operation need to obtain new approval if they are engaged in new real estate development projects;
- acquisitions of real estate entities and foreign investment in the real estate sector by way of round trip investment will be strictly regulated. Foreign investors must not avoid approval procedures by changing actual controlling persons of domestic real estate enterprises;
- parties to real estate entities with foreign investment should not in any way guarantee a fixed-investment return;

- local approval authorities should file the approvals of establishment of foreign investment real estate entities with MOFCOM for their records in a timely manner according to applicable laws;
- foreign exchange administration authorities and banks authorized to conduct foreign exchange business should not effectuate foreign exchange settlements regarding capital account items to those that fail to file with MOFCOM; and
- for those real estate entities which are illegally approved by local authorities for their establishment, (i) MOFCOM should carry out investigation, order punishment and make rectification, and (ii) foreign exchange administrative authorities should not carry out foreign exchange registrations for such entities.

On June 18, 2008, MOFCOM promulgated the Notice on Better Implementation of the Filing of Foreign Investment in the Real Estate Industry (《關於做好外商投資房地產備案工作的通知》), under which MOFCOM authorizes the provincial departments in charge of commerce to verify record-filing materials of FIREEs. After approving matters relating to foreign investments in the real estate sector in accordance with the relevant PRC laws and regulations (including establishment of an enterprise, increase of capital, issuance of new shares, equity transfer, merger and acquisition, and other relevant matters), local departments, whether at municipal, district or county level, in charge of commerce shall submit those materials, which were originally required to be submitted to MOFCOM for record-filing, to the relevant provincial departments in charge of commerce for verification. After the verification, the provincial departments will file the record filing form of FIREE with MOFCOM.

On June 24, 2014, MOFCOM and SAFE jointly issued the Circular of the MOFCOM and SAFE on Improving the Record-filing for Foreign-Investment in Real Estate (《商務部、外管局關於改進外商投資房地產備案工作的通知》), which came into effect on August 1, 2014, to enhance the government control of record-filing in real estate. On November 6, 2015, MOFCOM and SAFE jointly issued the “Circular on Further Improving the Record-filing for Foreign Investment in Real Estate” (《關於進一步改進外商投資房地產備案工作的通知》). According to this circular, the procedure of public notification for record-filing has been cancelled.

Qualifications of a Real Estate Developer

Under the Regulations on Administration of Development of Urban Real Estate (《城市房地產開發經營管理條例》) (the “Development Regulations”) promulgated by the State Council on July 20, 1998 and amended on January 8, 2011, the real estate development authorities shall examine applications for registration of qualifications of a real estate developer when it reports its establishment, by considering its assets, professional personnel and business results. A real estate developer shall only undertake real estate development projects in compliance with the approved qualification registration.

In accordance with the Provisions on Administration of Qualifications of Real Estate Developers (《房地產開發企業資質管理規定》) (“Provisions on Administration of Qualifications”) promulgated by the Ministry of Construction on March 29, 2000, and revised on May 4, 2015, a real estate developer shall apply for registration of its qualifications according to such Provisions. An enterprise may not engage in development and sale of real estate without a qualification classification certificate for real estate development. The construction authority under the State Council oversees the qualifications of real estate developers throughout the country, and the real estate development authority under a local government on or above the county level shall oversee the qualifications of local real estate developers.

In accordance with the Provisions on Administration of Qualifications, real estate developers are classified into four classes:

- Class 1 qualification is subject to preliminary examination by the construction authorities at the provincial level and the final approval of the Ministry of Construction. A Class 1 real estate developer is not restricted as to the scale of its real estate projects and may undertake a real estate development anywhere in the country; and
- Class 2, 3 or 4 qualifications and provisional qualifications are regulated by the construction authorities at the provincial level. A real estate developer of the Class 2 qualification or lower may undertake a project with a GFA of less than 250,000 sq.m., detailed business scope of the developer of the Class 2 qualification or lower is determined by the construction authorities at the provincial level. 2

Under the Provisions on Administration of Qualifications, the real estate development authorities will examine applications for registration of qualifications submitted by real estate developers by mainly considering their financial condition, the length of time they have conducted real estate development business, the professional personnel they employ, the performance and operating results from their past real estate operations and their quality control systems. A real estate developer that passes the qualification examination will be issued a qualification certificate of the relevant class by the qualification examination authority. A developer of any qualification classification may only engage in the development and sale of real estate within its approved scope of business and may not engage in business which is limited to another higher classification. The real estate development authorities perform annual inspections of qualified developers. Developers who fail to meet the qualification requirements or which operate in breach of the requirements may have their qualification classification certificates degraded or revoked.

For a newly established real estate developer, which passes the qualification examination, the real estate development authority will issue a provisional qualification certificate within 30 days of receipt by the authority of the relevant application for filing. The provisional qualification certificate will be effective for one year from its date of issuance and may be extended for not more than two additional years with the approval of the real estate development authority. The real estate developer must apply to the real estate development authority within one month before the expiry of its provisional qualification certificate for a formal qualification classification certificate. Any failure to obtain the required provisional or formal qualification certificate or a development of a project exceeding the prescribed scope of the qualification may result in a fine ranging from RMB50,000 to RMB100,000 and, if such failure is not rectified within the prescribed period, the developer's qualification certificate and/or business license may be revoked.

ACQUISITION OF LAND AND DEVELOPMENT OF A CONSTRUCTION PROJECT

The Land System

All land in the PRC is either state-owned or collectively-owned, depending on the location of the land. All land in the urban areas is state-owned, and all land in the rural or suburban areas including land for houses and private plots in fields and on hillsides are, unless otherwise prescribed by the state, collectively-owned. The State has the right to expropriate or take over land in accordance with law if required for the benefit of the public. Although all land in the PRC is owned by the State or by collectives, private individuals, enterprises and other organizations are permitted to hold and develop land for which they are granted land use rights. Furthermore, those who obtain the State-owned land use rights by means of assignment (出讓) or transfer (轉讓) can lease the aforementioned land use rights to a third party.

In April 1988, the Constitution of the PRC (the "Constitution") was amended by the PRC National People's Congress to allow for the transfer of land use rights for value. In December 1988, the Land Administration Law (中華人民共和國土地管理法) of the PRC was amended to

permit the transfer of land use rights for value. Under the Provisional Regulations of the People's Republic of China on the Assignment and Transfer of the Land Use Rights of State-owned Urban Land (中華人民共和國城鎮國有土地使用權出讓和轉讓暫行條例) (the "Provisional Regulations on Assignment and Transfer") promulgated by the State Council on May 19, 1990, local governments at or above county level have the power to grant land use rights for specific purposes and for a definite period to a land user pursuant to a contract for the grant of land use rights upon payment of a grant premium. Under the Provisional Regulations on Grant and Transfer, there are different maximum periods of grant for different uses of land. They are generally as follows:

Use of Land	Maximum Period
Commercial, tourism, entertainment	40
Residential	70
Industrial	50
the Purposes of Educational, Scientific, Cultural, Public Health and Physical Educational	50
Others	50

Under the Provisional Regulations on Assignment and Transfer, all local and foreign enterprises are permitted to acquire land use rights unless the law provides otherwise. The State may not expropriate possession of lawfully granted land use rights prior to expiration of the term of grant. If public interest requires the expropriation of possession by the State under special circumstances during the term of grant, compensation must be paid by the State. A land user may lawfully transfer, mortgage or lease its land use rights to a third party for the remainder of the term of grant.

Upon expiration of the term of grant, renewal is possible subject to the execution of a new contract for the grant of land use rights and payment of a premium. If the term of the assignment is not renewed, the land use rights and ownership of any buildings thereon will revert to the State without compensation.

The National People's Congress adopted the PRC Property Rights Law (中華人民共和國物權法) in March 2007, which became effective on October 1, 2007. According to the Property Rights Law, when the term of the right to use construction land for residential (but not other) property purposes expires, it will be renewed automatically.

Assignment of Land Use Right

Under the Provisional Regulations on Assignment and Transfer, a system for the assignment of the right to use State-owned land is adopted. A land user shall pay an assignment price to the PRC Government as consideration for the right to use a land site within a certain term, and the land user may transfer, lease out, mortgage or otherwise commercially exploit the land use rights within the term of use. Under the Law of the People's Republic of China on the Administration of Urban Property (中華人民共和國城市房地產管理法) (the "Urban Property Law") promulgated by the Standing Committee of the NPC, effective on January 1, 1995 and revised in August 2007 and August 2009, and the Provisional Regulations on Assignment and Transfer, the land administrative authority under the local government of the relevant city or county shall enter into a land grant contract with the land user to provide for the assignment of land use rights. The land user shall pay the assignment price as provided in the land grant contract. After full payment of the assignment price, the land user shall register with the land administrative authority and obtain a land use rights certificate which evidences the acquisition of land use rights.

Under the Rules Regarding the Grant of State-Owned Land Use Rights by Way of Tender, Auction and Listing-for-sale (招標拍賣掛牌出讓國有土地使用權規定) promulgated by the Ministry of Land and Resources of the PRC (the "MLR") on May 9, 2002 and implemented on July 1, 2002, land for commercial use, tourism, entertainment and commodity housing development shall

be granted by means of tender, public auction or listing-for-sale. A tender of land use rights means the relevant land administrative authority (the “Assignor”) issues a tender announcement inviting individuals, legal persons or other organizations (whether specified or otherwise) to participate in a tender for the land use rights of a particular parcel of land. The land user will be determined according to the results of the tenders. An auction for land use rights is where the Assignor issues an auction announcement and the bidders can, at specified time and location, openly bid for a parcel of land. A listing-for-sale is where the Assignor issues a listing-for-sale announcement specifying the land grant conditions and inviting bidders to list their payment applications at a specified land exchange within a specified period. The procedures for tender, auction and listing-for-sale may be summarized as follows (for the purpose of this overview, the participant in a tender, auction or listing-for-sale is referred to as a “Bidder”):

- The land authority under the government of the city and county (the “Assignor”) shall announce at least 20 days prior to the day of competitive bidding, public auction or listing-for-sale. The announcement should include basic particulars of the land parcel, qualification requirements for Bidders, the methods and criteria for selection of the winning Bidder and certain conditions such as the deposit for the bid.
- The Assignor shall conduct a qualification verification of the bidding applicants and inform the applicants who satisfy the requirements of the announcement to attend the competitive bidding, public auction or listing-for-sale.
- After determining the winning Bidder by holding a competitive bidding, public auction or listing-for-sale, the Assignor and the winning Bidder shall then enter into a confirmation. The Assignor should refund the other applicants their deposits.
- The Assignor and the winning Bidder shall enter into a land grant contract for the assignment of State owned land use rights at a time and venue set out in the confirmation. The deposit for the bid paid by the winning Bidder will be deemed part of the assignment price for the land use rights.
- The winning Bidder should apply to complete the land registration after paying off the assignment price. The government at the city or county level or above should issue the land use rights certificate.

On September 21, 2007, the MLR promulgated the Rules Regarding the Grant of State-Owned Construction Land Use Rights by Way of Tender, Auction and Listing-for-sale (招標拍賣掛牌出讓國有建設用地使用權規定) which came into force on November 1, 2007. The rules set out the legal basis, principles, scope, procedures and legal liability arising from and in connection with the assignment of state-owned construction land use rights by competitive bidding, public auction or listing-for-sale. The rules clearly state that the grant of land for industrial use must also be by means of competitive bidding, public auction or listing-for-sale.

In November 2009, the MOF, the MLR, the PBOC, the Ministry of Supervision of the PRC and the PRC National Audit Office jointly promulgated the Notice on Further Enhancing the Revenue and Expenditure Control over Land Grants (關於進一步加強土地出讓收支管理的通知). The Notice raises the minimum down-payment for land premiums to 50.0% and requires the land premium to be fully paid within one year after the signing of a land grant contract, subject to limited exceptions. Anyone defaulting on any such payment may not participate in any new transactions of land grant.

Pursuant to the Provisions on Land Administration of Tianjin Municipality, which was promulgated by the Standing Committee of People's Congress of Tianjin Municipality on December 18, 2006 and amended on March 1, 2007, disputes on land use rights shall be resolved by negotiations between the parties, through mediation administered by local land authorities, or dealt with by the local government, before it can be brought before the court for judgment.

Pursuant to the Trial Provisions on Use of Land by Foreign Invested Enterprises of Tianjin Municipality, which was promulgated by the Tianjin Municipal Government and came into effect on February 22, 1987 and amended on January 28, 2002, foreign invested enterprises that use lands within Tianjin shall pay land use fees to the Tianjin Municipal Government each year, with the rate to be set by the municipal land authority according to the usage of the land, unless the land was a contribution to the joint venture by the Chinese investor, where the land use fee shall be deducted from the profit distributions to the Chinese investor.

Pursuant to the Provisions on Land Administration of Hainan Special Economic Zone, which was promulgated by the Standing Committee of People's Congress of Hainan on June 24, 1994, and last amended on September 26, 2014, idle land fees may be due to the local government in Hainan if the development of the land does not meet the time frame set out in the land use right granting agreement, and granted land use right may be reclaimed by the local government free of compensation if less than 25% of the total investment amount stipulated in the land use right grant agreement is accomplished upon the second anniversary of the date of commencement of development stipulated in the agreement.

Termination of Land Use Right

A land use right will terminate upon the expiration of the term of the grant specified in the relevant land use right grant contract. Land use right may also terminate upon withdrawal of the land use right by the PRC Government or by loss of the land etc.

The PRC Government generally will not withdraw a land use right prior to the expiration of its term of grant under the land use right grant contract. In exceptional circumstances, and if it is in the public interest, the PRC Government has the right to reassume the land use right in accordance with law and offer compensation to the land user, having regard to the period for which the land user has already enjoyed in respect of the land and the actual circumstance relating to the use and development of the land.

The land use right may also be taken back in accordance with terms and conditions as provided in State-owned land use right grant contract which specifies the requirements for planning, construction and land use such as relevant restrictions on the structure size and plot ratio, and the time limit for the commencement and completion of construction. Failure to comply with certain requirements set forth in the state-owned land use right grant contract may entitle the PRC Government to take back the land use right before the expiration of the granted term.

Upon expiry of the term of grant under the land use right grant contract, the land use right of the land and ownership of the buildings and fixtures erected thereon will revert to the PRC Government without compensation unless renewal application is granted. The land user will have to take steps to surrender the land use rights certificate and cancel the registration of the certificate in accordance with relevant regulations.

A land user may apply for renewal of the term of the land use right and such application will be granted unless for public benefit the land needs to be taken back, if the application is granted, the land user is required to enter into a new land use right grant contract, pay a land use right grant premium and effect the necessary registration of the renewed right.

Development of Construction Projects

Project approval or record-filing of a construction project

According to the Administrative Measures for Approval and Record-filing of Enterprise Invested Projects (企業投資項目核准和備案管理辦法) issued by the NDRC on March 8, 2017 and came into effect on April 8, 2017, the Catalogue of Investment Projects Subject to Government Approval (the “Catalogue”) issued by the State Council on December 12, 2016 shall apply in determining the types of investment projects undertaken by enterprises that shall be subject to the approval of the relevant authorities.

According to the Catalogue, enterprises investing in the construction of any of the fixed-asset investment projects listed in the Catalogue shall report their investment in the relevant project(s) to the relevant authorities for approval. Where enterprises invest in construction projects not listed in the Catalogue, the enterprises shall notify the relevant authorities of their involvement in such projects for record purposes.

Planning of a construction project

According to the Measures for Planning Administration of the Grant and Transfer of the Right to Use Urban State-owned Land (城市國有土地使用權出讓轉讓規劃管理辦法) promulgated by the MOC on December 4, 1992 and implemented on January 1, 1993 and amended on January 26, 2011, after signing the land grant contract, a land user shall apply for a project survey and a Construction Land Planning Permit (建設用地規劃許可證) from the city planning authority.

The Urban and Rural Planning Law of the People’s Republic of China (中華人民共和國城鄉規劃法) (the “Urban and Rural Planning Law”) promulgated by the Standing Committee of the NPC in October 2007 which became effective in January 2008 and as revised in April 2015, provides regulations with respect to the formulation, implementation, modification, control, supervision and related legal liability of measures aimed at curbing problems that may arise as a result of conflicts between city and rural construction developments. The scope of the measures includes the planning, layout and construction of cities, towns with administrative status, market towns and villages. In order to effectively prevent construction that is in breach of the rules and regulations, the Urban and Rural Planning Law stipulates that where any construction project commences without obtaining a Construction Land Planning Permit, or where the construction Land Planning Permit has been obtained but construction has proceeded not in accordance with that permit, the Urban and Rural Planning Department at the county level or above may issue an order to cease construction. In the case that the construction can be remedied to comply with the relevant planning rules, an order can be made to rectify the construction in a prescribed period of time and a fine ranging from 5.0% to 10.0% of the total construction cost may be imposed. Where the construction cannot comply with the relevant planning rules, an order for its demolition will be issued or, where demolition is not possible, the property and/or illegal income derived from the property will be confiscated and a fine amounting to 10.0% or less of the construction cost will be imposed.

Project construction

According to the Measures for the Administration of Construction Permits for Construction Projects (建築工程施工許可管理辦法) promulgated by the MOHURD on June 25, 2014 and implemented on October 25, 2014, after obtaining the construction works planning permit, a property constructor shall apply for a Construction Works Commencement Permit (建築工程施工許可證) from the construction authority under the local People’s Government at the county level or above. The Notice Regarding the Strengthening and Regulation of the Management of New Projects (關於加強和規範新開工項目管理的通知), promulgated by the General Office of the State

Council on 17 November 2007, strictly regulates the conditions for commencing investment projects, establishes a mechanism for the coordination of government departments regarding new projects, and strengthens the statistics and information management while intensifying the supervision and inspection of new projects.

Completion of a construction project

According to the Development Regulations and the Regulation on the Quality Management of Construction Projects (建設工程質量管理條例) promulgated by State Council on January 30, 2000 and amended on October 17, 2017, the Administrative Measures for the Filing of As-built Inspection of Housing, Building and Municipal Infrastructure Projects (房屋建築和市政基礎設施工程竣工驗收備案管理辦法) promulgated by the MOC on April 4, 2000 and amended on October 19, 2009 and the Rules for the Confirmation of the Completion of Housing Construction and Municipal Infrastructure Projects (房屋建築和市政基礎設施工程竣工驗收規定) promulgated by the Circular of the Ministry of Housing and Urban-Rural Development December 2, 2013, upon completion of construction works of a construction project, the construction project must receive the relevant approvals from local authorities including planning bureaus, fire safety authorities and environmental protection authorities, the owner of the construction project shall organize a completion inspection for the construction project. Once the construction project is able to be accepted after the said completion inspection, the owner of the construction project shall prepare the Report on Completion Inspection (竣工驗收報告) for the construction project accordingly. Thereafter, the owner of the construction project shall submit the Report on Completion Inspection for such construction project together with other required documents to the relevant competent governmental authority in charge of construction for the filing of the completion inspection (竣工驗收備案) of this construction project. Once the said filing of the completion inspection has been completed, a Filing Form of Completion Inspection (竣工驗收備案表) confirmed by the competent governmental authority in charge of construction will be obtained by the owner of the construction project.

PROPERTY TRANSACTIONS

Documents of Title

In the PRC, there have been two registers for property interests. Land registration was achieved by the issue of a land use right certificate by the relevant authority to the land user. It was the evidence that the land user had obtained land use rights which can be assigned, mortgaged or leased. The building registration is the issue of a building ownership certificate (房屋所有權證) or a real estate ownership certificate (房地產權證) to the owner. It was the evidence that the owner has obtained building ownership rights in respect of the building erected on a piece of land.

In connection with these registration systems, real estate and land registries have been established in the PRC. In most cities in the PRC, the above systems have been separate systems. However, in Shenzhen, Shanghai, Guangzhou and some other major cities, the two systems have been consolidated and a single composite real estate ownership certificate will be issued evidencing the ownerships of both land use rights and the building erected thereon.

However, the State Council issued the Interim Regulations on Real Estate Registration (不動產登記暫行條例) (the “Regulations”) on November 24, 2014, to take effect on March 1, 2015. The Regulations provide that China implements a uniform real estate registration system. The registrations of the real estate include, inter alia, the initial registration and registrations for change, transfer, withdraw, correction, objection, pre-registration and confiscate. In principle, the registration agency of the government at county-level where the real estate locates is in charge of the registration. Real estate property owners’ right will not be affected by the change of the registration agency or registration procedure. The Regulations also require that the real estate

registration authority shall establish a uniform real estate register. In addition, a uniform management platform will be adopted which allows the sharing of the registration information among all administrative levels. Right holders and interest parties of a real estate may request and replicate the registration information.

The MLR has promulgated the Implementing Rules of the Interim Regulations on Real Estate Registration (不動產登記暫行條例實施細則) (the “Rules”) on January 1, 2016. The Rules put forward that after accepting an application for real estate registration, the real estate registration authority shall also make field inspection on the locality of the real estate. The State will implement the system of consulting real estate registration information in accordance with the law. Right holders and interested parties may consult and copy their real estate registration information, provided that they shall first apply to the real estate registration authorities specifically handling their real estate registration. In addition, the Rules also clarify that real estate registration information shall be managed by corresponding real estate registration authorities, which shall establish the real estate registration information management system and the information safety and confidentiality system. No unit or individual may leak real estate registration information.

Transfer of Property

According to the Urban Real Estate Law and the Provisions on Administration of Transfer of Urban Property (城市房地產轉讓管理規定) promulgated by the MOC on August 7, 1995 and as amended on August 15, 2001, a property owner may sell, bequeath or otherwise legally transfer property to another person or legal entity. When transferring a building, the ownership of the building and the land use rights to the site on which the building is situated are transferred simultaneously. The parties to a transfer must enter into a property transfer contract in writing and register the transfer with the property administration authority of the place where the real estate locates within 90 days of the execution of the transfer contract.

Where the land use rights were originally obtained by assignment, the real property may only be transferred on condition that: (i) the assignment price has been paid in full for the assignment of the land use rights as provided by the assignment contract and a land use rights certificate has been obtained; and (ii) development has been carried out according to the assignment contract and in the case of a project in which buildings are being developed, the development representing more than 25% of the total investment has been completed.

If the land use rights were originally obtained by allocation, transfer of the real property will be subject to the approval of the government vested with the necessary approval power as required by the State Council. Upon such approval, the transferee must complete the formalities for the rights to the assignment of the land use, unless the relevant statutes require no assignment formalities, and pay the land premium according to the relevant statutes.

Mortgages of Property

Under the Property Rights Law of the People’s Republic of China (中華人民共和國物權法) (the “Property Rights Law”) promulgated by the NPC on March 16, 2007 and implemented on October 1, 2007, the Law on the Administration of the Urban Real Estate (中華人民共和國城市房地產管理法) promulgated and implemented by the Standing Committee of the NPC on August 30, 2007 and amended on August 27, 2009, the Guarantee Security Law of the People’s Republic of China (中華人民共和國擔保法) promulgated by Standing Committee of the NPC on June 30, 1995 and implemented on October 1, 1995, and the Measures on the Administration of Mortgages of Property in Urban Areas (城市房地產抵押管理辦法) promulgated by the MOC in May 1997 and as amended on August 15, 2001, when a mortgage is created on a building which is legally obtained, a mortgage must be simultaneously created on the land use rights of the land on which the building is situated. The land use rights of state-owned lands acquired through means of

assignment require the buildings on the land to be concurrently mortgaged with the land. The land use rights of the town and village enterprises cannot be mortgaged separately. When buildings of the town and village enterprises are mortgaged, the land use rights occupied by the buildings shall also be mortgaged at the same time.

The mortgager and the mortgagee must sign a mortgage contract in writing form. Within 30 days after a property mortgage contract is signed, the parties to the mortgage must register the mortgage with the property administration authority in the area where the property is situated. A property mortgage contract will become effective on the date of registration of the mortgage. If a mortgage is created on the property for which a building ownership certificate has been obtained, the registration authority shall make an entry under the “third party rights” item on the original building ownership certificate and then issue a certificate of third party rights to the mortgagee. If a mortgage is created on the commodity property put to pre-sale or under construction, the registration authority will record the details on the mortgage contract. If the construction of a real property is completed during the term of a mortgage, the parties involved must re-register the mortgage of the real property after issuance of the certificates evidencing the ownership of the property.

The Property Rights Law provides that the mortgage registration of buildings and other objects fixed to land, the right to use construction land, and a building under construction shall have its mortgage right established as of the date of registration. The buildings newly constructed on the land after the mortgage of the right to use construction land may not belong to the mortgaged properties. Such newly constructed buildings can be disposed of together with the disposal of the aforesaid right to use construction land so as to realize the mortgage right. However, the mortgagee has no right to seek preferred payments from the money generated from the disposal of these newly constructed buildings.

According to the measures, land registration refers to the recording of land use rights on registered land for public review. The measures stipulate that the administrative department of land and resources must conclude land registrations within 20 days after receiving an application. If the case is complex, a 10-day extension can be approved by the principal of land and resources’ administrative department.

On February 15, 2008, the MOC released Measures for Property Registration (房屋登記辦法) (the “Measures”) which came into effect on July 1, 2008. The Measures stipulate that in property registrations, the owners of the housing property rights should correspond with the holders of the land use rights. Based on the Property Rights Law, the Measures specifically regulate ownership registration, pre-registration, registration of mortgage rights for property and construction work in process, registration for maximum mortgage amount, registration of rectification, registration for objection and registration for easement, which make property registrations more operational.

Regional regulations

Pursuant to the Administrative Rules on Mortgages on Properties on Tianjin Municipality, which was promulgated on September 24, 1997 and amended on April 12, 2014, properties under leases, or subject to pending legal proceedings may not be mortgaged.

Lease of Properties

According to the Contract Law of the People’s Republic of China (中華人民共和國合同法), which was promulgated by the NPC on March 15, 1999, a lease contract is defined as an agreement whereby a lessor agrees to deliver and hand over possession of moveable or real property for the use and benefit of the lessee in consideration of rent to be paid by the lessee to the lessor. A lease contract with a term exceeding six months shall be made in written form. Where the parties do not use written form, the lease shall be deemed as a lease without a fixed term. Under the Urban Property Law and the Measures for Administration of Leases of

Commodity Housing (商品房屋租賃管理辦法) promulgated by the MOHURD on December 1, 2010 and implemented on February 1, 2011, the parties to a lease of a building shall enter into a written lease contract. A system has been adopted to register the leases of buildings. When a lease contract is signed, amended or terminated, the parties shall register the details with the property administration authority under the local government of the city or county in which the building is situated.

Pre-examination of the Construction Sites

Under the Measures for Administration of Examination and Approval for Construction Sites (《建設用地審查報批管理辦法》) promulgated by the MLR on March 2, 1999 and amended on November 30, 2010 and January 1, 2017, and the Measures for Administration of Preliminary Examination of Construction Project Sites (《建設項目用地預審管理辦法》) promulgated by the MLR on November 29, 2008 and became effective on January 1, 2009 and amended on November 25, 2016, a real estate developer must make a preliminary application for construction to the relevant land administrative authority when carrying out a feasibility study on a construction project. Upon receipt of a preliminary application, the land administration authority will carry out a preliminary examination of various aspects of the construction project in compliance with the overall zoning plans and land supply policies of the PRC government, and will issue a preliminary approval if it is satisfied with the result of its examination. The opinions derived from this preliminary examination are requisite documents for the approval of the construction project.

Planning Permits

Under the Measures for Administration on Planning of Granting and Transfer of Right to Use Urban State-owned Land (《城市國有土地使用權出讓轉讓規劃管理辦法》) promulgated by the Ministry of Construction on December 4, 1992 and became effective on January 1, 1993 and amended on January 26, 2011 a real estate developer shall, after signing a land grant contract, apply for a construction land planning permit from the relevant city and county planning authorities. After obtaining a construction land planning permit, the real estate developer shall organize the necessary planning and design work in accordance with planning and design requirements and apply for a construction work planning permit from the relevant urban planning authority pursuant to the Law of the PRC on Urban and Rural Planning (《中華人民共和國城鄉規劃法》) (“Urban and Rural Planning Law”) promulgated by Standing Committee of the NPC on April 24, 2015 and effective on the same date.

Construction

Before commencing any construction work, the developer shall apply for a Permit for Erection of Construction Projects from the construction authority under the local government above the county level according to the Measures for Administration of Granting Permission for Commencement of Construction Works (《建築工程施工許可管理辦法》) promulgated by the Ministry of Construction in June 25, 2014 and effective on October 25, 2014.

Under the Building Construction and Municipal Facilities Construction Tender Management Regulations (《房屋建築和市政基礎設施工程施工招標投標管理辦法》) (the “Tender Regulations”) promulgated on June 1, 2001 which states that a Tender Appraisal Committee should be set up for the appraisal of the tender for construction works for the project. According to the Tender Regulations, the Tender Appraisal Committee to be organized by the tenderer shall include representatives of the tenderer and relevant specialists selected by the tenderer from a list certified by the construction administration authorities. The number of members of the Tender Appraisal Committee shall be an odd number and shall consist of at least five members. The relevant specialists shall make up no less than two-thirds of the membership. In accordance with the Tender Regulations, if the estimated price of a single construction contract amounts to at least RMB2 million or the total investment of the project is at least RMB30 million, the developer is required to undertake a bidding process for the award of the construction contracts.

Pursuant to the Development Regulations and the Interim Measures for the Administration of the Registration of the Inspection and Acceptance of the Completed Building Construction Works and the Municipal Infrastructure Facilities (房屋建築工程和市政基礎設施工程竣工驗收備案管理暫行辦法) promulgated by the Ministry of Construction in April 2000 (amended in October 2009 and the name of such regulation changed to the Measures for the Administration of the Registration of the Inspection and Acceptance of the Completed Building Construction Works and the Municipal Infrastructure Facilities (房屋建築和市政基礎設施工程竣工驗收備案管理辦法)) and after the completion of the real estate development project, the real estate developer should apply for the project completion inspection and acceptance to the county level or higher local real estate administration authorities. A real estate development project may only be delivered to the buyer after passing the necessary acceptance examination, and may not be delivered before the necessary acceptance examination is conducted or without passing such an acceptance examination.

For a housing estate or other building complex project, an acceptance examination shall be conducted upon completion of the whole project and where such a project is developed in phases, an acceptance examination may be carried out for each completed phase. The real estate developer should register the project completion inspection and acceptance within 15 days from the pass of the inspection and acceptance. The project should not be delivered to users if it has not passed the project completion inspection and acceptance. Projects like residential house quarters should pass the completion inspection and acceptance. Projects developed in stages can also be inspected and accepted in stages.

Completion of a Real Estate Project

Construction projects shall be delivered for use only after passing the inspection and acceptance test under Article 61 of the PRC Construction Law (《中華人民共和國建築法》), which became effective on March 1, 1998 and subsequently amended on April 22, 2011.

A real estate development project must comply with various laws and legal requirements concerning planning, construction quality, safety and environment and technical guidance on architecture, design and construction work, as well as provisions contained in the relevant contracts. On January 30, 2000, the State Council promulgated and implemented the Regulation on the Quality Management of Construction Projects (《建設工程質量管理條例》), and amended on October 7, 2017 which sets out the respective quality responsibilities and liabilities for developers, construction companies, exploration companies, design companies and construction supervision companies. The real estate developer shall submit records for filing to the departments in charge of project construction of the relevant local governmental authorities above the county level in the area where the projects are constructed within 15 days after the projects having successfully passed the completion acceptance inspection, pursuant to the Measures for the Administration on the Filing of Inspection Upon Completion of Buildings and Municipal Infrastructure (《房屋建築和市政基礎設施工程竣工驗收備案管理辦法》), promulgated by the Ministry of Construction on October 19, 2009.

Pre-Sale of Commodity Properties

Any pre-sale of commodity properties must be conducted in accordance with the Measures for Administration of Pre-sale of Commodity Properties (《城市商品房預售管理辦法》) (the “Pre-sale Measures”) promulgated by the Ministry of Construction on November 15, 1994, as amended on August 15, 2001 and July 20, 2004. The Pre-sale Measures provide that any pre-sale of commodity properties is subject to specified procedures. The pre-sale of commodity properties shall be subject to a licensing system. If a real estate developer intends to sell commodity properties in advance, it shall apply to the real estate administrative authority to obtain a pre-sale permit. The pre-sale of commodity properties is required to meet the following conditions:

- the related land premium having been fully paid up and a land use rights certificate having been obtained;

- a construction work planning permit and a construction work commencement permit having been obtained; and
- the funds invested in the development of the commodity properties intended for pre-sale representing 25% or more of the total investment in the project and the progress of construction and the completion and delivery dates having been properly determined.

The proceeds of pre-sale of commodity properties must be used to develop the relevant project. Further, the Pre-sale Measures authorizes the real estate administrative authority on the provincial autonomous regional and municipal level to set up their implementation rules in accordance with the Pre-sale Measures.

SALES AFTER THE COMPLETION OF COMMODITY PROPERTIES

Commodity properties may be put up for post-completion sale only when the preconditions for such sale have been satisfied. Under the Measures for Administration of Sale of Commodity Properties (《商品房銷售管理辦法》) promulgated by the Ministry of Construction on April 4, 2001 and became effective on June 1, 2001, the sale of commodity properties after the completion shall meet the following conditions:

- the real estate development enterprise has a business license and a qualification classification certificate for real estate development;
- the land use rights certificates or approval documents of land use having been obtained;
- the construction work planning permit and the construction work commencement permit having been obtained;
- the commodity properties having been completed, inspected and accepted as qualified;
- the relocation of the original residents having been completed;
- the supplementary essential facilities such as the supply of water, electricity, heating and gas, and communications are ready for use, and other public facilities are ready for use, or the schedule of construction and delivery date of such facilities having been specified; and
- the property management plan is completed.

The Provisions on Sales of Commodity Properties at Clearly Marked Price (《商品房銷售明碼標價規定》) was promulgated by the NDRC on March 16, 2011 and became effective on May 1, 2011. According to the provisions, any real estate developer or real estate agency (“real estate operators”) is required to mark the selling price explicitly and clearly for both newly-built and second-hand commodity properties. The provisions require real estate operators to clearly indicate the prices and relevant fees of commodity properties, as well as other factors affecting the prices of commodity properties to the public. With respect to the real estate development projects that have received property pre-sale license or have completed the filing procedures for the sales of constructed properties, real estate operators shall announce all the commodity properties available for sales on at once within the specified time limit. Furthermore, with regard to a property that has been sold out, real estate operators are obliged to disclose this information and to disclose the actual transaction price. Real estate operators cannot sell commodity properties beyond the explicitly marked price or charge any other fees that are not explicitly marked. Moreover, real estate operators may neither mislead properties purchasers with false or irregular price marking, nor engage in price fraud by using false or misleading price marking methods.

IDLE LAND

According to the Urban Real Estate Law, where a real property development is carried out on land for which the land use rights are acquired by means of grant, the land must be developed in line with the specified use for the land and the deadline for commencement of the development must be set out in the land grant contract. Where the development does not commence within one year from the specified date set out in the land grant contract, an idle land fee may be charged at a rate equivalent to not more than 20% of the relevant land premium. Where the development does not commence within two years from the specified date, the relevant land use rights may be withdrawn without compensation, except where the commencement of construction is delayed due to force majeure, an act of the government or relevant government departments, or delays in preliminary work necessary for the commencement of development.

According to the Measures on Disposing Idle Land (《閑置土地處置辦法》) enacted by the MLR on April 28, 1999 and amended on May 22, 2012, land can be classified as idle land under any of the following circumstances: (i) where the user of State-owned construction land fails to commence the construction within one year as of the construction commencement date as agreed on and specified in the Contract for Paid Use of State-owned Construction Land or the Land Allocation Decision; (ii) where the construction has commenced with its development area accounts for less than one third of the total development area or its actual investment accounts for less than 25% of the total investment, the development and construction of relevant land has been suspended for one year.

Upon investigation and verification, on discovering the land deemed as idle according to the conditions as prescribed in the Measures, the departments of land and resources at the municipal or county level shall issue the Idle Land Identification Letter to the user of State-owned construction land.

For the idle land caused due to the behaviors of governments or relevant governmental departments or the force majeure, the departments of land and resources at the municipal or county level shall negotiate with the users of State-owned construction land and dispose the land through the following manners: (i) extend the deadline for construction commencement; (ii) change the purposes and planning conditions of the land; (iii) arrange temporary use of the land on the part of the governments; (iv) recover the right to use State-owned construction land with compensation through agreement; (v) replace the land; (vi) other disposal manners may be stipulated by the departments of land and resources at the municipal or county level in light of the actual situations.

For the idle land caused due to other circumstances, idle land may be disposed through the following manners: (i) In the event that the construction has not commenced for one year, the departments of land and resources at the municipal or county level shall, upon approval of the local people's governments at the same level, issue the Decision on the Collection of the Charges for Idle Land to users of State-owned construction land, and shall collect the charges for idle land at 20% of cost of land transfer or land allocation. The charges for idle land shall not be listed into the production cost. (ii) In the event that the construction has not commenced for two years, the departments of land and resources at the municipal or county level shall, upon approval of people's governments with approval right, issue the Decision on Recovering the Right to Use State-owned Construction Land to users of State-owned construction land, and recover the right to use the State-owned construction land without compensation.

Where the idle land is due to acts of the State or relevant government authorities and the land user has partly paid the purchase price (including any compensation or resettlement cost) for the land, in addition to the methods provided above, the State may acknowledge the relevant land to the land user for the part of land which the land user has paid the compensation or requisition fee, while the remaining part of the land will be withdrawn by the government. On May 24, 2006, the Circular on Forwarding Opinions of Ministry of Construction and Other Departments on

Adjusting Housing Supply Structure and Stabilizing Housing Prices issued by the General Office of the State Council (《國務院辦公廳轉發建設部等部門關於調整住房供應結構穩定住房價格意見的通知》) provides that if any land remains idle for one year, an idle land fee shall be levied and the land shall be developed in due course; if any land remains idle for two years, the idle land will be confiscated.

On September 8, 2007, the MLR promulgated the Notice on Strengthening the Handling of Idle Land (《關於加大閑置土地處置力度的通知》). The notice sets out the principles of dealing with idle land. Prior to granting land use rights, issues relating to the ownership of land, the compensation and the settlement regarding land shall be properly dealt with. The notice also prescribes that the land use rights certificate shall not be issued before the land premium for acquisition of land has been paid in full, nor shall it be issued separately according to the proportion of payment of land premium.

On January 3, 2008, the State Council issued the Notice on Promoting the Saving and Intensification of Use of Land (《關於促進節約集約用地的通知》) which states, among other things, that (i) State policies in relation to the forfeiture of land use rights of land which has remained idle for more than two years without compensation shall be strictly implemented; (ii) if any land remains idle for one year, an idle land fee of 20% of the relevant land premium shall be levied; (iii) before June 2008, local governments are required to submit to the State Council reports on the status of the clearance and handling of idle land; (iv) the prohibition of land supply for villa projects shall continue; (v) the authorities are required to research commence the drafting of implementation rules concerning the levy of land appreciation fees on idle land; (vi) in relation to the supply of residential land, planning conditions such as minimum plot ratio limits and the number and type of flats that can be constructed shall be taken into account in land grant contracts and allocation decisions to ensure that at least 70% of the total land grants for residential developments will consist of low-cost rental housing, economy housing, limited pricing housing and units of less than 90 sq.m. in size; and (vii) financial institutions are required to exercise caution when approving financing for any property developer who fails to commence the construction for one year or more from the commencement date stipulated in the land grant contract, complete at least one-third of the development of project or inject at least 25% of the total investment in the project.

On November 18, 2009, the Ministry of Finance, MLR, the PBOC, Ministry of Supervision and National Audit Office issued the Circular on Further Tightening Control over Income and Expenses from Land Transfer (《財政部、國土資源部、中國人民銀行等關於進一步加強土地出讓收支管理的通知》), which among other things, limits the period for full payment of the land premium prescribed under the land grant contract entered between municipality- and county-level MLR and a land right transferee to one year. There is an exception for special projects approved by all relevant local land transfer authorities, for which full payment of the land premium for such special project must be paid within two years with a first installment of no less than 50% of the total land premium. The circular also provides that the local level governments should strictly enforce relevant regulations to impose penalties on, or restrict from acquiring new land, property developers that have delayed payment of land premiums or construction for reasons other than force majeure.

On March 8, 2010, the MLR issued the Notice on Certain Issues on Strengthening Land Supply and Supervision of Real Estate (《關於加強房地產用地供應和監管有關問題的通知》). Pursuant to the notice, the land price must not be less than 70% of the standard land grant fee for the applicable grade of land. Parties to the land grant must execute a land grant contract within 10 business days of completing the tender, auction or listing-for-sale process. Any property developers who fail to comply with the reporting requirement during the property development period are prohibited from acquiring land for at least one year.

On September 21, 2010, the Ministry of Construction and the MLR jointly promulgated the Notice on Further Strengthening Land Use and Construction Management Control of Real Estate (《關於進一步加強房地產用地和建設管理調控的通知》). Pursuant to the notice, the land use rights granted to a property development enterprise must be withdrawn and be re-granted through a new tender, auction or listing-for-sale if such property development enterprise fails to commence the construction of a project on the land involved within the prescribed time limit due to its application for adjustment of construction planning conditions. To participate in a tender, auction or listing-for-sale, a bidder must, in addition to providing the relevant identification documents and deposit, provide a bank credit reference and a letter confirming that the deposit it pays for such tender, auction or listing-for-sale does not come from a bank loan, shareholder loan, re-lending and fund-raising. If the land is left idle for more than one year by the property development enterprise, the property development enterprise and its controlling shareholder shall be prohibited from taking part in the tender, auction or listing-for-sale for the grant of the land use rights. Furthermore, property development enterprises must commence the construction of a housing project within one year from the date of delivery of the land as stipulated on the land grant contract, and complete the construction within three years from the commencement date of the construction.

On January 26, 2011, the State Council issued the Notice on Further Improvement of the Regulation and Control of Real Estate Market (《國務院辦公廳關於進一步做好房地產市場調控工作有關問題的通知》), pursuant to which the qualification certificates and the sources of capital of real estate enterprises will be censored. If a real estate development enterprise fails to obtain a construction permit two years after the land is provided, the land will be confiscated and fines will be imposed accordingly.

DEMOLITION AND REMOVAL

The Regulations on Demolition was repealed by the Regulations on the Expropriation and Compensation of Houses on State-owned Land (《國有土地上房屋徵收與補償條例》) (“Expropriation Rules”). In accordance with the Expropriation Rules, as promulgated by the State Council and effective on January 21, 2011, buildings on State-owned land can be expropriated for public interest reasons, and those owners of expropriated buildings which are located on State-owned land are entitled to fair compensation. Where a building is expropriated according to law, the corresponding right to use the State-owned land shall be retracted at the same time. Compensation agreements regarding the compensation methods, compensation amount, payment terms and other relevant issues shall be entered into between those expropriated owners and the relevant PRC governmental authorities responsible for house expropriation. The compensation for the value of the expropriated building shall not be less than the market price of a property similar to the expropriated building on the date of announcement of the decision to expropriate the building. The value of the expropriated building shall be assessed by a qualified real estate price assessment institution according to the assessment measures for building expropriation. Compensation shall be made prior to the relocation. In the event that no compensation agreement was reached within the time limit, the city or county government may make an administrative decision on the compensation according to the application of the relevant PRC governmental authorities responsible for house expropriation and publish a government notice within the area of the expropriation. No enterprise or individual may compel the expropriated owners to relocate by means of violence, threat or other illegal methods. Property developers are prohibited from participating in relocation arrangement.

Pursuant to Provisions of the Supreme People’s Court on Several Issues Concerning Handling the Cases of Application for Enforcing Expropriation Compensation Decisions of Housing on the State-Owned Lands by the People’s Courts (《最高人民法院關於辦理申請人民法院強制執行國有土地上房屋徵收補償決定案件若干問題的規定》), effective on April 10, 2012, if seven situations occur for expropriation compensation decisions, the people’s court should rule not to grant enforcement and the public may fully prove such seven situations to the people’s court. The seven situations include: 1. a clear lack of factual basis; 2. a noticeable lack of legal basis; 3. it’s clear

not to meet the principle of fair compensation, and serious damage to legitimate rights and interests of the executed, or basic production and living operating conditions of making the executed without guarantees; 4. clear violation of administrative purposes, and serious damage to the public interest; 5. serious violation of legal procedures or due process; 6. excess of authority; 7. other situations not to grant enforcement prescribed by laws, regulations, rules and other provisions.

WARRANTY AND MAINTENANCE OF BUILDINGS

Under the PRC Construction Law (《中華人民共和國建築法》) promulgated by the Standing Committee of the NPC on November 1, 1997 and amended on April 22, 2011, the Measures on Administration of Sale of Commodity Buildings (《商品房銷售管理辦法》) promulgated by the Ministry of Construction on April 4, 2001, the Rules on the Implementation of the System on Residence Quality Guarantee and Residence Usage Specification (《商品住宅實行住宅品質保證書和住宅說明書制度的規定》) promulgated by the Ministry of Construction on May 12, 1998, when a real property developer delivers newly built residential houses, it should provide the Residence Usage Specification and Residence Quality Guarantee. The Residence Quality Guarantee is the legal document stipulating the warranty and maintenance obligations a real property developer should bear for the already sold residential houses and it can be a supplementary agreement to the Commodity House Purchase Contract.

Under the Regulations on Quality Management of Construction Project (《建設工程質量管理條例》) promulgated by the State Council on January 30, 2000 and amended on October 7, 2017, when a construction contractor hands over construction completion examination and acceptance report, it should provide the Quality Guarantee, which should specify scope, term and responsibilities of quality warranty.

According to Measures on the Warranty and Maintenance of Building Construction Projects (《房屋建築工程質量保修辦法》) promulgated by the Ministry of Construction on June 30, 2000 under the normal usage, the warranty and maintenance period to different parts of the construction projects should not be shorter than the following: (i) the reasonable using period as stipulated by the project designing documents for the groundwork foundation and main body structure project; (ii) five years for the waterproof project of the surface, the toilet and rooms having waterproof requirements, the leakage preventing of the outside walls; (iii) two heating periods/cooling periods for the heating and cooling system; (iv) two years for the electrical system, water supply pipe and drainpipe, equipment fixing; and (v) two years for the fitment project. The warranty and maintenance period of other parts of the construction projects may be determined by real estate developers and the builder's agreement.

INSURANCE

There is no mandatory provision in the PRC laws, regulations and government rules which require a property developer to take out insurance policies for its real estate developments.

RESTRICTIONS ON THE GRANT OF RESIDENTIAL DEVELOPMENT LOANS AND INDIVIDUAL PROPERTY PURCHASE LOANS BY BANKS

Pursuant to the Guidance on Risk Management of Property Loans Granted by Commercial Banks (《商業銀行房地產貸款風險管理指引》) issued by the CBRC on August 30, 2004, commercial banks shall not provide any loan in any form for a project without the State-Owned Land Use Right Certificate, Construction Land Use Planning Permit, Construction Works Planning Permit and Construction Works Commencement Permit. Any property developer applying for property development loans shall have at least 35% of capital required for the development, a commercial bank should maintain a strict loan system for considering applications for property development loans.

Under the Notice of the PBOC on Adjusting the Housing Credit Policies of Commercial Banks and Deposit Interest Rate of the Excess Part of the Reserve (《中國人民銀行關於調整商業銀行住房信貸政策和超額準備金存款利率的通知》) issued by the PBOC on March 16, 2005 and effective from March 17, 2005, the minimum amount of down payment for an individual residence shall be increased from 20% to 30% of the purchase price for properties in cities where the property market is considered to be overheating.

On May 24, 2006, the Ministry of Construction, NDRC, the Ministry of Supervision, the Ministry of Finance, the MLR, the PBOC, the State Bureau of Statistics, the State Administration of Taxation and the CBRC jointly issued Opinions on Adjusting Housing Supply Structure and Stabilization of Housing Prices (《關於調整住房供應結構穩定住房價格意見的通知》). These opinions stipulate that a commercial bank shall not lend funds to property developers with a project capital ratio of less than 35%, or take commodity properties which have been vacant for more than three years as security for mortgage loans and shall strictly control the granting of revolving credit facilities to property developers holding a large amount of idle land and vacant commodity properties. The opinions also require that, from June 1, 2006, the minimum amount of down payment shall not be less than 30% of the purchase price of the underlying individual commodity houses with a GFA of 90 sq. m. or more.

In accordance with the Circular on Strengthening Commercial Real Estate Loan Administration (《關於加強商業性房地產信貸管理的通知》) jointly issued by the PBOC and the CBRC on September 27, 2007, when a borrower applies for individual housing loans for his first owner occupied residential unit with gross floor area of more than 90 square meters, the down payment is at least 30%; in respect to his loan application for additional purchases of residential units, the down payment cannot be less than 40%, the loan interest cannot be lower than 1.1 times the benchmark lending rate published by the PBOC in the same period and at the same level, and the amount of the down payment and interest of the loan should be increased to a greater extent based on the number of the purchased apartments. The level of increase should be decided by commercial banks according to loan risk management principals. The down payment of business premise loans should not be less than 50% with a maximum loan term of 10 years, and the loan interest should be no less than 1.1 times the benchmark lending rate published by the PBOC at the same period and level. The level of down payment, term of loan and interest level should be decided by Commercial banks according to loan risk management principals. To the loan application for premises used for both business and residential purposes, the down payment should be no less than 45% and the loan term and interest rate should be decided according to the provisions on the administration of business premise loans. Furthermore, commercial banks should not advance loans to property development enterprises which hoard land or building resources as confirmed by the land and resources authorities and construction authorities.

On July 29, 2008, the PBOC and the CBRC issued the Notice on Financially Promoting the Economization and Intensive Use of Land (《關於金融促進節約集約用地的通知》), which among other things,

- restricts PRC commercial banks from granting loans to property developers for the purpose of paying land premiums;
- regulates the secured loans for land reserve in various respects including to obtain land use certificate, to secure up to 70% value of security's appraised valuation, and to limit the length of maturity in no more than two years;
- prudently grants or extends loans to the property developer who (i) delays the commencement of development date specified in the land transfer agreement more than one year, (ii) has not finished one-third of the intended project, or (iii) has not invested the quarter of the intended total project investment;

- restricts granting loans to the property developer, the land of which is idle for two years; and
- restricts taking idle land as a security for loans.

On September 29, 2014, the PBOC and the CBRC issued the Notice on Further Improvement of Housing Finance Service (《關於進一步做好住房金融服務工作的通知》), which states that, among other things,

- For the family to purchase its first residential property for private use with an individual loan, the down payment of the purchase shall be 30% of the total purchase price and the minimum of the interest rate of the loan is 70% of the base interest rate, and the specific rate may be determined by the bank at its discretion based on the risk.
- For the family which has already owned one residential property and paid up the relevant loan, should it apply for loan again for the second residential property to improve its living conditions, the bank can treat it as the first residential property for its loan application.
- In cities where the measures of “restrictions on house buying” are lifted or not imposed, for the family who has already owned two or more residential properties and paid up the relevant loans, should it apply for loan again for another residential property, the bank shall decide on the percentage of down payment and interest rate by prudently considering the borrower’s solvency and credit status.

Banks may approve loan applications submitted by non-residents who satisfy the relevant policies and qualifications based on local urbanization development plans.

MEASURES ON STABILIZING HOUSING PRICE

The General Office of the State Council promulgated the Circular on Stabilizing Real Estate Price (《關於切實穩定住房價格的通知》) on March 26, 2005, requiring measures to be taken to restrain the housing price from increasing too fast and to promote the healthy development of the real estate market. The Opinions on Work of Stabilizing Housing (《關於做好穩定住房價格工作的意見》) jointly issued by the Ministry of Construction, NDRC, the Ministry of Finance, the MLR, the PBOC, the State Administration of Taxation and the CBRC on April 30, 2005 provides that:

- Where housing prices grow too rapidly at a time when the supply of low-to medium-priced ordinary commodity houses and economically affordable houses is insufficient, construction projects should mainly involve the construction of low- to medium-priced ordinary commodity houses and economically affordable houses. The construction of low-density, high-end houses should be strictly controlled;
- Where the price of land for residential use and the price of residential housing grow too rapidly, land supply for residential use as a proportion of the total land supply should be appropriately raised, and the land supply for the construction of low- to medium-priced ordinary commodity houses and economically affordable houses should be especially increased. Land supply for villa construction should continue to be suspended, and land supply for high-end residential property construction should be strictly restricted;
- Idle land fee must be imposed on land that has not been developed for one year from the contractual construction commencement date. Land use rights of land that has not been developed for two years will be repossessed without compensation;

- Commencing on June 1, 2005, a business tax upon the transfer of a residential property by an individual within two years from his or her purchase will be levied on the entire sales proceeds from such transfer. If an individual transfers his or her ordinary residential property more than two years after its purchase, the business tax will be exempted. For an individual who transfers a property other than an ordinary residential house after two years from its purchase, the business tax will be levied on the difference between the price of such transfer and the original purchase price;
- Ordinary residential houses with a medium to small GFA and at low-to-medium prices may be granted certain preferential treatment in relation to planning permits, land supply, credit and taxation. Properties enjoying these preferential policies must satisfy the following conditions in principle: the floor area ratio of the residential development is above 1.0, the GFA of one single unit is less than 120 sq.m., and the actual transfer price is lower than 120% of the average transfer price of comparable properties at comparable locations. Local governments at the provincial level may, based on their actual local circumstances, formulate specific standards for ordinary residential properties that can enjoy the preferential policies; and
- Transfer of uncompleted commodity properties by any pre-sale purchaser is forbidden. In addition, purchasers are required to buy properties in their real names. Any pre-sale contract of commodity property must also be filed with the relevant governmental agencies electronically immediately after its execution.

The General Office of the State Council promulgated the Circular on Adjusting Real Estate Supply Structure and Stabilizing Real Estate Price (《國務院辦公廳轉發建設部等部門關於調整住房供應結構穩定住房價格意見的通知》) on May 24, 2006. The regulation stipulates that:

- at least 70% of the land supply approved by a local government for residential property development for any given year must be used for developing low- to medium-priced and small- to medium-sized ordinary residential properties (including economically affordable housing) or low-cost rental properties;
- at least 70% of the total developed area of residential projects approved or constructed on or after June 1, 2006 must consist of units smaller than 90 sq.m. in terms of GFA and that projects which have received project development approvals prior to that date but have not obtained construction work commencement permits must adjust their planning in order to conform with this new requirement. However, municipalities under direct administration of the PRC central government and provincial capitals and certain cities specifically designated in the State plan may deviate from such ratio under special circumstances upon approval from the Ministry of Construction;
- the minimum amount of down payment must be increased from 20% to 30% of the purchase price of the underlying residential property if the underlying property has a GFA of 90 sq.m. or more, as effective from June 1, 2006;
- commercial banks are to be prohibited from lending funds to real estate developers with a capital ratio, calculated by dividing the registered capital by the gross investment required for the relevant projects, of less than 35%, restricting the extension of loans and the grant of revolving credit facilities to property developers holding a large amount of idle land and vacant commodity properties, and prohibiting commercial banks from taking commodity properties which have been vacant for more than three years as security for loans; and

- a business tax levy is to be imposed on the entire sales proceeds from the re-sales of properties if the holding period is shorter than five years, effective from June 1, 2006, as opposed to two years as such levy was initially implemented from June 2005. Where an individual transfers a property other than an ordinary residential property five years after the purchase of such property, the business tax will be levied on the difference between the resale price and the original purchase price.

On July 6, 2006, the Ministry of Construction promulgated Certain Opinions regarding the Implementation of the Ratio Requirements for the Structure of Newly Constructed Residential Properties (《建設部關於落實新建住房結構比例要求的若干意見》), which stipulate that residential properties with a GFA of less than 90 sq.m. shall account for over 70% of the total area of residential properties which are newly approved and constructed per year in each city or county since June 1, 2006. The relevant local government will have the authority to determine the configuration of newly constructed properties.

On December 20, 2008, the General Office of the State Council issued the Certain Opinion on Promoting the Healthy Development of Real Estate Market (《國務院辦公廳關於促進房地產市場健康發展的若干意見》) to encourage development of the real estate market by providing support in respect of taxes and credits. The following measures, among others, have been adopted:

- In order to promote ordinary residential property purchases, the following incentives had been enacted and effective until December 31, 2009:
 - applying the same preferential policy previously granted to first-time home buyers to second-time home buyers whose per capita GFA of the first property is below the local average level;
 - providing one-year business tax exemption for residential property transfer. Individuals who transfer their ordinary residential properties having held such properties for two or more years (instead of the previous five-year requirement) are exempt from business tax. In addition, if the residential property has been held for less than two years when it is transferred, the business tax due is now calculated on a net rather than a gross basis; and
 - individuals who transfer their non-residential property having held such properties for two or more years (instead of the previous five-year requirement) must still pay business tax on the property on a net basis, but if the property has been held for less than two years when it is transferred, the business tax is calculated on a gross basis.
- Commercial banks shall, in accordance with the credit policies and regulation requirements, strengthen the credit support for low- to medium-priced and small- to medium-sized ordinary commodity properties, especially for projects under development; and provide the financing assistance and relevant financial services to reputable and capable real estate enterprises engaging in mergers and acquisitions transactions; and
- The urban real estate tax is abolished and the Provisional Regulations of the PRC governing the Real Estate Tax (《中華人民共和國房產稅暫行條例》) apply to domestic/foreign-invested enterprises and individuals.

On January 7, 2010, the General Office of the State Council issued the Notice on Promoting the Steady and Healthy Development of the Real Estate Market (《國務院辦公廳關於促進房地產市場平穩健康發展的通知》). The Notice, among other things, provides that:

- To the families (including the debtors, their spouses and their juvenile children) who have bought a residential house by the loans and are applying for loans to buy a second residential house or more residential houses, the down payments of the loans should not be lower than 40%, the loan rates should be strictly dependent on the risks.
- Banks are restricted from offering loans to a property development project or property developer which is not in compliance with credit loan regulations or policies.

On April 17, 2010, the State Council issued the Notice on Strictly Restraining the Excessive Growth of the Property Prices in Some Cities (《國務院關於堅決遏制部分城市房價過上漲的通知》), according to which a stricter differential housing credit policy shall be enforced. It provides that, among other things, (a) for first-time family buyer (including the borrower, his/her spouse and his/her underage children, similarly hereinafter) of the apartment larger than 90 square meters, a minimum 30% down payment must be paid; (b) the down payment requirement on second-home mortgages was raised to at least 50% from 40% and also reiterated that an extra 10% should be adopted on interest rates for such buyers; and (c) for those who buy three or more houses, even higher requirements on both down payments and interest rates shall be levied. In addition, the banks can suspend housing loans to third or more home buyers in places where house prices rise too rapidly and too high and home supply is insufficient.

Pursuant to the Notice on Further Standardization of the Administration of Housing Purchase by Offshore Institutions and Individuals (《關於進一步規範境外機構和個人購房管理的通知》) promulgated by the Ministry of Construction and SAFE on November 4, 2010, an offshore individual is only permitted to purchase a house for self-use in the PRC and an offshore institution which has branches or representative offices in the PRC is only permitted to purchase non-residential houses for office use in the cities where they are registered.

On September 29, 2010, the Ministry of Finance, the Ministry of Construction and SAT promulgated the Notice on the Adjustment of the Deed Tax and Personal Income Tax Preferential Policies in Real Estate Transactions (《財政部、國家稅務總局、住房和城鄉建設部關於調整房地產交易環節契稅個人所得稅優惠政策的通知》), which provides that, effective from October 1, 2010, deed tax rate is reduced to 1% for a first time individual buyer who purchases an ordinary residential property with a GFA less than 90 sq.m. as the family's sole property.

On January 26, 2011, the General Office of the State Council issued the Notice on Further Adjustment and Control of Real Estate Market (《國務院辦公廳關於進一步做好房地產市場調控工作有關問題的通知》), which provides, among other things, that:

- each municipal government shall issue its annual housing price control target in respect of newly constructed residential properties in the first quarter of 2011 after taking into account the local economic development, the increase rate of per capita disposal income and the capability to pay for residential properties;
- the management of social security housing and the increase of the supply of public leasing residential properties are reinforced;
- the supervision and inspection of LAT collection in respect of property development projects where the prices of properties developed are higher than properties in the vicinity are strengthened;

- real estate development enterprises are encouraged to build a certain proportion of public leasing residential properties together with the development of ordinary residential properties, and hold, operate or sell these public leasing residential properties to the PRC government;
- second residential property purchasers are required to pay a down payment of no less than 60% of the purchase price for these second residential properties and the applicable mortgage rate must be at least 1.1 times that of the corresponding benchmark interest rate;
- any transfer of residential properties by individuals within five years of purchase shall be subject to a business tax calculated based on the entire sale proceeds from such transfer;
- entities and persons participating in the bidding of land shall state the source of capital and provide the relevant evidence;
- land use rights granted over a parcel of land where a construction work commencement permit has not been obtained within two years shall be revoked and a fine will be imposed on the land which has been idle for more than one year;
- no land or any development project on the land shall be transferred in any manner whatsoever if the total project development investment is less than 25%;
- each local authority shall increase the supply of land and ensure that at least 70% of the total developed area of residential projects must be used for developing social security housing, residential properties built as part of shanty town redevelopment and small- to medium-sized residential properties;
- each municipality, provincial capital and cities with soaring housing prices shall implement and enforce measures restricting the purchase of residential properties. In principle:
 - families having local household registration and owning one residential property or families not having local household registration but are able to provide evidence of tax payment or social insurance payment within a certain period are allowed to purchase one additional residential property (including newly constructed residential commodity properties and second-hand residential properties); and
 - real estate development enterprises shall suspend any sale of their properties to families having local household registration and owning two or more residential properties, or families owning one or more residential property but not having local household registration and are not able to provide certain proof of local tax payment or social insurance payment, and
- if
 - a local authority fails to issue its annual housing price control target in respect of newly constructed residential properties on a timely basis; or
 - a local authority fails to comply with the obligation in achieving the target of social security housing; or
 - the housing prices of newly constructed residential properties exceed the relevant annual price control target of these properties,

the relevant local authority shall report to the State Council and the responsible persons of such local authority may be held accountable by the Ministry of Supervision, the Ministry of Construction and other departments in accordance with the relevant PRC laws and regulations.

On March 30, 2015, the Ministry of Finance and the SAT issued the Notice on Adjusting the Business Tax Policy on Transfers of Residential Properties by Individuals (《財政部、國家稅務總局關於調整個人住房轉讓營業稅政策的通知》) to discourage speculative activities in the secondary real estate market and control soaring housing prices. For example, effective from March 31, 2015:

- transfers of residential properties by individuals who have held them for less than two years are subject to business tax calculated on a gross basis;
- transfers of non-residential properties by individuals who have held them for two years or more are subject to business tax calculated on a net basis; and
- transfers of residential properties by individuals who have held them for two years or more are exempted from business tax.

The NDRC promulgated the Rules on Sales of Commercial Houses at Clearly Marked Prices (《國家發展改革委關於發佈〈商品房銷售明碼標價規定〉的通知》) (the “Rules”) on March 16, 2011, which went into effect on May 1, 2011. Pursuant to the Rules, the prices of newly constructed commercial houses sold by real estate developers and intermediary service operators shall be clearly marked. In addition, the prices of the second-hand houses sold by intermediary service operators shall also be clearly marked pursuant to the Rules. The scope of public disclosure for a clearly marked price includes the price of a commercial house, relevant charges and other factors that affect the price of the commercial house, such as the name of the developer, the property pre-sale permit, nature of land, the land use commencement and expiration years, property name, location, floor area ratio, landscaping ratio, parking space allotment ratio, the architectural structure of the property, decoration status, etc. In addition, the Rules also require that a commercial house operator shall clearly specify the price of each commercial house, i.e., one price for one house. If pricing is based on the building area or internal construction area, the unit price of the building area or the internal construction area shall also be specified. With respect to the timing of disclosure, the Rules provide that for real estate development projects for which the property pre-sale permit has been obtained or application for spot house sales has been filed for reference, the commercial house operators shall make one-off public disclosure of all sources of the houses for sale within a required time frame and shall strictly conduct external sales based on the clearly marked prices as reported.

If a commercial house operator fails to specify the prices and charge fees based on public disclosures pursuant to the Rules or engages in price fraud through price specification formats or pricing means, the Rules stipulate that the pricing authorities of all people’s governments above county level shall impose administrative punishment pursuant to laws, regulations and rules such as the Price Law of the People’s Republic of China, the Rules on Administrative Penalty against Price-related Unlawful Practices, the Rules on Clearly Marked Prices of Goods and Services, and the Rules on Prohibition against Price Fraud.

On February 26, 2013, the General Office of the State Council issued the Circular on the Continuation of Property Market Control (《國務院辦公廳關於繼續做好房地產市場調控的通知》) (“Circular 17”). Circular 17 includes the following key points:

- the refinement of housing price control targets;
- the tightening of purchase restrictions;
- a rise in minimum down payments and mortgage rates in certain situations;

- a 20% tax on profits from the individual sale of second-hand homes;
- the expansion of property tax pilot programs;
- an increase in residential land supply; and
- the acceleration of social housing construction.

In connection with Circular 17, various municipal governments have promulgated measures to further control the property markets in their respective cities, which include:

Beijing

On March 30, 2013 the Beijing Municipal Government General Office issued the Notice on Implementation of Notice of the State Council General Office on Continuing to Manage the Real Estate Market and Further Strengthen the Work on Controlling the Real Estate Market of Beijing (《北京市人民政府辦公廳貫徹落實〈國務院辦公廳關於繼續做好房地產市場調控工作的通知〉精神進一步做好本市房地產市場調控工作的通知》), according to which, each Beijing single adult who does not own any residential property is permitted to purchase only one residential property. Those who already own one or more residential properties are not qualified to purchase further residential properties. Transfer of any residential property by individuals is subject to individual income tax, which is 20% on the gains from such transfer. An individual is exempt from such individual income tax if the residential property he transfers has been used by him for five or more years and is the only residential property for his household.

Shenyang

On March 30, 2013 the Shenyang Municipal Government General Office issued the Circular on Continuing to Control the Real Estate Market (《瀋陽市人民政府辦公廳關於繼續做好房地產市場調控工作的通知》), under which each Shenyang resident household that owns only one residential property is allowed to purchase one more residential property. Non-Shenyang resident households who can provide a local tax payment certificate or social security certificate for over one year are allowed to purchase one residential property. Transfer of any residential property by individuals is subject to individual income tax, which is 20% on the gains from such transfer.

CIVIL DEFENSE PROPERTY

According to the PRC Law on Civil Air Defense (《中華人民共和國人民防空法》, the “Civil Defense Law”) promulgated by the NPC in October 1996 and amended in August 2009, civil defense is an integral part of national defense. The Civil Defense Law encourages the public to invest in the construction of civil defense property. Investors in civil defense are permitted to use (including lease), manage the civil defense property in time of peace and profit therefrom.

URBAN REDEVELOPMENT

On October 25, 2009, Guangdong Province People’s Government issued Urban Redevelopment Opinion in order to promote the redevelopment of old towns, old plants and old villages (“舊城鎮、舊廠房、舊村莊”) in Guangdong Province. The Urban Redevelopment Opinion set forth the principles for ascertaining the scope of old towns, old plants and old villages suitable for redevelopment. It encourages the original owners of the relevant land use rights to redevelop the old towns, old plants and old villages on themselves, subject to approvals by local government authorities. Where the land use rights need to be reclaimed or acquired in the redevelopment of old towns and old villages, the compensation can either be paid in cash or in the form of substitute land, or a combination thereof. Historical issues concerning the relevant land use rights can be resolved according to the principles set forth in the Urban Redevelopment Opinion.

ENVIRONMENTAL PROTECTION

In accordance with the Environmental Protection Law of the People's Republic of China (中華人民共和國環境保護法) adopted by the Standing Committee of the NPC on December 26, 1989, which has been amended on April 24, 2014 and will take effect on January 1, 2015, the Administration Supervisory Department of Environmental Protection of the State Council sets the national guidelines for the discharge of pollutants. The provincial and municipal governments of provinces, autonomous regions and municipalities may also set their own guidelines for the discharge of pollutants within their own provinces or districts in the event that the national guidelines are inadequate.

A company or enterprise which causes environmental pollution and discharges other polluting materials which endanger the public should implement environmental protection methods and procedures into their business operations. This may be achieved by setting up a system of accountability within the company's business structure for environmental protection; adopting effective procedures to prevent environmental hazards such as waste gases, water and residues, dust powder, radioactive materials and noise arising from production, construction and other activities from polluting and endangering the environment. The environmental protection system and procedures should be implemented simultaneously with the commencement of and during the operation of construction, production and other activities undertaken by the company. Any company or enterprise which discharges environmental pollutants should report and register such discharge with the Administration Supervisory Department of Environmental Protection and pay any fines imposed for the discharge. A fee may also be imposed on the company for the cost of any work required to restore the environment to its original state. Companies which have caused severe pollution to the environment are required to restore the environment or remedy the effects of the pollution within a prescribed time limit.

If a company fails to report and/or register the environmental pollution caused by it, it will receive a warning or be penalized. Companies which fail to restore the environment or remedy the effects of the pollution within the prescribed time will be penalized or have their business licences terminated. Companies or enterprises which have polluted and endangered the environment must bear the responsibility for remedying the danger and effects of the pollution, as well as to compensate the any losses or damages suffered as a result of such environmental pollution.

Regional regulations

Pursuant to the Provisions on Environmental Protection in Hainan Province, which was promulgated by the Standing Committee of the People's Congress of Hainan Province on February 18, 1990 and last amended on July 17, 2012, entities that discharge pollutants must file a registration with the administrative authorities, stating the pollutant discharge facilities and treatment facilities and the types, concentration and quantity of pollutants discharged under the normal operating conditions, and provide relevant technical materials on the control of pollution. Any material changes of such information must be filed with the administrative authorities no less than 15 days prior to the occurrence of such material changes; any urgent material changes must be filed immediately after their occurrence.

EMPLOYMENT

Pursuant to the Labour Law of the People's Republic of China (中華人民共和國勞動法) promulgated by the Standing Committee of the NPC on July 5, 1994 and was subsequently amended on August 27, 2009, the Labour Contract Law of the People's Republic of China (中華人民共和國勞動合同法) promulgated by the Standing Committee of the NPC on June 29, 2007 and was subsequently amended on December 28, 2012 and the Labour Contract Law Implementation Rules of the People's Republic of China (中華人民共和國勞動合同法實施條例) promulgated by the State Council on September 18, 2008, companies must enter into employment contracts with their employees, based on the principles of equality, consent and agreement through consultation. Companies must establish and effectively implement system of ensuring occupational safety and health, educating employees on occupational safety and health, preventing work-related accidents and reducing occupational hazards. Companies must also pay for their employees' social insurance premium.

FOREIGN DEBT

On January 8, 2003, Interim Provision on Foreign Debts Management (外債管理暫行辦法) was promulgated by the NDRC, SAFE, and the PRC Ministry of Finance, according to which, the summation of the accumulated medium-term and long-term loans borrowed by a foreign invested entity and the balance of short-term shall not exceed the surplus between the total investment and the registered capital of the foreign-invested entity. Within the range of the surplus, the foreign invested entity may borrow foreign loans at its own will. If the loans exceed the surplus, the total investment of the foreign invested entity shall be re-examined by its original examination and approval authorities.

RULES AND REGULATIONS ON FOREIGN EXCHANGE AND DIVIDEND DISTRIBUTION

The Foreign Currency Administration Rules

The principal regulation governing foreign currency exchange in the PRC is the Foreign Currency Administration Rules (外匯管理條例) which was issued by the State Council in January 1996, came into effect in April 1996 and was amended in January 1997 and August 2008. Under these rules, RMB is freely convertible for payments of current account items, including trade and service related foreign exchange transactions and dividend payments, but not for capital account items, including direct investment, loan or investment in securities outside the PRC. RMB may only be converted for capital account items once the prior approval of the SAFE has been obtained. Under the Foreign Currency Administration Rules, foreign-invested enterprises in the PRC may purchase foreign exchange without the approval of the SAFE for trade and service-related foreign exchange transactions by providing commercial documents evidencing such transactions. They may also retain foreign exchange (subject to a cap approved by the SAFE) to satisfy foreign exchange liabilities or to pay dividends. However, the relevant PRC Government authorities, which have significant administrative discretion in implementing the laws, may restrict or remove the ability of foreign invested enterprises to purchase and retain foreign currencies in the future. In addition, foreign exchange transactions involving direct investment, loans and investment in securities outside the PRC are subject to limitations and require approvals from the SAFE. Foreign institutions or individuals that propose to make direct investment in the PRC shall go through the formalities for registration with the local SAFE after the relevant competent authorities approve the proposals. Foreign debts shall be borrowed in accordance with the relevant provisions of the PRC and registered with the local SAFE.

The Circular of the State Administration of Foreign Exchange on Reforming the Management regarding the Settlement of Foreign Exchange Capital of Foreign-invested Enterprises (國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知) was promulgated by SAFE on March 30, 2015 and became effective on June 1, 2015 (the “Circular on Settlement of Foreign Exchange Capital”). According to the Circular on Settlement of Foreign Exchange Capital, where the rights to and interests in foreign exchange capital in certain capital accounts have been confirmed to be that of foreign-invested enterprises by the local foreign exchange bureau, such foreign exchange capital may be converted into RMB at the local banks based on the actual operational needs of such foreign-invested enterprises. Upon conversion, such amounts shall be managed under an account for pending foreign exchange settlement payment. The use of such converted capital must be for business-related purposes of the foreign-invested enterprise only and shall be in accordance with the principle of authenticity.

Regulations on Dividend Distribution

The principal laws and regulations governing distribution of dividends paid by foreign-invested enterprises in the PRC include (a) the Company Law, (b) the WFOE Law and its implementing regulations, (c) the EJV Law and its implementing regulations and (d) the CJV Law and its implementing rules. Under the above laws and regulations, domestic companies and foreign-invested enterprises in the PRC may pay dividends only from accumulated after-tax profits, if any, determined in accordance with the PRC accounting standards and regulations. In addition, such enterprises are required to set aside at least 10.0% of their after-tax profits each year, if any, to fund certain reserve funds. Until such time as the accumulated reserve funds reach and remain above 50.0% of the enterprise’s registered capital amount, these reserves are not distributable as cash dividends. Under the relevant PRC laws, no net assets other than the accumulated after-tax profits can be distributed in the form of dividends.

On July 18, 2013, the SAFE promulgated the Guidelines for Foreign Exchange Administration of Trade in Services (服務貿易外匯管理指引) (the “Foreign Exchange Guidelines”) and the Detailed Rules of Implementation of the Guidelines for Foreign Exchange Administration of Trade in Services (服務貿易外匯管理指引實施細則) (the “Detailed Rules”), which both came into effect on September 1, 2013. Pursuant to the Foreign Exchange Guidelines and the Detailed Rules, payments in foreign exchange for the purpose of distribution of dividends are categorized as payments under trade in services. For payments in amount of USD50,000 or less under trade in services, financial institutions handling such payments may process without reviewing transactional documents, unless the nature of the funds is unclear; for payments under trade in services in the amount of more than USD50,000, financial institutions are required to review and retain the transactional documents for such payments. For payments in dividends, required transactional documents include’ auditor’s reports of the relevant years, resolutions of the board of directors on the distribution of dividends, and the capital verification report of the latest period.

On January 10, 2014, the SAFE released the Notice on Further Improving and Adjusting the Policies on Capital Account Foreign Exchange Administration (關於進一步改進和調整資本項目外匯管理政策的通知), which came into effect on February 10, 2014 and repealed the requirement for financial institutions to review transaction documents in relation to the distribution of dividends amounting to no more than US\$50,000. Where dividends amounting to more than US\$50,000 are to be distributed, the auditor’s report and the capital verification report are in principle not required to be submitted although review of the board resolution to distribute dividends and the tax return is still required.

RECORD FILING AND REGISTRATION

The Circular on Promoting the Reform of the Administrative System on the Issuance by Enterprises of Foreign Debt Filings and Registrations (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知(發改外資[2015]2044號)) (the “NDRC Circular”) issued by the National Development and Reform Commission of the PRC or its local counterparts (“NDRC”) on September 14, 2015 which came into effect on the same day, relates to the matters as listed below:

- remove the quota review and approval system for the issuance of foreign debts by enterprises, reform and innovate the ways that foreign debts are managed, and implement the administration of record-filing and the registration system. Realize the supervision and administration of the size of foreign debts borrowed on a macro level with the record-filing, registration, and information reporting of the issuance of foreign debts by enterprises;
- before the issuance of foreign debts, enterprises shall first apply to NDRC for the handling of the record-filing and registration procedures and shall report the information on the issuance to NDRC within ten working days of completion of each issuance;
- record-filing and registration materials to be submitted by an enterprise for the issuance of foreign debts shall include: application report for the issuance of foreign debts and issuance plan, including the currency, size, interest rate, and maturity of foreign debts, the purpose of the funds raised, back flow of funds, etc. The applicant shall be responsible for the authenticity, legality, and completeness of the application materials and information;
- NDRC shall decide whether to accept the application for record-filing and registration within five working days of receiving it and shall issue a Certificate for Record-filing and Registration of the Issuance of Foreign Debts by Enterprises within seven working days of accepting the application and within the limit of the total size of foreign debts;
- the issuer of foreign debts shall handle the procedures related to the outflow and inflow of foreign debt funds with the Certificate for Record-filing and Registration according to the regulations. When the limit of the total size of foreign debts is exceeded, NDRC shall make a public announcement and no longer accept applications for record-filing and registration; and
- if there is a major difference between the actual situation of the foreign debts issued by the enterprises and the situation indicated in the record-filing and registration, an explanation shall be given when reporting relevant information. NDRC shall enter the poor credit record of an enterprise which maliciously and falsely reports the size of its foreign debts for record-filing and registration into the national credit information platform.

Pursuant to the Foreign Debt Registration Measures and its operating guidelines (外債登記管理辦法及操作指南), effective as of May 13, 2013, issuers of foreign debts are required to register with SAFE. Issuers other than banks and financial departments of the government shall go through registration or record-filing procedures with the local branch of SAFE within 15 business days of entering into a foreign debt agreement. If the receipt and payment of funds related to the foreign debt of such issuer is not handled through a domestic bank, the issuer shall, in the event of any change in the amount of money withdrawn, principal and interest payable or outstanding debt, go through relevant record-filing procedures with the local branch of SAFE.

MANAGEMENT

Our Board currently consists of seven Directors, comprising four executive Directors and three independent non-executive Directors. 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 as of the date of this offering memorandum:

Name	Age	Existing Position in our Company, Roles and Responsibilities
ZHANG Zhangsun (張章筭)	63	Chairman, executive Director and president; responsible for strategic planning, development, operation and management of our Group
GE Weiguang (葛偉光).	55	Executive Director and vice president; responsible for financing activities of our Group
RUAN Wenjuan (阮文娟)	41	Executive Director and vice president; responsible for bidding affairs, cost management and financial management of our Group
ZHANG Jin (張瑾).	35	Executive Director and vice president; responsible for commercial management of our Group
LUO Zhenbang (羅振邦)	53	Independent non-executive Director; performing roles as a non-executive Director
LAI Siming (賴思明)	61	Independent non-executive Director; performing roles as a non-executive Director
CHEN Jingru (陳靜茹)	55	Independent non-executive Director; performing roles as a non-executive Director

Directors

Executive Directors

Mr. ZHANG Zhangsun (張章筭), or Chairman Zhang, aged 63, is the founder of the Group and one of the Controlling Shareholders. Chairman Zhang also serves as executive Director, president and the chairman of the Nomination Committee of the Company and as chairman of Beijing Glory Xingye Real Estate Holding Limited* (北京國瑞興業房地產控股有限公司) (“New Beijing Glory”). Chairman Zhang has over 20 years of experience in real estate development, management and operation. He established our Group in April 1994 and has since led the Group in its development of real estate projects. Before he established our Group, Chairman Zhang used to work in the Shantou Commodities Bureau from 1980 to 1987. Chairman Zhang is also a member of the Chinese People’s Political Consultative Committee of Beijing Municipality, a member of the standing committee of the Chinese People’s Political Consultative Committee of Dongcheng District of Beijing, a representative of the National People’s Congress of Shantou Municipality, an executive committee member and the vice chairman of Real Estate Chamber of Commerce of the All-China Federation of Industry and Commerce and the chairman of Chaoshan Chamber of Commerce in Beijing. He graduated from high school in Shantou in July 1969.

Mr. GE Weiguang (葛偉光), aged 55, serves as executive Director and vice president of the Company and as the director of New Beijing Glory. Mr. Ge joined the Group in September 2008 and has since served as vice president of Beijing Glory Xingye Real Estate Co., Ltd* (北京國瑞興

業地產股份有限公司) (“Original Beijing Glory”). Before joining us, he successively served as the deputy section chief of Daxilin Iron Mine of Xilin Steel Group Co., Ltd.* (西林鋼鐵公司大西林鐵礦), a steel manufacturing company, from August 1984 to June 1990, primarily responsible for the financial management; the deputy section chief of Heilongjiang Aluminum Foil Factory* (黑龍江鋁箔廠), an aluminum processing company, from June 1990 to June 1992, primarily responsible for the financial management; the assistant to president and deputy chief accountant of Orient Holding Co., Ltd., a listed company on the Shanghai Stock Exchange (stock code: 600811) engaged in various businesses including, among others, banking and financing businesses and precious mineral resources exploration and extraction businesses, from June 1992 to September 1995, responsible for general management of the company’s accounting and financing affairs; the vice president and chief financial officer of Jinzhou Port Co., Ltd., a listed company on the Shanghai Stock Exchange (A share stock code: 600190, B share stock code: 900952) mainly engaged in port and transportation businesses, from September 1995 to April 2001, primarily responsible for accounting, investment and financing and listing affairs; the vice president and chief financial officer of Jitong Network Communications Limited* (吉通通信網絡股份有限公司), a telecommunication company, from April 2001 to December 2002, primarily responsible for accounting, investment and financing and listing affairs; and the executive vice president of Oriental Garden Properties Limited* (東方家園置業有限公司), a building materials trading company, from December 2002 to April 2007, primarily responsible for assisting the president in the company’s daily operation and management. Mr. Ge was awarded the qualification of accountant by the Metallurgical Industry Department of Heilongjiang Province in November 1991. He obtained a Bachelor’s degree in industrial finance and accounting in August 1984 and a Master’s degree in management science and engineering in July 1999 from Harbin Institute of Technology.

Ms. RUAN Wenjuan (阮文娟), aged 41, the spouse of Chairman Zhang, serves as executive Director, vice president, a member of the Remuneration Committee, a member of the Internal Control Committee of the Company and as director of New Beijing Glory. Ms. Ruan joined the Group in January 2000 and was responsible for financial management related work in Shantou Garden Group Co., Ltd.* (汕頭花園集團有限公司) (“Garden Group”). She successively served as the financial manager and chief financial officer in Original Beijing Glory since 2004. In August 2006, Ms. Ruan was appointed as a director and vice president in Original Beijing Glory and was primarily responsible for the cost management and financial management affairs of our Group. Ms. Ruan completed the real estate EMBA program from Tsinghua University in September 2004.

Ms. ZHANG Jin (張瑾), aged 35, the daughter of Chairman Zhang, serves as executive Director and vice president of the Company and as director of New Beijing Glory. Ms. Zhang joined the Group in August 2006 and served as the assistant to the chairman of Original Beijing Glory. Since August 2008, Ms. Zhang served as the vice president of Original Beijing Glory, primarily responsible for the management and operation of our commercial properties. She is also the executive director of Beijing Glory Industrial Commercial Management Limited* (北京國瑞興業商業管理有限公司) (“Glory Commercial Management”) and chairman of Beijing Yinhe Glory Commercial Investment Co., Ltd.* (北京銀和國瑞商業投資有限公司). Ms. Zhang graduated from Holmes Institute in Australia majoring in business administration in August 2007. She also participated in the international real estate advanced leadership program in Harvard University in May 2007, the globalized city and real estate operator course in The University of Hong Kong in January 2008 and the entrepreneur development program in globalization in University of Cambridge in April 2008. Ms. Zhang was awarded “China Real Estate Top Hundred Person” (中國房地產百傑) by CIHAF China Real Estate Mainstream Media Alliance (CIHAF中國房地產主流媒體聯盟) in 2008, “China Shopping Mall Center Top Professional of Year 2010” (中國購物中心2010年度職業精英) by PURCHASING Union Mall Development Committee (中購聯購物中心發展委員會) in 2010 and “China Commercial Properties Influential Person” (中國商業地產影響力人物) by China Commercial Real Estate Industry Development Forum (中國商業地產行業發展論壇)

in 2013. Ms. Zhang is also a vice chairman of Chamber of Commerce of Dongcheng District of Beijing, council of China Commercial Real Estate Association, vice chairman of China International SME Union and member of the Chinese People's Political Consultative Committee of Dongcheng District of Beijing.

Independent Non-executive Directors

Mr. LUO Zhenbang (羅振邦), aged 53, serves as independent non-executive Director, chairman of the Audit Committee, a member of the Remuneration Committee, a member of the Nomination Committee and a member of the Internal Control Committee of the Company. Mr. Luo was appointed as an independent non-executive Director of the Company on July 5, 2013. Mr. Luo is the director and senior partner of BDO China Shu Lun Pan CPAs. He has been an independent non-executive director of China Aerospace International Holding Limited (a company listed on the Stock Exchange, stock code: 31) since December 2004, and an independent director of China City Railway Transportation Technology Holdings Company Limited (a company listed on the Stock Exchange, stock code: 1522) since November 2012, Xinjiang Goldwind Science & Technology Co., Ltd. (a company listed on the Stock Exchange (stock code: 2208) and Shenzhen Stock Exchange (stock code: 002202)) since June 2013 and Digital China Information Service Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 000555) since January 2014, respectively. Mr. Luo is also a member of internal audit team of Northeast Securities Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 000686). Mr. Luo used to worked successively in several accounting firms, namely Ningxia CPAs* (寧夏會計師事務所), Zhongzhou CPAs* (中洲會計師事務所), Zhong Tian Xin CPAs* (中天信會計師事務所) and Tianhua CPAs* (天華會計師事務所) before he joined BDO China Shu Lun Pan CPAs in May 2008. He also used to serve as a supervisor in China Cinda Asset Management Co., Ltd. from January 2001 to December 2002 and China Greatwall Asset Management Co., Ltd. from January 2003 to December 2004. He was also an independent director of Ningxia Zhongyin Cashmere Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 982) between 2001 to 2004, Long March Launch Vehicle Technology Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 600879) between 2002 to 2008, Ningxia Orient Tantalum Industry Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 962) between 2002 to 2005, Wuzhong Instrument Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 862) between 2004 to 2005 and AVIC Heavy Machinery Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 600765) between 2010 to 2011, respectively. Mr. Luo was awarded professional qualifications as a certified public accountant by the MOF in January 1995 and a certified accountant in securities and futures industry by the MOF and CSRC in July 1997. He graduated from the School of Business of Lanzhou in June 1991 majoring in Enterprise Management and obtained the Master's degree in enterprise management and innovation from the Australia National University in July 2007.

Mr. LAI Siming (賴思明), aged 61, serves as independent non-executive Director, chairman of the Remuneration Committee, a member of the Audit Committee and a member of the Nomination Committee of the Company. Mr. Lai was appointed as independent non-executive Director of the Company on July 5, 2013. Mr. Lai has been the member of the Royal Institution of Chartered Surveyors since June 1983 and the member of the Hong Kong Institute of Surveyors since August 1984. In April 1999, Mr. Lai became the fellow member of the Hong Kong Institute of Surveyors. Mr. Lai is a professional surveyor and has considerable experience in the property field. Between September 1980 to February 1994 and August 1997 to June 2002, Mr. Lai was working in Knight Frank (known as F.Y. Kan & Partners in 1980), an international property consultant firm, offering property consulting services. Mr. Lai is an independent non-executive director of Asia Commercial Holdings Limited (a company listed on the Stock Exchange, stock code: 104) since August 1998. Mr. Lai was also an independent non-executive director of The Sun's Group Limited (a company listed on the Stock Exchange, stock code: 988) from May 2002 to March 2003. Mr. Lai served as the Vice Chairman, General Practice Division of the Hong Kong Institute of Surveyors for two years (GPD Council 2001-2003). Mr. Lai obtained a Master's degree in business administration from The Chinese University of Hong Kong in November 2001.

Ms. CHEN Jingru (陳靜茹), aged 55, serves as independent non-executive Director, chairman of the Internal Control Committee and a member of the Audit Committee of the Company. Ms. Chen was appointed as independent nonexecutive Director of the Company on June 5, 2014. Ms. Chen is the global partner of DeHeng Law Offices. Ms. Chen has been working in DeHeng Law Offices since 1993 and has extensive experience in the corporate and securities aspects. Ms. Chen was awarded her professional qualification as a lawyer conferred by the Lawyer Qualification Committee of the PRC Ministry of Justice in March 1993. She obtained a Bachelor's degree majoring in law in July 1985 and a Master's degree majoring in law in December 1990 from Nankai University.

Senior Management

The table below sets forth certain information concerning our other senior management members:

Name	Age	Existing Position in our Company, Roles and Responsibilities
DAI Jie (戴傑).....	50	Vice president, responsible for the project construction and management of our Group
HAO Zhenhe (郝振河).....	64	Vice president, responsible for the overall management in Langfang
LIN Yaoquan (林耀泉).....	52	Vice president, responsible for the overall management in Shantou
LI Bin (李斌).....	47	Vice president, responsible for the overall management in Beijing
SUN Xiaodong (孫曉東)	50	Vice president, responsible for the bidding and procurement and cost management affairs of our Group
LIU Wenling (劉文玲)	47	Vice president, responsible for cost management affairs of our Group
DONG Xueer (董雪兒).....	41	Chief Financial Officer, responsible for the financial affairs of our Group
TIAN Yanchun (田燕春).....	47	Assistant to the Chairman, responsible for the bidding and procurement affairs of our Group
YAN Shuang (閆雙).....	38	Assistant to the Chairman, responsible for the chairman office affairs and president office affairs
ZHENG Jin (鄭瑾).....	36	Board Secretary, responsible for the secretarial affairs

Mr. DAI Jie (戴傑), aged 50, serves as the vice president of the Company. Mr. Dai joined our Group in November 2011 and has since successively served as the regional manager of Hainan Region and the director of the group operation and construction management center of Original Beijing Glory. Mr. Dai has more than 13 years of experience in the development, operation and construction management of property development companies. Before joining us, Mr. Dai successively served as the director of construction department of New World China Land (Beijing) Limited (香港新世界中國地產有限公司北京公司) from December 2001 to June 2010, responsible for project development; and deputy general manager of Beijing Xinjingrun Property Co., Ltd. (北京新京潤房地產有限公司) from July 2010 to November 2011, responsible for project development. Mr. Dai was awarded the professional qualification as an engineer by China Railway Group Limited in June 2008. He obtained a bachelor's degree in industrial and civil construction from Beijing University of Technology in July 1993.

Mr. HAO Zhenhe (郝振河), aged 64, serves as the vice president of the Company and as the general manager of Langfang Glory. Mr. Hao joined our Group in July 2001 and has successively served as the head of the general office and head of the planning and development department of Original Beijing Glory, the general manager of Glory Service and vice president of Original Beijing Glory. Before joining us, Mr. Hao worked at the International Liaison department of the Chinese Communist Party Central Committee from April 1971 to April 2001. Mr. Hao obtained a college degree in journalism from the college of journalism of All-China Journalists Association (中國記協新聞學院) in July 1992.

Mr. LIN Yaoquan (林耀泉), aged 52, Chairman Zhang's brother-in-law, serves as the vice president of the Company and as the general manager of Garden Group, Shantou Glory, Shantou Guohua, Shantou Zhoucuowen and Shantou Construction Materials. Mr. Lin joined our Group in August 2004 and has served as the vice president and regional manager of Shantou Region of Original Beijing Glory since 2009. He has also been the general manager of Shantou Industrial Materials Exchange Center (汕頭工業材料交易中心) since 2004 and the general manager of Shantou Guohong Construction Limited (汕頭市國宏建築有限公司) since 2010. Before joining us, Mr. Lin served as a clerk of the import and export department of Jinming Wujin from April 1989 to May 1993, responsible for daily operation of the import and export department; the manager of the import and export department of Shantou Jinming Development Company (汕頭金明發展有限公司) from June 1993 to February 1998, responsible for daily operation of the import and export department; the general manager of Chaozhou Caitang Yaolong Stainless Steel Products Co., Ltd. (潮州彩塘耀龍不鏽鋼製品有限公司) from July 1998 to March 2004, responsible for overall management of this company. Mr. Lin graduated from high school in Shantou.

Mr. LI Bin (李斌), aged 47, serves as the vice president of the Company and as the chairman of Beijing Glory. Mr. Li joined our Group in July 1997 and successively served as the procurement manager, sales manager and public relationship manager of Garden Group and the deputy general manager of Hainan Glory. He has worked in Original Beijing Glory since 2002 and successively served as the secretary to the chairman and the assistant to the chairman. Mr. Li is also the vice chairman of Qianmen Branch of Dongcheng District of Beijing Federation of Industry & Commerce, the member of the Youth Federation of Dongcheng District of Beijing, a director and deputy secretary-general of Chaoshan Chamber of Commerce in Beijing. Mr. Li completed business administration program from International Business University of Beijing in July 2006.

Mr. SUN Xiaodong (孫曉東), aged 50, serves as the vice president of the Company, and has served for the Company for 7 years. Mr. Sun is responsible for bidding and procurement as well as cost management. Mr. Sun has over 10 years of experience in project management and 17 years of experience in real estate operation. Before joining us, Mr. Sun served in renowned property companies such as Tsinghua Tongfang Nuclear Technology Limited (清華同方核技術股份有限公司), Longfor Properties Co., Ltd (龍湖地產有限公司) and HKI China Land (香江國際中國地產有限公司). Mr. Sun obtained a bachelor's degree in business administration from Renmin University of China and held qualifications as a senior engineer, a PRC certified budgeting specialist and a real estate valuer.

Ms. LIU Wenling (劉文玲), aged 47, serves as the vice president of the Company, joined the Company in February 2016, and is responsible for cost management. Before joining the Company, Ms. Liu served as the assistant manager of the auditing management department of Beijing Sunshine 100 Real Estate Group (北京陽光壹佰置業集團有限公司) from March 2003 to February 2005. From February 2005 to September 2009, Ms. Liu served as the deputy general manager of the contract management department of the North China Region Headquarter of Forte Group (複地集團). From September 2009 to March 2013, Ms. Liu served as the director of the cost and contract management department of Minmetals Land Limited (五礦建設有限公司). From March 2013 to August 2015, Ms. Liu served as the general manager of the cost and contract management department of China Jinmao (中國金茂). Ms. Liu obtained a bachelor's degree in environmental engineering from East China University of Science and Technology in July 1995.

Ms. DONG Xueer (董雪兒), aged 41, serves as the chief financial officer of the Company. Ms. Dong joined our Group in October 1997 and successively served as the general accountant in Glory Management from October 1997 to January 2003, account officer in Original Beijing Glory from February 2003 to July 2008 and chief financial officer in Shenyang Dadongfang from August 2008 to February 2010. Since March 2010, Ms. Dong has served as the chief financial officer in Original Beijing Glory, responsible for its overall financial management, including but not limited to fund management, loan management, asset management and accounting computations. Ms. Dong obtained a college degree in accounting from the University of International Business and Economics in July 2006.

Ms. TIAN Yanchun (田燕春), aged 47, serves as the assistant to the Chairman of the Company. Ms. Tian joined our Group in April 2005 and successively served as the financial manager, chief financial controller, director of the auditing center, head of the bidding and procurement center of Original Beijing Glory, responsible for the bidding and procurement affairs. Before joining us, she served as the cost engineer in Beijing Vanke Co., Ltd. (北京萬科企業有限公司), a real estate development company, from September 1998 to September 2004, responsible for cost management. Ms. Tian was awarded the qualification as a certified cost engineer by Beijing Municipal Bureau of Personnel in October 2005. She obtained a bachelor's degree in civil defense engineering construction from Institute of Engineering Corps, PLA University of Science (中國人民解放軍理工大學工程兵工程學院) in July 1994.

Mr. YAN Shuang (閆雙), aged 38, serves as the assistant to the Chairman of the Company. Mr. Yan joined our Group in March 2004 and has since successively served as various positions in our Group, namely the security head of Glory Industrial from March 2004 to February 2005; the deputy general manager of Glory Services from February 2005 to September 2009; the deputy general manager of Glory Commercial Management from September 2009 to March 2012; and the assistant to the chairman and the director of the president office of Original Beijing Glory since March 2012. Mr. Yan was awarded a certificate in property management in June 2011 by Beijing Municipal Commission of Housing and Urban-Rural Development. He is pursuing a college degree in business administration at the School of Network and Continuing Education of Xidian University.

Ms. ZHENG Jin (鄭瑾), aged 36, serves as the board secretary and joint company secretary of the Company. Ms. Zheng joined our Group in January 2010 and has served as the vice president of the capital and financial management center and the operation and construction management center of Original Beijing Glory since October 2010 and February 2013, respectively. Before joining us, she served as the assistant manager in KPMG Huazhen (special general partnership) from July 2007 to January 2010, responsible for auditing. Ms. Zheng was awarded the qualification as a certified public accountant by the Chinese Institute of Certified Public Accountants in August 2009. She obtained a bachelor's degree in engineering management in July 2004 and a master's degree in finance in June 2007 from Central University of Finance and Economics.

Joint Company Secretaries

Ms. ZHENG Jin (鄭瑾), aged 36, serves as the joint company secretary of the Company. See the sub-section entitled “— Senior Management” of this section for her biography.

Ms. KWONG Yin Ping Yvonne (鄺燕萍), serves as the joint company secretary of the Company. Ms. Kwong is a vice president of SW Corporate Services Group Limited, a specialty corporate services provider focusing on the provision of listing company secretarial and compliance services. She holds a degree in accountancy from the Hong Kong Polytechnic University and is a fellow of The Hong Kong Institute of Chartered Secretaries and a fellow of The Institute of Chartered Secretaries and Administrators. Ms. Kwong has extensive experience in providing company secretarial and compliance services to numerous private and listed companies.

Board Committees

Audit Committee

We established an audit committee on June 5, 2014 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C.3 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The audit committee consists of three independent non-executive Directors including Mr. Luo Zhenbang, Mr. Lai Siming and Ms. Chen Jingru. The audit committee is chaired by Mr. Luo Zhenbang. The primary duties of the audit committee are to assist the Board in providing an independent view of the effectiveness of the financial reporting process, internal control and risk management system of our Group, to oversee the audit process and to perform other duties and responsibilities as assigned by the Board.

Remuneration Committee

We established a remuneration committee on June 5, 2014 with written terms of reference in compliance with paragraph B.1 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The remuneration committee consists of two independent non-executive Directors, namely Mr. Lai Siming, Mr. Luo Zhenbang and one executive Director, namely Ms. Ruan Wenjuan. The remuneration committee is chaired by Mr. Lai Siming. The primary duties of the remuneration committee are, among other things, to make recommendations to the Board on the Company's policy and structure for all Directors' and senior management members' remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy.

Nomination Committee

We established a nomination committee on June 5, 2014 with written terms of reference in compliance with paragraph A.4 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The nomination committee consists of one executive Director, namely Chairman Zhang and two independent non-executive Directors, namely Mr. Luo Zhenbang and Mr. Lai Siming. The nomination committee is chaired by Chairman Zhang. The primary duties of the nomination committee are, among other things, to review the structure, size and composition of the Board, to assess the independence of the independent non-executive Directors and to make recommendations to the Board on the appointment and re-appointment of Directors.

Internal Control Committee

We established an internal control committee on June 5, 2014. The internal control committee consists of two independent non-executive Directors, namely Ms. Chen Jingru and Mr. Luo Zhenbang and one executive Director, namely Ms. Ruan Wenjuan. The internal control committee is chaired by Ms. Chen Jingru. The primary duties of the internal control committee are, among other things, to review and discuss the solutions to regulatory, compliance and internal control related matters and report to the Board on a quarterly basis.

Compensation of Directors and Senior Management

Our executive Directors, who are also our employees, receive, in their capacity as our employees, compensation in the form of salary and cash bonus.

The aggregate amount of remuneration including fees, salaries, contributions to pension schemes, housing allowances and other allowances and benefits in kind and discretionary bonuses which were paid to our Directors for the years ended December 31, 2015, 2016, 2017 and for the six months ended June 30, 2017 and 2018 was RMB12.2 million, RMB11.0 million, RMB12.1 million (US\$1.8 million), RMB6.1 million and RMB5.7 million (US\$0.9 million), respectively.

The aggregate amount of remuneration, including fees, salaries, contributions to pension schemes, housing allowances and other allowances and benefits in kind and discretionary bonuses which were paid by us to our five highest paid individuals for the years ended December 31, 2015, 2016 and 2017 was RMB36.4 million, RMB19.2 million and RMB15.3 million (US\$2.3 million), respectively.

No remuneration was paid by us to the Directors or the five highest paid individuals as an inducement to join or upon joining us or as a compensation for loss of office in respect of the years ended December 31, 2015, 2016 and 2017. Further, none of our Directors waived any remuneration during the same periods.

PRINCIPAL SHAREHOLDERS

The following table sets forth certain information regarding ownership of our outstanding shares as of the date of this Offering 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 Shareholder	Nature of Interest	Number of Shares	Approximate Percentage of Interest in our Company
Chairman Zhang ⁽¹⁾	Interest of a controlled corporation	3,254,615,570	73.15%
Alltogether	Beneficial owner	3,254,615,570	73.15%
China Create Capital Limited	Beneficial owner	266,665,078	6.00%

Notes:

- (1) Alltogether is wholly-owned by Chairman Zhang. As such, Chairman Zhang, through Alltogether, is indirectly interested in the shares held by Alltogether. Further, as Ms. Ruan Wenjuan, an executive Director of our Company, is the spouse of Chairman Zhang, Ms. Ruan Wenjuan is also deemed to be interested in the shares held by Alltogether under the SFO.

RELATED PARTY TRANSACTIONS

The following discussion describes certain material related party transactions between our consolidated subsidiaries and our directors, executive officers and principal shareholders and, in each case, the companies with whom they are affiliated. Each of our related party transactions was entered into in the ordinary course of business, on fair and reasonable commercial terms, in our interests and the interests of our shareholders.

As a listed company on the Hong Kong Stock Exchange, we are subject to the requirements of Chapter 14A of the Listing Rules which require certain “connected transactions” with “connected persons” be approved by a company’s independent shareholders. Each of our related party transactions disclosed hereunder that constitutes a connected transaction within the meaning of the Listing Rules requiring shareholder approval has been so approved, or otherwise exempted from compliance under Chapter 14A of the Listing Rules.

A. At the end of each relevant period, the Group has amounts receivable from the following related parties and the details are set out below:

Name of Related Party	As of December 31,				As of June 30,		
	2015	2016	2017	2017	2017	2018	2018
	RMB	RMB	RMB	US\$	RMB	RMB	US\$
	(audited)	(audited)	(audited)	(in thousands)	(unaudited)	(unaudited)	
Jinming Wujin	70,000	—	—	—	—	—	—
Tonghe Leasing. . . .	1,063	—	—	—	—	—	—
Foshan Yinhe	—	—	16,792	2,538	2,700	18,355	2,774
Shenzhen Glory Industrial.	—	5,000	5,000	756	5,000	5,000	756
Glory Services	—	—	3,823	578	—	3,062	463
Shenyang Xingda. . .	—	—	662	100	—	—	—
Alltogether Land . . .	—	—	140	21	—	140	21
Maorui Zhiye	—	—	827,914	125,117	—	629,995	95,207
Ruida Zhiye.	—	—	2,073,866	313,410	—	864,006	130,572
Glory Commercial Management	—	—	—	—	—	2,077	314
Shantou Guosha . . .	—	—	—	—	—	659,866	99,721
Ruimao Zhiye.	—	—	—	—	—	285,706	43,177
Shenzhen Glory Medical.	—	—	—	—	—	3,400	514
Shenzhen Guokesheng Robot	—	—	—	—	—	200	30
Total	<u>71,063</u>	<u>5,000</u>	<u>2,928,197</u>	<u>442,520</u>	<u>7,700</u>	<u>2,471,807</u>	<u>373,548</u>

B. At the end of each relevant period, the Group has amounts payable to the following related parties and the details are set out below:

Name of Related Party	As of December 31,				As of June 30,		
	2015	2016	2017	2017	2017	2018	2018
	RMB	RMB	RMB	US\$	RMB	RMB	US\$
	(audited)	(audited)	(audited)		(unaudited)	(unaudited)	
	(in thousands)						
Jinming Wujin	180	192	181	27	188	182	28
Alltogether Land . . .	27,770	219,444	605,521	91,509	404,225	1,512,083	228,511
Tonghe Leasing	3,000	—	—	—	—	—	—
Glory Commercial Management	24,107	3,431	2,417	365	3,204	521	79
Glory Services	—	2,446	9,847	1,488	4,366	11,833	1,788
Shantou Garden Hotel	—	—	3	—	3	—	—
Ruida Zhiye	—	—	7,000	1,058	—	—	—
Guangdong Hongtaiguotong . .	—	—	67,020	10,128	—	—	—
Guangdong Guosha . .	—	—	11,370	1,718	—	—	—
Tianjin Tianfurongsheng . .	—	—	44,890	6,784	—	—	—
Sanya Jingheng	—	—	67,130	10,145	—	—	—
Handan Guoxia	—	—	31,430	4,750	—	—	—
Chongqing Guosha . .	—	—	12,080	1,826	—	—	—
Heshan Tengyue	—	—	34,340	5,190	—	—	—
Shenyang Xingda . . .	—	—	—	—	—	333	50
Shantou Guosha	—	—	—	—	—	1,174,505	177,495
Longhu Huamu	—	—	—	—	—	29,500	4,458
Mr. Zhang Zhangsun.	—	—	—	—	—	16,859	2,548
Total	55,057	225,513	893,229	134,988	411,986	2,745,816	414,958

C. During the relevant periods, the Group entered into the following transactions with its related parties:

Name of Related Party	Nature of Transaction	As of December 31,				As of June 30,		
		2015	2016	2017	2017	2017	2018	2018
		RMB	RMB	RMB	US\$	RMB	RMB	US\$
		(in thousands)						
Tonghe Leasing	Internet expense	190	—	—	—	—	—	—
Glory Commercial Management	Property management services fee	16,832	6,508	42,978	6,495	—	2,773	419
Foshan Yinhe (note i)	Property management services fee	—	—	24,502	3,703	7,642	1,563	236
Shenyang Xingda	Property management services fee	—	—	3,838	580	—	1,249	189
Glory Services	Property management services fee	—	—	11,944	1,805	—	1,326	200
Total		17,022	6,508	83,262	12,583	7,642	6,911	1,044

Note:

- (i) Included in the amount of RMB24,502,000, approximately RMB7,642,000 was the management services fee payable by the Group to Foshan Yinhe in the first half of 2017, in respect of the services rendered as stated in the management service agreement entered into in 2016. In the opinion of the directors of the Company, as the applicable highest percentage ratio with respect to the actual transaction amount incurred in the first half of 2017 was lower than 0.1% of revenue of 2016, thus this amount was exempted from the disclosure of the continuing connected transactions for the year as required under Listing Rule 14.07.

DESCRIPTION OF OTHER MATERIAL INDEBTEDNESS

To fund our existing property projects and to finance our working capital requirements, we have entered into loan agreements and trust financing agreements with various banks and financial institutions. As of June 30, 2018, our outstanding current and non-current bank and other borrowings amounted to RMB22,006.8 million (US\$3,325.7 million) and our corporate bonds increased to RMB3,994.6 million (US\$603.7 million). As of June 30, 2018, we had outstanding senior notes of RMB4,259.9 million (US\$643.8 million). Set forth below is a summary of the material terms and conditions of these loans and other indebtedness.

PRC BANK LOAN AGREEMENTS

Certain of our PRC subsidiaries have entered into loan agreements with various PRC banks, including but not limited to Agricultural Bank of China, Ping An Bank, Bank of Beijing. These PRC bank loans include project loans to finance the construction of our projects and loans to finance our working capital requirements. They have terms ranging from one year to 15 years, which generally correspond to the construction periods of the particular projects. As of June 30, 2018, the aggregate outstanding amount under these PRC bank loans totaled approximately RMB17,861.4 million (US\$2,699.3 million), of which RMB8,297.4 million (US\$1,253.9 million) was due within one year, RMB3,757.0 million (US\$567.8 million) was due between one and two years, RMB2,382.4 million (US\$360.0 million) was due between two and five years, and RMB3,424.6 million (US\$517.5 million) was due more than five years.

Subsequent to June 30, 2018 and as of December 21, 2018, we incurred additional material PRC bank loans in the aggregate amount of RMB2,914 million (US\$440 million), and we repaid PRC bank loans in the aggregate amount of RMB8,035 million (US\$1,214 million).

Interest

The principal amounts outstanding under these PRC bank loans generally bear interest at floating rates calculated by reference to the interest rates quoted by the People's Bank of China. Floating interest rates are generally subject to review by the banks annually. Interest payments are payable either monthly or quarterly and must be made on each payment date as provided in the particular loan agreement. As of June 30, 2018, the effective interest rate on the aggregate outstanding amount of these PRC bank loans ranged from 4.75% to 12% *per annum*.

Covenants

Under these PRC bank loans, many of our subsidiary borrowers have agreed, among other things, not to take the following actions without first obtaining the lenders' prior consent:

- create encumbrances on any part of their property or assets or deal with their assets in a way that may adversely affect their ability to repay the loans;
- grant guarantees to any third parties that may adversely affect their ability to repay the loans;
- pay dividends to their parent companies until the loans are fully repaid;
- make any major changes to their corporate structures, such as entering into joint ventures, mergers, spin-offs and acquisitions and reorganizations or change their status, such as through liquidation and dissolution;
- alter the nature or scope of their business operations in any material respect;
- incur additional debts that may adversely affect their ability to repay the loans;

- prepay the loans; and
- transfer part or all of their liabilities under the loans to a third party.

Events of Default

These PRC bank loans contain certain customary events of default, including insolvency, material adverse change in the collateral and breaches of the terms of the loan agreements. The banks are entitled to terminate their respective agreements and/or demand immediate repayment of the loans and any accrued interest upon the occurrence of an event of default.

Guarantee and Security

As of June 30, 2018, most of our PRC bank loans are secured by properties under development for sale, properties held for sale, investment properties, equity interests of subsidiaries and prepaid lease payments as well as property, plant and equipment and restricted bank deposits, or combinations of the above.

OFFSHORE BANK LOAN AGREEMENT

Bangkok Bank Hong Kong dollar revolving facility

We entered into a Hong Kong dollar term loan agreement with Bangkok Bank (the “HK\$ Term Loan”) for the purposes finance our general and finance expenses. The HK\$ Term Loan was made available with a standby letter of credit issued by Bangkok Bank (China) Company Limited, Beijing Branch. The HK\$ Term Loan final maturity date is January 25, 2019. The principal amount outstanding under the HK\$ Term Loan bears interest at a floating rate calculated by reference to HIBOR. Interest payments are payable on the end date of each three month interest period.

As of the date of this Offering Memorandum, the Bangkok Bank Hong Kong dollar revolving facility has been fully repaid.

Bangkok Bank U.S. dollar revolving facility

We entered into a U.S. dollar term loan agreement with Bangkok Bank (the “US\$ Term Loan”) for the purposes of financing our general and finance expenses. The US\$ Term Loan was made available with a standby letter of credit issued by Bangkok Bank (China) Company Limited, Beijing Branch. The US\$ Term Loan final maturity date is March 13, 2019. The principal amount outstanding under the US\$ Term Loan bears interest at a floating rate calculated by reference to LIBOR. Interest payments are payable on the end date of each three month interest period.

As of the date of this Offering Memorandum, the Bangkok Bank U.S. dollar revolving facility has been fully repaid.

SENIOR NOTES

The 2017 Notes

On March 21, 2017, we entered into an indenture (the “2017 Indenture”) pursuant to which we issued the 2017 Notes. As of the date of this offering memorandum, we had a total of US\$300 million principal amount of the 2017 Notes outstanding.

Guarantees

Each of the Subsidiary Guarantors (as defined under the 2017 Indenture) (other than New Non-Guarantor Restricted Subsidiaries) agreed to, 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 2017 Notes.

The initial Subsidiary Guarantors consisted of all the Restricted Subsidiaries (as defined under the 2017 Indenture) other than those Restricted Subsidiaries organized under the laws of the PRC.

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 JV Subsidiary Guarantee (as defined under the 2017 Indenture).

Interest

The 2017 Notes bore interest from and including March 21, 2017 at the rate of 7.00% *per annum*, payable semi-annually in arrears.

Covenants

The 2017 Notes, the 2017 Indenture governing the 2017 Notes and the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any) (as defined under the 2017 Indenture) limit our ability and the ability of our Restricted Subsidiaries to, among other things:

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

Events of Default

The 2017 Indenture contains certain customary events of default. If an event of default occurs and is continuing under the 2017 Indenture, the trustee or the holders of at least 25% in aggregate principal amount of the 2017 Notes then outstanding, by written notice to the Company

(and to the trustee if such notice is given by the holders), may, and the trustee at the request of such holders shall (subject to being indemnified and/or secured by holders to its satisfaction), declare the principal of, premium, if any, and accrued and unpaid interest on the 2017 Notes to be immediately due and payable.

Change of Control

Upon the occurrence of certain events of change of control, we must make an offer to repurchase all 2017 Notes outstanding at a purchase price equal to 101% of their principal amount, plus any accrued and unpaid interest.

Maturity and Redemption

The maturity date of the 2017 Notes is March 21, 2020.

At any time and from time to time prior to March 21, 2020, we may redeem up to 35% of the 2017 Notes, at a redemption price of 107.00% of the principal amount of the 2017 Notes plus accrued and unpaid interest, if any, with the proceeds from sales of certain kinds of the Company's capital stock, subject to certain restrictions.

Holders of the 2017 Notes have the right to require us to repurchase their outstanding notes on March 21, 2019.

The March 2018 Notes

On March 2, 2018, we entered into an indenture (the "March 2018 Indenture") pursuant to which we issued the March 2018 Notes. As of the date of this offering memorandum, the March 2018 Notes have been fully redeemed.

Guarantees

Each of the Subsidiary Guarantors (as defined under the March 2018 Indenture) (other than New Non-Guarantor Restricted Subsidiaries) agreed to, 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 March 2018 Notes.

The initial Subsidiary Guarantors consisted of all the Restricted Subsidiaries (as defined under the March 2018 Indenture) other than those Restricted Subsidiaries organized under the laws of the PRC.

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 JV Subsidiary Guarantee (as defined under the March 2018 Indenture).

Interest

The March 2018 Notes bore interest from and including March 2, 2018 at the rate of 10.20% *per annum*, payable in arrears on September 2, 2018 and on the maturity date.

Covenants

The March 2018 Notes, the 2018 March Indenture governing the March 2018 Notes and the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any) (as defined under the March 2018 Indenture) limited our ability and the ability of our Restricted Subsidiaries to, among other things:

- incur additional indebtedness and issue disqualified or preferred stock;

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

Events of Default

The March 2018 Indenture contained certain customary events of default. If an event of default occurred and was continuing under the March 2018 Indenture, the trustee or the holders of at least 25% in aggregate principal amount of the March 2018 Notes then outstanding, by written notice to the Company (and to the trustee if such notice is given by the holders), could, and the trustee at the request of such holders was required to (subject to being indemnified and/or secured by the holders to its satisfaction), declare the principal of, premium, if any, and accrued and unpaid interest on the March 2018 Notes to be immediately due and payable.

Change of Control

Upon the occurrence of certain events of change of control, we were required to make an offer to repurchase all the March 2018 Notes outstanding at a purchase price equal to 101% of their principal amount, plus any accrued and unpaid interest.

Maturity and Redemption

The maturity date of the March 2018 Notes was March 1, 2019.

At any time and from time to time prior to March 1, 2019, we could redeem up to 35% of the March 2018 Notes, at a redemption price of 110.20% of the principal amount of the March 2018 Notes plus accrued and unpaid interest, if any, with the proceeds from sales of certain kinds of the Company's capital stock, subject to certain restrictions.

The June 2018 Notes

On June 7, 2018, we entered into an indenture (the "June 2018 Indenture") pursuant to which we issued the June 2018 Notes. As of the date of this offering memorandum, we had a total of US\$100 million principal amount of the June 2018 Notes outstanding.

Guarantees

Each of the Subsidiary Guarantors (as defined under the June 2018 Indenture) (other than New Non-Guarantor Restricted Subsidiaries) agreed to, 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 June 2018 Notes.

The initial Subsidiary Guarantors consisted of all the Restricted Subsidiaries (as defined under the June 2018 Indenture) other than those Restricted Subsidiaries organized under the laws of the PRC.

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 JV Subsidiary Guarantee (as defined under the June 2018 Indenture).

Interest

The June 2018 Notes bore interest from and including June 7, 2018 at the rate of 10.00% per annum, payable semi-annually in arrears.

Covenants

The June 2018 Notes, the June 2018 Indenture governing the June 2018 Notes and the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any) (as defined under the June 2018 Indenture) limit our ability and the ability of our Restricted Subsidiaries to, among other things:

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

Events of Default

The June 2018 Indenture contains certain customary events of default. If an event of default occurs and is continuing under the June 2018 Indenture, the trustee or the holders of at least 25% in aggregate principal amount of the June 2018 Notes then outstanding, by written notice to the Company (and to the trustee if such notice is given by the holders), may, and the trustee at the request of such holders shall (subject to being indemnified and/or secured by the holders to its satisfaction), declare the principal of, premium, if any, and accrued and unpaid interest on the June 2018 Notes to be immediately due and payable.

Change of Control

Upon the occurrence of certain events of change of control, we must make an offer to repurchase all the June 2018 Notes outstanding at a purchase price equal to 101% of their principal amount, plus any accrued and unpaid interest.

Maturity and Redemption

The maturity date of the June 2018 Notes is June 7, 2020.

At any time and from time to time prior to June 7, 2020, we may redeem up to 35% of the June 2018 Notes, at a redemption price of 110.00% of the principal amount of the June 2018 Notes plus accrued and unpaid interest, if any, with the proceeds from sales of certain kinds of the Company's capital stock, subject to certain restrictions.

CORPORATE BONDS

On September 22, 2016, the Group issued domestic corporate bonds by way of private placement in the PRC ("2016 Issue") with a principal amount of RMB1,000,000,000, bearing interest at the coupon rate of 5.30% *per annum* payable annually, and has a term of 5 years. The Group is entitled to adjust or not adjust the coupon rate at the end of the third year with the right of redemption exercisable by the holders.

According to the terms and conditions of the 2016 Issue, the Group has the right to adjust the coupon rate for the fourth and fifth year at the end of the third year, by giving a 30 days' notice to the bondholders before the third annual interest payment day. Bondholders may at its option require the Group to redeem the bonds. The remaining bonds will be subject to the adjusted interest rate until the maturity date. The effective interest rate of the 2016 Issue is approximately 5.47% *per annum*.

On November 11, 2015, the Group has issued its first tranche of domestic corporate bonds to the public in the PRC ("First Tranche Issue") with a principal amount of RMB2,000,000,000, bearing interest at the coupon rate of 7.25% *per annum* payable annually, and has a term of 5 years. On December 22, 2015, the Group has issued the second tranche of domestic corporate bonds to the public in the PRC ("Second Tranche Issue") with a principal amount of RMB1,000,000,000, bearing interest at the coupon rate of 7.47% *per annum*, payable annually, and has a term of 5 years. The Group is entitled to adjust or not adjust the coupon rate at the end of the third year with the right of redemption exercisable by the holders. The corporate bonds of First Tranche Issue and Second Tranche Issue are collectively referred as "2015 Corporate Bonds".

According to the terms and conditions of the 2015 Corporate Bonds, the Group has the right to adjust the coupon rate for the fourth and fifth year at the end of the third year, by giving a 30 days' notice to the bondholders before November 10 and December 21, 2018 for the First Tranche Issue and the Second Tranche Issue respectively. At the same time, the bondholders may at its option require the Group to redeem the bonds at a redemption price equal to 100% of the principal plus accrued and unpaid interest to such redemption date. The remaining bonds will be subject to the adjusted interest rate until the maturity date. The effective interest rate of the 2015 Corporate Bonds is approximately 7.61% and 7.64% *per annum* respectively after the adjustment for transaction costs.

	Total
	RMB'000
Carrying amount as of January 1, 2018	3,989,651
Effective interest recognized	141,235
Interest payable accrual	<u>(136,247)</u>
Carrying amount as of June 30, 2018.....	<u><u>3,994,639</u></u>

Subsequent to June 30, 2018 and as of December 21, 2018, we repaid corporate bonds in the aggregate amount of RMB2,945 million (US\$445 million).

TRUST AND OTHER FINANCINGS

We have obtained, from time to time, secured and unsecured trust and other financings from a number of trust companies and other lenders in the PRC.

Overview of Trust and Other Financing Arrangements

In addition to bank loans, PRC companies, particularly property developers, may obtain alternative financing under trust financing arrangements. Trust financing arrangements are funding arrangements provided by trust funds, which are domestic funds established and managed by trust financing companies registered with the CBRC that act as trustees of these funds. Only investors who satisfy certain criteria under the “Measures for the Administration of Trust Companies’ Trust Plans of Assembled Funds” 《(信託公司集合資金信託計劃管理辦法)》 issued by the CBRC on February 4, 2009, as amended, may invest in these trust funds.

Trust financing is an authorized form of financing transaction under PRC laws. Trust financing arrangements are a common source of funds for property developers in the PRC and are available to PRC property developers and other PRC companies in various forms, including equity transfers, capital injections, equity acquisitions, shareholder loans, or secured loans granted by trust financing companies acting as trustees of the respective trust funds. A trust financing company may enter into secured loan arrangements with the borrowing company consisting of a combination of agreements involving equity pledges or security interest, guarantees, capital injections, equity transfers, repurchases, loan assignments, and/or other security in the form of assignments of rental income, sales revenue and other income generated from the relevant project company. As of June 30, 2018, we had five outstanding trust and other financing arrangements with China Minsheng Trust (中國民生信託有限公司), Jiangsu International Trust Corporation Limited (江蘇省國際信託有限責任公司), Chongqing International Trust Limited (重慶國際信託股份有限公司), Zhongcheng Trust Co., Ltd. (中誠信託有限責任公司) and China Huarong Asset Management Co., Ltd. (中國華融資產管理股份有限公司), all of which are independent third parties, entered into in the ordinary course of business to finance our operations. Compared with bank loans, trust financings offer greater flexibility. While drawdowns on bank loans usually depend on actual construction progress, drawdowns on trust financings may be made in full in one or multiple installments as agreed with the relevant trust companies. However, we have to bear higher financing costs due to higher interest rates under these trust financing arrangements. The covenants we give under our trust financing arrangements are consistent in all material respects with, and are not materially more favorable than those we customarily give to banks for our bank loans. There is no guarantee that we will be able to enter into these arrangements, if needed, in the future on favorable terms or at all.

Key Terms of the Trust and Other Financing Arrangements

Our trust and other financings typically have terms ranging from 12 months to 24 months. As of June 30, 2018, the aggregate outstanding amount under these financings totaled approximately RMB3,932.7 million (US\$594.3 million), of which RMB1,712.7 million (US\$258.8 million) was due within one year and RMB2,220.0 million (US\$335.5 million) was due after one year. Subsequent to June 30, 2018 and as of December 31, 2018, we incurred additional trust and other financing arrangements in the aggregate amount of RMB1,086 million (US\$164 million), and repaid trust financings in the aggregate amount of RMB1,357 million (US\$205 million).

Interest

Most of the principal amounts outstanding under our trust and other financing arrangements bear interest at fixed rates, ranging from 6.50% to 12.00% *per annum* as of June 30, 2018.

Covenants

Under our trust financing arrangements, our subsidiary borrowers have agreed, among other things, not to take the following actions without first obtaining the lenders' prior consent:

- incur additional borrowings or create encumbrances on any part of its property or assets or deal with its assets in a way that may adversely affect its ability to repay the loans;
- declare and/or pay dividends;
- dissolve, liquidate or establish a subsidiary;
- make any major changes to its corporate structures, such as entering into joint ventures, mergers, spin-off, lease, acquisitions and reorganizations or change its status, such as liquidation and dissolution, or other activities that may adversely affect its ability to repay the loans; and
- engage in any investment and financing activities.

Guarantee and Security

Most of our trust financing arrangements are secured and generally require (i) the equity interests in, or the land use rights or properties held by, some of our PRC subsidiaries to be pledged and (ii) guarantees to be provided by some of our PRC subsidiaries, to the trust financing company (as trustee of the respective trust fund) as security for the loans.

COMMERCIAL MORTGAGE BACKED SECURITIES

Glory Xingye entered into a commercial mortgage backed securities ("CMBS") arrangement with Shenzhen Qianhai Nanfang Dingcheng Factoring Company Limited (深圳市前海南方鼎程保理有限公司) ("Dingcheng"), a PRC factoring company, to act as its primary servicer. Pursuant to the CMBS, the current and future operating income, including but not limited to the rental receivables, of certain commercial properties under the operation of Glory Xinye, such as Beijing Hademen Center, are transferred to Dingcheng, which through a property trust issues a series of bonds that vary in yield, payment priority and repayment schedule. The trustee under the CMBS is Xibu Trust Company Limited (西部信託有限公司). On October 15, 2018, the CMBS was formally established and listed on the Beijing Financial Assets Exchange (the "BFA Exchange") with three bond classes for an aggregate principal amount of RMB4,110.0 million and a term of 18 years, amongst which RMB3,400.0 million was preferred A class securities and RMB700.0 million was preferred B class securities issued to qualified investors of the BFA Exchange, and the remaining RMB10.0 million was subordinate securities of unrated class purchased by Shantou Garden Group Co., Ltd. (汕頭花園集團有限公司) as original equity holder. The CMBS is secured by our certain property projects and the payment/repayment commitment made by Glory Xinye and us for credit enhancement. As of the date of this offering memorandum, we had a total of RMB4,053 million principal amount outstanding under the CMBS.

DESCRIPTION OF THE NOTES

For purposes of this “Description of the Notes”, the term “**Company**” refers only to Guorui Properties Limited (incorporated under the name of “Glory Land Company Limited (國瑞置業有限公司)” in the Cayman Islands and carrying on business in Hong Kong as “Guorui Properties Limited”) 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 (as defined herein) 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 is referred to as a “**JV Subsidiary Guarantor**.”

The additional notes issued pursuant to this offering memorandum (the “**Additional Notes**”) shall constitute a further issue of, and be consolidated and form a single series with, the US\$160,000,000 13.5% Senior Notes due 2022 issued on February 27, 2019 (the “**Original Notes**”). The terms for the Additional Notes are the same as those for the Original Notes in all respects except for the issue date, issue price and the accrual of interests. The total principal amount of the Additional Notes to be issued is US\$. The Original Notes and the Additional Notes are referred to collectively as the Notes.

The Notes are issued under an indenture (the “**Indenture**”), dated as of the Original Issue Date, among the Company, the Subsidiary Guarantors, as guarantors, and Citicorp International Limited, as trustee (the “**Trustee**”). The Additional Notes offered hereby and the Original Notes will be treated as a single series of Notes for all purposes under the Indenture, including, without limitation, waivers, amendments, redemptions and offers to purchase. Holders of the Additional Notes offered hereby and the Original Notes will vote as one series under the Indenture.

The following is a summary of certain 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. It does not restate those agreements in their entirety. Whenever particular sections or defined terms of the Indenture not otherwise defined herein are referred to, such sections or defined terms are incorporated herein by reference. Copies of the Indenture are available (upon reasonable advance notice being given to the Trustee) for inspection during normal business hours at the corporate trust office of the Trustee at 39/F, Champion Tower, Three 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 the 2017 Notes, the March 2018 Notes, the June 2018 Notes and all other unsecured, unsubordinated Indebtedness of the Company (subject to any priority rights of such unsubordinated Indebtedness pursuant to applicable law);
- guaranteed by the Subsidiary Guarantors and the JV Subsidiary 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”;

- effectively subordinated to the existing and future secured obligations (if any) of the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors, to the extent of the value of the collateral 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 February 27, 2022 unless earlier redeemed pursuant to the terms thereof and the Indenture.

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

The Notes will bear interest at 13.5% *per annum* from the Original Issue Date or from the most recent interest payment date to which interest has been paid or duly provided for, payable semi-annually in arrears on February 27 and August 27 of each year (each an “**Interest Payment Date**”), commencing on August 27, 2019. Interest on the Notes will be paid to Holders of record at the close of business on the fifteenth day immediately preceding an Interest Payment Date (the “**Record Date**”), notwithstanding any transfer, exchange or cancellation thereof after a Record Date and prior to the immediately following Interest Payment Date. If interest is required to be calculated for a period of less than one year, it will be calculated on the basis of a 360-day year comprised of twelve 30-day months.

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

In any case in which the date of the payment of principal of, premium on or interest on the Notes is not a Business Day in the relevant place of payment or in the place of business of the 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 in respect of such delay.

The Additional Notes will be issued only in fully registered form, without coupons, in minimum 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 office of the Paying Agent (as defined below), currently located at c/o Citibank, N.A., Dublin Branch, 1 North Wall Quay, Dublin 1, Ireland by wire transfer of immediately available funds to the account specified by the Holder thereof and the Notes may be presented for registration of transfer or exchange at such office or agency. Interest payable on the Notes held through Euroclear or Clearstream will be available to Euroclear or Clearstream participants on the Business Day following payment thereof. Notwithstanding the foregoing, so long as the Notes are represented by a global note held on behalf of Euroclear, Clearstream or any other clearing system, each payment in respect of the Notes will be made to the person shown as the Holder in the Note 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.

The Subsidiary Guarantees and JV Subsidiary Guarantees

The initial Subsidiary Guarantors on the issue date of the Additional Notes will only consist of Glory Real Estate (HK) Investment Limited (國瑞地產(香港)投資有限公司), All affluent Holdings Limited, State Wealth Holdings Limited, Well Ample Holdings Limited, All affluent Holdings (HK) Limited (通裕控股(香港)有限公司), State Wealth Holdings (HK) Limited (國豐控股(香港)有限公司), and Well Ample Holdings (HK) Limited (國益控股(香港)有限公司). The initial Subsidiary Guarantors are holding companies that do not have significant operations.

No future Restricted Subsidiaries organized under the laws of the PRC will provide a Subsidiary Guarantee or JV Subsidiary Guarantee at any time in the future. Although the Indenture contains limitations on the amount of additional Indebtedness that Non-Guarantor Subsidiaries (defined below) 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.

The Company will cause each of its future Restricted Subsidiaries (other than Persons organized under the laws of the PRC), as soon as practicable after such Person becomes a Restricted 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 not provide a Subsidiary Guarantee or a JV Subsidiary Guarantee (Restricted Subsidiaries other than those organized under the laws of the PRC that provide neither a Subsidiary Guarantee nor a JV Subsidiary Guarantee in accordance with the Indenture, the “**Non-Guarantor Subsidiaries**”) at the time such entity becomes a Restricted 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 that are neither a Subsidiary Guarantor nor a JV Subsidiary Guarantor do not account for more than 15% of the Total Assets of the Company.

Each Restricted Subsidiary that guarantees the Notes after the issue date of the Additional Notes 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**.”

In the case of a future Restricted Subsidiary (or in the case of (iii)(y) below, a Person proposed to become a Restricted Subsidiary) (i) that is, or is proposed by the Company or any of its Restricted Subsidiaries to be, established after the issue date of the Additional Notes, (ii) that is organized in any jurisdiction other than the PRC and (iii) in respect of which the Company or any of its Restricted Subsidiaries (x) is proposing to sell, whether through the sale of existing shares or the issuance of new shares, no less than 20% and no more than 49.9% of the Capital Stock of such Restricted Subsidiary or (y) is proposing to purchase no less than 50.1% of the Capital Stock of an Independent Third Party and designate such entity as a Restricted Subsidiary following such a purchase, the Company may, promptly and in any event within 30 days after the consummation of such sale or purchase, cause the provision of a JV Subsidiary Guarantee instead of a Subsidiary Guarantee for (a) such Restricted Subsidiary and (b) the Restricted Subsidiaries of such Restricted Subsidiary that are organized in any jurisdiction other than the PRC, 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, no document exists that is binding on the Company or any of the Restricted Subsidiaries that would have the effect of (a) prohibiting the Company or any of the Restricted Subsidiaries from providing such JV Subsidiary Guarantee or (b) requiring the Company or any of the Restricted Subsidiaries to deliver or keep in place a guarantee on terms that are more favorable to the recipients of such guarantee than the JV Subsidiary Guarantee;

- such sale or issuance of Capital Stock is made to, or such purchase of Capital Stock is purchased from, an Independent Third Party at a consideration that is not less than (in the case of a sale or issuance) or no more than (in the case of a purchase) the appraised value of such Capital Stock by an independent appraisal firm of recognized international standing appointed by the Company; *provided* that, no such appraisal is required if the sale, issuance or purchase of Capital Stock is made within 180 days after land use rights are acquired by such Restricted Subsidiary or any Restricted Subsidiary of such JV Subsidiary Guarantor;
- all capital contributions (by way of transfer of cash or other property or any payment for property or services for the use of others or otherwise) to be made into a JV Subsidiary Guarantor from the date of the sale of existing Capital Stock or issuance of new Capital Stock or purchase of Capital Stock as referred to above, shall be made directly or by contribution of assets or services having an equivalent Fair Market Value by (i) the Company and its Restricted Subsidiaries and (ii) such Independent Third Party that purchased or subscribed for Capital Stock in the JV Subsidiary Guarantor in proportion to their respective direct or indirect ownership percentages of the Capital Stock of such JV Subsidiary Guarantor or on a basis more favorable to the Company;
- concurrently with providing the JV Subsidiary Guarantee, the Company shall or shall cause such JV Subsidiary Guarantor to deliver to the Trustee:
 - (i) (A) a duly executed JV Subsidiary Guarantee of such JV Subsidiary Guarantor and each Restricted Subsidiary of such JV Subsidiary Guarantor that is not organized under the laws of the PRC, and (B) a duly executed supplemental indenture to the Indenture pursuant to which such JV Subsidiary Guarantor and each Restricted Subsidiary of 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 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 each such JV Subsidiary Guarantee is valid, binding and enforceable against the applicable JV Subsidiary Guarantor providing such JV Subsidiary Guarantee (subject to customary qualifications and assumptions).

As of June 30, 2018, the Company and its subsidiaries had total consolidated indebtedness (which includes bank loans and other loans from non-bank financial institutions, each secured, corporate bonds and senior notes) of approximately RMB30,261.3 million (US\$4,573.2 million).

The Subsidiary Guarantee of each Subsidiary Guarantor:

- is a general obligation of such Subsidiary Guarantor;
- is effectively subordinated to secured obligations of such Subsidiary Guarantor, to the extent of the value of the collateral serving as security therefor;
- is senior in right of payment to all future obligations of such Subsidiary Guarantor expressly subordinated in right of payment to such Subsidiary Guarantee;
- ranks at least *pari passu* with the subsidiary guarantee of such Subsidiary Guarantor for the 2017 Notes, the March 2018 Notes, the June 2018 Notes and all other unsecured, unsubordinated Indebtedness of such Subsidiary Guarantor (subject to any priority rights of such unsecured and unsubordinated Indebtedness pursuant to applicable law); and

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

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

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

The JV Subsidiary Guarantee of each JV Subsidiary Guarantor will not be secured.

Each of the Subsidiary Guarantors and JV Subsidiary Guarantors (if any) will jointly and severally guarantee the due and punctual payment of the principal of, premium, if any, and interest on, and all other amounts payable under, the Notes and the Indenture; *provided* that any JV Subsidiary Guarantee will be limited to the JV Entitlement Amount. The Subsidiary Guarantors and JV Subsidiary Guarantors will (1) agree that their respective obligations under the Subsidiary Guarantees and JV Subsidiary Guarantees, as the case may be, will be enforceable irrespective of any invalidity, irregularity or unenforceability of the Notes or the Indenture and (2) waive their respective rights 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."

Release of the Subsidiary Guarantees and JV Subsidiary Guarantees

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

- upon repayment in full of the Notes;
- upon a defeasance as described under "— Defeasance — Defeasance and Discharge";
- upon the designation by the Company of a Subsidiary Guarantor or a JV Subsidiary Guarantor, as the case may be, as an Unrestricted Subsidiary in compliance with the terms of the Indenture;
- upon the sale, 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 "— Certain Covenants — Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries", "— Certain Covenants — Limitation on Asset Sales" and "— Consolidation, Merger and Sale of Assets") resulting in such Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, no longer being a Restricted Subsidiary, so long as (1) such Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, is simultaneously released from its obligations in respect of any of the Company's other Indebtedness or any Indebtedness of any other Restricted Subsidiary and (2) the proceeds from such sale or disposition are used for the purposes permitted or required by the Indenture;
- upon the merger or consolidation of any Subsidiary Guarantor with and into the Company, a Subsidiary Guarantor or a JV Subsidiary Guarantor (or a Restricted Subsidiary that becomes a Subsidiary Guarantor concurrently with the transaction) that is the surviving Person in such merger or consolidation, or upon the liquidation of such Subsidiary Guarantor or JV Subsidiary Guarantor following the transfer of all or substantially all of its assets to the Company or a Subsidiary Guarantor or a JV Subsidiary Guarantor (or a Restricted Subsidiary that becomes a Subsidiary Guarantor or a JV Subsidiary Guarantor concurrently with the transaction);
- in the case of a Subsidiary Guarantee, upon the replacement of a Subsidiary Guarantee with a JV Subsidiary Guarantee; or
- in the case of Subsidiary Guarantor or a JV Subsidiary Guarantor that becomes a 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 of its Restricted Subsidiaries is proposing to sell or has sold, whether through the sale of existing

Capital Stock or the issuance of new Capital Stock, no less than 20% of the Capital Stock of such Subsidiary Guarantor, the Subsidiary Guarantees provided by such Subsidiary Guarantor and each of its Restricted Subsidiaries organized outside the PRC shall be released, and upon such release such Subsidiary Guarantor and its Restricted Subsidiaries organized outside the PRC will become Non-Guarantor Subsidiaries (such that each such 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 neither Subsidiary Guarantors nor JV Subsidiary Guarantors (including the new Non-Guarantor Subsidiaries) do not account for more than 15% of the Total Assets of the Company; *provided* that a Subsidiary Guarantee of a Subsidiary Guarantor may only be released pursuant to this paragraph if as of the date of such proposed release, no document exists that is binding on the Company or any of the Restricted Subsidiaries that would have the effect of (a) prohibiting the Company or any of the Restricted Subsidiaries from releasing such Subsidiary Guarantee or (b) requiring the Company or such Subsidiary Guarantor to deliver or keep in place a guarantee of other Indebtedness of the Company by such Subsidiary Guarantor.

As of the date of the Indenture, all of the Company's Subsidiaries, except Guoshang Holdings Limited, Guochi Holdings Limited, Guoyang Holdings Limited, Beijing Ruixin Management Limited, Glory Xingye (Beijing) Investment Limited, Guoxing International Holdings Limited, Guoxing (HK) International Holdings Limited, Beijing Daqian Nade Information Consulting Limited, Beijing Guoxing Wanxun Technology and Trading Consulting Limited, Shijiazhuang Guosha Real Estate Development Limited, Guangdong Hongtai Guotong Real Estate Limited, Guangzhou Guosha Real Estate Limited, Guangdong Guosha Real Estate Limited, Heshan Tengyue Real Estate Development Limited, Chongqing Guosha Real Estate Development Limited, Jiangmen Yinghuiwan Real Estate Limited, Tianjin Tianfu Rongsheng Real Estate Development Limited, Handan Guoxia Real Estate Limited, Handan Guolong Real Estate Development Limited, Sanya Jingheng Properties Limited, Lingshui Ganghong Agricultural Development Limited and Sanya Jinghong Agricultural Development Limited are "Restricted Subsidiaries." However, under the circumstances described below under the caption "—Certain covenants—Designation of Restricted and Unrestricted Subsidiaries," the Company will be permitted to designate certain of its Subsidiaries as "Unrestricted Subsidiaries." The Company's Unrestricted Subsidiaries will generally not be subject to the restrictive covenants in the Indenture. The Company's Unrestricted Subsidiaries will not Guarantee the Notes.

Replacement of Subsidiary Guarantees with JV Subsidiary Guarantees

A Subsidiary Guarantee given by a Subsidiary Guarantor may be released following the sale or issuance by the Company or any of its Restricted Subsidiaries of Capital Stock in (a) such Subsidiary Guarantor or (b) any other Subsidiary Guarantor that, directly or indirectly, owns a majority of the Capital Stock of such Subsidiary Guarantor, in each case where such sale or issuance, whether through the sale of existing shares or the issuance of new shares, is for no less than 20% and no more than 49.9% of the issued Capital Stock of the relevant Subsidiary Guarantor, *provided* that the following conditions are satisfied or complied with:

- as of the date of such proposed release, no document exists that is binding on the Company or any of the Restricted Subsidiaries that would have the effect of (a) prohibiting the Company or any of the Restricted Subsidiaries from releasing such Subsidiary Guarantee, (b) prohibiting the Company or any of the Restricted Subsidiaries from providing such JV Subsidiary Guarantee, or (c) requiring the Company or any of the Restricted Subsidiaries to deliver or keep in force a replacement guarantee on terms that are more favorable to the recipients of such guarantee than the JV Subsidiary Guarantee;

- such sale or issuance of Capital Stock is made to an Independent Third Party at a consideration that is not less than the appraised value of such Capital Stock by an independent appraisal firm of recognized international standing appointed by the Company; *provided* that, no such appraisal is required if the sale or issuance of Capital Stock is made within 180 days after land use rights are acquired by such Subsidiary Guarantor or any Restricted Subsidiary of such Subsidiary Guarantor;
- all capital contributions (by way of transfer of cash or other property or any payment for property or services for the use of others or otherwise) to be made into a JV Subsidiary Guarantor from the date of the sale of existing Capital Stock or issuance of new Capital Stock as referred to above, shall be made directly or by contribution of assets or services having an equivalent Fair Market Value by (i) the Company and its Restricted Subsidiaries and (ii) such Independent Third Party that purchased or subscribed for Capital Stock in the JV Subsidiary Guarantor in proportion to their respective direct or indirect ownership percentages of the Capital Stock of such JV Subsidiary Guarantor, or on a basis more favorable to the Company;
- concurrently with the release of such Subsidiary Guarantee, the Company shall or shall cause such JV Subsidiary Guarantor to deliver to the Trustee:
 - (i) (A) a duly executed JV Subsidiary Guarantee of such JV Subsidiary Guarantor and each Restricted Subsidiary of such JV Subsidiary Guarantor that is not organized under the laws of the PRC and (B) a duly executed supplemental indenture to the Indenture pursuant to which such JV Subsidiary Guarantor will guarantee the payment of the Notes, each of which provides, among other things, that the aggregate claims of the Trustee under such JV Subsidiary Guarantee 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 "Limitation on Asset Sales" and "Limitation on Restricted Payments" covenants.

Any Net Cash Proceeds from the sale of such Capital Stock shall be applied by the Company (or any Restricted Subsidiary) in accordance with the "Limitation on Asset Sales" covenant.

As of the date of the Indenture, all of the Company's Subsidiaries are "Restricted Subsidiaries." However, under the circumstances described below under the caption "— Certain Covenants — Designation of Restricted and Unrestricted Subsidiaries", the Company will be permitted to designate certain of its Subsidiaries as "Unrestricted Subsidiaries." The Company's Unrestricted Subsidiaries will generally not be subject to the restrictive covenants in the Indenture. The Company's Unrestricted Subsidiaries will not Guarantee the Notes.

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 Further Additional Notes having the same terms and conditions as the Notes (including the benefit of the Subsidiary Guarantees and JV Subsidiary Guarantees) in all respects (or in all

respects except for the issue date, issue price and the first payment of interest on them and, to the extent necessary, certain temporary securities law transfer restrictions) (a “**Further Issue**”) so that such Further 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 Further Additional Notes shall then be permitted under the “Limitation on Indebtedness and Preferred Stock” covenant described below and the other provisions of the Indenture.

In addition, the issuance of any Further Additional Notes by the Company will be subject to the following conditions:

- the Further Additional Notes shall be guaranteed under the Indenture and the Subsidiary Guarantees to the same extent and on the same basis as the Notes outstanding on the date the Further Additional Notes are issued; and
- the Company shall have delivered to the Trustee an Officers’ Certificate and an Opinion of Counsel confirming that the issuance of the Further Additional Notes complies with the Indenture and is permitted by the Indenture.

Optional Redemption

At any time prior to February 27, 2022 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 redeemed Notes plus the Applicable Premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date. The Company will give not less than 30 days’ nor more than 60 days’ notice of any such redemption, to the Holders and the Trustee.

At any time and from time to time prior to February 27, 2022, 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 113.5% of the principal amount of the Notes redeemed, plus accrued and unpaid interest, if any, to (but not including) the redemption date; *provided* that at least 65% of the aggregate principal amount of the Notes originally issued on the Original Issue Date remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related Equity Offering. The Company will give not less than 30 days’ nor more than 60 days’ notice of any such redemption, to the Holders and the Trustee.

Selection and Notice

If less than all of the Notes are to be redeemed at any time, the Notes will be redeemed as follows:

- if the Notes are listed on any recognized securities exchange or are held through a clearing system, in compliance with the requirements of the principal recognized securities exchange on which the Notes are listed (if any) or the requirements of the clearing system; or
- if the Notes are not listed on any recognized securities exchange, on a pro rata basis (with adjustments to prevent fractional Notes).

Notices of redemption may, in the Company’s discretion be subject to the satisfaction of one or more conditions precedent.

A Note of US\$200,000 in principal amount or less shall not be redeemed in part, and only Notes in multiples of US\$1,000 in excess thereof may 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 Notes, a new Note in principal amount equal to the unredeemed portion will be issued upon cancellation of the original Note. On and after the redemption date, interest will cease to accrue on Notes or portions of them called for redemption.

Repurchase of Notes by the Company at the Option of the Holders

Holders will have the right, at their option, to require the Company to repurchase for cash all of their Notes, or any portion of the principal thereof that is equal to US\$200,000 or integral multiples of US\$1,000 in excess thereof on February 27, 2021 (the “**Put Option Date**”). The Company will be required to repurchase any outstanding Notes for which a Holder delivers a written repurchase notice to the Paying Agent. This notice must be delivered during the period beginning at the open of business on the date 60 days immediately preceding the Put Option Date and ending at the close of business on the date 31 days immediately preceding the Put Option Date. If a repurchase notice is given and withdrawn during such period, the Issuer will not be obligated to repurchase the related Notes.

The repurchase price the Company is required to pay will be equal to 100% of the principal amount of the Notes to be repurchased, plus any accrued and unpaid interest to, but excluding, the Put Option Date; *provided* that the Company will pay the full amount of such accrued and unpaid interest not to the Holder submitting the Notes for repurchase on the Put Option Date but instead to the Holder of record at the close of business on the corresponding record date for the payment of interest.

On or before the date 60 days prior to the Put Option Date, the Company will provide to the Trustee, the Paying Agent and to all Holders at their addresses shown in the register of the Registrar, and to beneficial owners as required by applicable law, a notice stating, among other things:

- the last date on which a Holder may exercise the repurchase right;
- the repurchase price;
- the name and address of the paying agent; and
- the procedures that Holders must follow to require the Issuer to repurchase their Notes.

Holders may withdraw any repurchase notice (in whole or in part) by a written notice of withdrawal delivered to the Paying Agent prior to the close of business on the third Business Day immediately preceding the date 31 days prior to the Put Option Date. The notice of withdrawal must state:

- the principal amount of the withdrawn Notes;
- if certificated notes have been issued, the certificate numbers of the withdrawn Notes or, if not certificated, the notice must comply with appropriate procedures of the applicable clearing system; and
- the principal amount, if any, that remains subject to the repurchase notice.

Holders must either effect book-entry transfer or deliver the Notes, together with necessary endorsements, to the office of the paying agent after delivery of the repurchase notice to receive payment of the repurchase price. Holders will receive payment on the later of (i) the Put Option Date and (ii) the time of book-entry transfer or the delivery of the Notes. If the paying agent holds money sufficient to pay the repurchase price of the Notes on the Put Option Date, then:

- the Notes will cease to be outstanding and interest will cease to accrue (whether or not book-entry transfer of the Notes is made or whether or not the Notes are delivered to the paying agent); and
- all other rights of the Holder will terminate (other than the right to receive the repurchase price).

Our ability to satisfy our repurchase obligations may be affected by the factors described in “Risk Factors — Risks Relating to the Notes — We may not be able to repurchase the Notes at the option of the Holders of the Notes.” If we fail to repurchase the Notes when required, we will be in default under the Indenture.

In connection with any repurchase of Notes on the repurchase date, we will, if required:

- comply with the provisions of the tender offer rules under the Securities Exchange Act of 1934 (the “Exchange Act”) that may then be applicable; and
- file a Schedule to or any other required schedule under the Exchange Act.

No Notes may be repurchased at the option of Holders on the Put Option Date if the principal amount of the Notes has been accelerated, and such acceleration has not been rescinded, on or prior to such date (except in the case of an acceleration resulting from a default by the Company in the payment of the repurchase price with respect to such Notes).

Except as described above with respect to repurchase of Notes by the Company at the option of the Holders and as described below with respect to an Investor Put 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.

Repurchase of Notes Upon an Investor Put Triggering Event

Not later than 30 days following a Change of Control, 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 (as defined in clause (2) of the definition of “Offer to Purchase”).

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

The Company will, upon a Change of Control, timely repay all Indebtedness or obtain consents as necessary under, or terminate, agreements or instruments that would otherwise prohibit a Change of Control Offer and/or a Delisting/Suspension Put Offer (each a “**Repurchase Offer**”) required to be made pursuant to the Indenture. Notwithstanding the above, 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 Repurchase 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 or a Delisting/Suspension Put Triggering Event (each an “**Investor Put Triggering Event**”) under the Notes will also constitute an event of default under certain debt instruments of the Company and its Subsidiaries. Future debt of the Company may also (1) prohibit the Company from purchasing Notes in the event of an Investor Put Triggering Event; (2) provide that an Investor Put Triggering Event is a default; or (3) require repurchase of such debt upon an Investor Put 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 such Investor Put 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 an Investor Put Triggering Event may be limited by the Company’s, the Subsidiary Guarantors’ and the JV 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 an Investor Put Triggering Event.”

The phrase “all or substantially all”, as used with respect to the assets of the Company in the definition of “Change of Control”, will likely be interpreted under applicable law of the relevant jurisdictions and will be dependent upon particular facts and circumstances. Accordingly, the ability of a Holder of Notes to require the Company to repurchase such Holder’s Notes as a result of a sale of less than all the assets of the Company to another person or group may be uncertain and will depend 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 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 an Investor Put 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.

Conflicting Instructions with respect to Put Option and Offers to Purchase

Notwithstanding anything set forth in the captions “— Optional Redemption,” “— Repurchase of Notes upon an Investor Put Triggering Event” or “— Repurchase of Notes by the Company at the Option of the Holders”, (1) in the event that two or more notices with respect to any of the Put Option and Offers to Purchase are sent to the Paying Agent on the same date, the notice with the earliest of Put Option Date and Offer to Purchase Payment Dates shall prevail; (2) in the event that any two or more of the Put Option Date with respect to the Put Option and the Offer to Purchase Payment Dates with respect to any Offers to Purchase fall on the same date, the notice sent to the Paying Agent first shall prevail; and (3) in the event that one or more notices with respect to any of the Put Option and Offers to Purchase are sent the Paying Agent on the same date and the relevant Put Option Date and/or the relevant Offer to Purchase Payment Dates fall on the same date, then the Put Option and/or the Offer to Purchase that will provide Holders with a higher purchase price shall prevail.

No Mandatory Redemption or Sinking Fund

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

Additional Amounts

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

- (1) for or on account of:

- (a) any tax, duty, assessment or other governmental charge that would not have been imposed but for:
 - (i) the existence of any present or former connection between the Holder or beneficial owner of such Note and the Relevant Jurisdiction, other than merely holding such Note or the receipt of payments thereunder or under a Subsidiary Guarantee or JV Subsidiary Guarantee, including, without limitation, such Holder or beneficial owner being or having been a national, domiciliary or resident of such Relevant Jurisdiction or treated as a resident thereof or being or having been physically present or engaged in a trade or business therein or having or having had a permanent establishment therein;
 - (ii) the presentation of such Note (in cases in which presentation is required) more than 30 days after the later of the date on which the payment of the principal of, premium, if any, 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 beneficial owner's nationality, residence, identity or connection with any Relevant Jurisdiction, if and to the extent that due and timely compliance with such request is required under the tax law of such jurisdiction in order to reduce or eliminate any withholding or deduction as to which Additional Amounts would have otherwise been payable to such Holder; or
 - (iv) the presentation of such Note (in cases in which presentation is required) for payment in the Relevant Jurisdiction, unless such Note could not have been presented for payment elsewhere;
- (b) any estate, inheritance, gift, sale, transfer, personal property or similar tax, assessment or other governmental charge;
- (c) any tax, assessment, withholding or deduction required by sections 1471 through 1474 of the Internal Revenue Code of 1986, as amended ("FATCA"), any intergovernmental agreement between the United States and any other jurisdiction to implement FATCA, any current or future Treasury Regulations or rulings promulgated thereunder, any law, regulation or other official guidance enacted in any jurisdiction implementing FATCA, or any agreement with the U.S. Internal Revenue Service under FATCA;
- (d) any combination of taxes, duties, assessments or other governmental charges referred to in the preceding clauses (a), (b) and (c); or
- (2) to a Holder that is a fiduciary, partnership or person other than the sole beneficial owner of any payment to the extent that such payment would be required to be included in the income under the laws of a Relevant Jurisdiction, for tax purposes, of a beneficiary or settlor with respect to the fiduciary, or a member of that partnership or a beneficial owner who would not have been entitled to such Additional Amounts had that beneficiary, settlor, member or beneficial owner been the Holder thereof.

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

Redemption for Taxation Reasons

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

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

which change or amendment is proposed and becomes effective (i) except as set forth in (ii) immediately below, on or after the Original Issue Date, or (ii) with respect to any Future Subsidiary Guarantor, JV Subsidiary Guarantor or Surviving Person organized or tax resident in a jurisdiction that is not already a Relevant Taxing Jurisdiction, 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 ("the succession date") after the succession date 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 or amendment referred to in the prior paragraph has occurred, describing the facts related thereto and stating that such requirement cannot be avoided by the Company or such a Surviving Person, Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, taking reasonable measures available to it; and
- (2) an Opinion of Counsel or an opinion of a tax consultant, in either case of recognized standing with respect to tax matters of the Relevant Taxing Jurisdiction, stating that the requirement to pay such Additional Amounts results from such change or amendment referred to in the prior paragraph.

The Trustee shall be 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 cancelled.

Open Market Purchases and Cancellation of Notes

The Company and any Restricted Subsidiary may purchase Notes in the open market or by tender or by any other means at any price, so long as such acquisition does not otherwise violate the terms of the Indenture.

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 or any Subsidiary Guarantor may Incur Indebtedness (including Acquired Indebtedness), any Subsidiary Guarantor may issue Preferred Stock and any Restricted Subsidiary (other than a Subsidiary Guarantor) may Incur Permitted Subsidiary Indebtedness (including Acquired Indebtedness) if, after giving effect to the Incurrence of such Indebtedness or Permitted Subsidiary 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 2.0 to 1.0. Notwithstanding the foregoing, the Company will not permit any Restricted Subsidiary to Incur any Disqualified Stock (other than Disqualified Stock held by the Company or a Subsidiary Guarantor, so long as it is so held).
- (2) Notwithstanding the foregoing, the Company and, to the extent provided below, any Restricted Subsidiary may Incur each and all of the following (“**Permitted Indebtedness**”):
 - (a) Indebtedness under the Notes (excluding any Additional Notes) and 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); *provided* that such Indebtedness of Restricted Subsidiary 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), (i), (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 or Preferred Stock (other than to the Company or any Restricted Subsidiary) shall be deemed, in each case, to constitute an Incurrence of such Indebtedness not permitted by this clause (d) and (ii) if the Company is the obligor on such Indebtedness and none of the Subsidiary Guarantors and the JV Subsidiary Guarantors are the obligee on such Indebtedness, such Indebtedness must be unsecured and 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 are the obligee on such Indebtedness, such Indebtedness must be unsecured and 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 or a JV Subsidiary Guarantor and held by the Company or another Restricted Subsidiary must by the terms thereof or by operation of law be subordinated in right of payment to the Subsidiary Guarantee of such Subsidiary Guarantor or the JV Subsidiary Guarantee of such JV Subsidiary Guarantor, as the case may be;
 - (e) Indebtedness (“**Permitted Refinancing Indebtedness**”) issued in exchange for, or the net proceeds of which are used to refinance, refund, replace, exchange, renew, repay, defease, discharge or extend (collectively, “**Refinance**” and “**Refinances**” and “**Refinanced**” shall have a correlative meaning), then outstanding Indebtedness (or Indebtedness that is no longer outstanding but that is Refinanced substantially concurrently with the Incurrence of such Permitted Refinancing Indebtedness) Incurred under the immediately preceding paragraph (1) or clauses (a), (b), (c), (h), (p), (q), (r),

(s), (t), (u) or (w) of this paragraph (2) and any Refinancings thereof in an amount not to exceed the amount so Refinanced (plus premiums, accrued interest, fees and expenses); *provided* that (i) Indebtedness the proceeds of which are used to Refinance the Notes or Indebtedness that is *pari passu* with, or subordinated in right of payment to, the Notes or a Subsidiary Guarantee or a JV Subsidiary Guarantee shall only be permitted under this clause (e) if (A) in case the Notes are Refinanced in part or the Indebtedness to be Refinanced is *pari passu* with the Notes or a Subsidiary Guarantee or a JV Subsidiary Guarantee, such new Indebtedness, by its terms or by the terms of any agreement or instrument pursuant to which such new Indebtedness is outstanding, is expressly made *pari passu* with, or subordinate in right of payment to, the remaining Notes or such Subsidiary Guarantee or such JV Subsidiary Guarantee, as the case may be, or (B) in case the Indebtedness to be Refinanced is subordinated in right of payment to the Notes or a Subsidiary Guarantee or a JV Subsidiary Guarantee, such new Indebtedness, by its terms or by the terms of any agreement or instrument pursuant to which such new Indebtedness is issued or remains outstanding, is expressly made subordinate in right of payment to the Notes or such Subsidiary Guarantee or such JV Subsidiary Guarantee, as the case may be, at least to the extent that the Indebtedness to be Refinanced is subordinated to the Notes or such Subsidiary Guarantee or such JV Subsidiary Guarantee, (ii) such new Indebtedness, determined as of the date of Incurrence of such new Indebtedness, does not mature prior to the Stated Maturity of the Indebtedness to be Refinanced, and the Average Life of such new Indebtedness is at least equal to the remaining Average Life of the Indebtedness to be Refinanced, and (iii) in no event may Indebtedness of the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor be Refinanced pursuant to this clause by means of any Indebtedness of any Restricted Subsidiary that is neither a Subsidiary Guarantor nor 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 (*provided* that this sub-clause (iv) shall not prohibit the replacement of a Subsidiary Guarantee by a JV Subsidiary Guarantee if otherwise permitted by the Indenture);

- (f) Indebtedness Incurred by the Company or any Restricted Subsidiary pursuant to Hedging Obligations 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 or other purchase price of land use rights) or equipment to be used in the ordinary course of business by the Company or a Restricted Subsidiary in a Permitted Business, including any such purchase through the acquisition of Capital Stock of any Person that owns such 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 a Permitted Business; *provided* that in the case of clauses (x) and (y), (A) the aggregate principal amount of such Indebtedness shall not exceed such purchase price or cost, (B) such Indebtedness shall be Incurred no later than 180 days after the acquisition of such property or completion of such development, construction or improvement and (C) 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 (h) (together with refinancings thereof and the aggregate principal amount outstanding of Indebtedness that was Incurred under clauses (p), (q), (r), (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% of Total Assets;

- (i) Indebtedness Incurred by the Company or any Restricted Subsidiary constituting reimbursement obligations with respect to workers' compensation claims or self-insurance obligations or bid, performance or surety bonds (in each case other than for an obligation for borrowed money);
- (j) Indebtedness Incurred by the Company or any Restricted Subsidiary constituting reimbursement obligations with respect to letters of credit, trade guarantees or similar instruments issued in the ordinary course of business to the extent that such letters of credit, trade guarantees or similar instruments are not drawn upon or, if drawn upon, to the extent such drawing is reimbursed no later than the 30 days following receipt by the Company or such Restricted Subsidiary of a demand for reimbursement;
- (k) Indebtedness arising from agreements providing for indemnification, adjustment of purchase price or similar obligations, or from Guarantees or letters of credit, surety bonds or performance bonds securing any obligation of the Company or any Restricted Subsidiary pursuant to such agreements, in any case, Incurred in connection with the disposition of any business, assets or Restricted Subsidiary, other than Guarantees of Indebtedness Incurred by any Person acquiring all or any portion of such business, assets or Restricted Subsidiary for the purpose of financing such acquisition; *provided* that the maximum aggregate liability in respect of all such Indebtedness in the nature of such Guarantee shall at no time exceed the gross proceeds actually received from the sale of such business, assets or Restricted Subsidiary;
- (l) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business *provided, however*, that such Indebtedness is extinguished within ten 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 "Limitation on Issuances of Guarantees by Restricted Subsidiaries" covenant;
- (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\$30 million (or the Dollar Equivalent thereof using the exchange rates existing as of the Original Issue Date);
- (o) Indebtedness of the Company or any Restricted Subsidiary constituting an obligation to pay the deferred purchase price of Capital Stock of a Person pursuant to a Staged Acquisition Agreement, to the extent that such deferred purchase price is paid within 12 months after the date the Company or such Restricted Subsidiary enters into such Staged Acquisition Agreement; *provided* that such Person is either a Restricted Subsidiary or would become a Restricted Subsidiary upon completion of the transactions under such Staged Acquisition Agreement;
- (p) 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 (p) (together with refinancings thereof and the aggregate principal amount outstanding of Indebtedness that was Incurred under clause

(h) above and clauses (q), (r), (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% of Total Assets;

- (q) Indebtedness Incurred or Preferred Stock or Disqualified Stock issued by any Restricted Subsidiary arising from any Investment made by a Financial Company Investor in a PRC 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 PRC Restricted Subsidiary in favor of a Financial Company Investor with respect to the obligation to pay a guaranteed or preferred return to such Financial Company Investor on Capital Stock of a PRC Restricted Subsidiary held by such Financial 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 (q) (together with refinancings thereof and the aggregate principal amount outstanding of Indebtedness that was Incurred under clauses (h) and (p) above and clauses (r), (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% of Total Assets;
- (r) Indebtedness Incurred by the Company or any Restricted Subsidiary constituting a Guarantee of Indebtedness of any Person (other than 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 (r) (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 (s), (t), (u) and (v) below and the refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under such clauses and this clause (r) to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 30% of Total Assets;
- (s) 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 (s) (together with refinancing thereof and the aggregate principal amount outstanding of Indebtedness and Preferred Stock Incurred under clauses (h), (p), (q) and (r) 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% of Total Assets;
- (t) (x) Indebtedness Incurred by any Restricted Subsidiary incorporated under the laws of the PRC which is secured by Investment Properties or fixed assets, and Guarantees thereof by the Company or any such Restricted Subsidiary or (y) Capitalized Lease Obligations, or Attributable Indebtedness with respect to a Sale and Leaseback Transaction that would otherwise be permitted under the section entitled “Limitation on Sale and Leaseback Transactions”, incurred by any PRC 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 (t) (together with refinancings thereof and the aggregate principal amount outstanding of Indebtedness that was Incurred under clauses (h), (p), (q), (r) 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% of Total Assets;

- (u) Indebtedness of the Company or any Restricted Subsidiary constituting an obligation to pay the deferred purchase price of Capital Stock of a Person pursuant to a Minority Interest Staged Acquisition Agreement, to the extent that such deferred purchase price is paid within 12 months after the date the Company or such Restricted Subsidiary enters into such Minority Interest Staged Acquisition Agreement; *provided* that on the date of the Incurrence of such Indebtedness and after giving effect thereto, the aggregate principal amount outstanding of all such Indebtedness Incurred under this clause (u) (together with refinancings thereof and the aggregate principal amount outstanding of Indebtedness that was Incurred under clauses (h), (p), (q), (r), (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% of Total Assets;
 - (v) Onshore 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 (v) (together with refinancings thereof and the aggregate principal amount outstanding of Indebtedness that was Incurred under clauses (h), (p), (q), (r), (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% of Total Assets; and
 - (w) 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 million (or the Dollar Equivalent thereof using the exchange rates existing as of the Original Issue Date).
- (3) For purposes of determining compliance with this “— Limitation on Indebtedness and Preferred Stock” covenant, in the event that an item of Indebtedness meets the criteria of more than one of the types of Indebtedness described above, including under the proviso in part (1) above and one or more types of Permitted Indebtedness, the Company, in its sole discretion, shall classify, and from time to time may reclassify, such item of Indebtedness in one or more types of Indebtedness described above.
- (4) For purposes of determining compliance with any U.S. dollar denominated restriction on the Incurrence of Indebtedness under this “— Limitation on Indebtedness and Preferred Stock” covenant, the Dollar Equivalent principal amount of Indebtedness denominated in a foreign currency shall be calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was Incurred, in the case of term Indebtedness, or first committed, in the case of revolving credit Indebtedness; *provided* that if such Indebtedness is Incurred to refinance other Indebtedness denominated in a foreign currency, and such refinancing would cause the applicable U.S. dollar-denominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such U.S.

dollar-denominated restriction shall be deemed not to have been exceeded so long as the principal amount of such refinancing Indebtedness does not exceed the principal amount of such Indebtedness being refinanced. Notwithstanding any other provision of the Indenture, the maximum amount of Indebtedness that may be Incurred pursuant to this covenant will not be deemed to be exceeded with respect to any outstanding Indebtedness due solely to the result of fluctuations in the exchange rates of currencies, *provided* that such Indebtedness was permitted to be Incurred at the time of such Incurrence.

Limitation on Restricted Payments

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

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

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

- (a) a Default has occurred and is continuing or would occur as a result of such Restricted Payment;
- (b) the Company could not Incur at least US\$1.00 of Indebtedness under the proviso in part (1) of the covenant described under “— Limitation on Indebtedness and Preferred Stock”; or
- (c) such Restricted Payment, together with the aggregate amount of all Restricted Payments made by the Company and its Restricted Subsidiaries after the Measurement Date, shall exceed the sum of:
 - (i) 50% of the aggregate amount of the Consolidated Net Income of the Company (or, if the Consolidated Net Income is a loss, minus 100% of the amount of such loss) accrued on a cumulative basis during the period (taken as one accounting period) beginning on the first day of the fiscal quarter during which the Measurement Date occurred and ending on the last day of

the Company's most recently ended fiscal quarter for which consolidated financial statements of the Company (which the Company shall use its reasonable best efforts to compile in a timely manner) are available (which may include internal consolidated financial statements); plus

- (ii) 100% of the aggregate Net Cash Proceeds received by the Company after the Measurement Date as a capital contribution to its common equity or from the issuance and sale of its Capital Stock (other than Disqualified Stock) to a Person who is not a Subsidiary of the Company, including any such Net Cash Proceeds received upon (A) the conversion of any Indebtedness (other than Subordinated Indebtedness) of the Company into Capital Stock (other than Disqualified Stock) of the Company, or (B) the exercise by a Person who is not a Subsidiary of the Company of any options, warrants or other rights to acquire Capital Stock of the Company (other than Disqualified Stock) in each case excluding the amount of any such Net Cash Proceeds used to redeem, repurchase, defease or otherwise acquire or retire for value any Subordinated Indebtedness or Capital Stock of the Company; plus
- (iii) the amount by which Indebtedness of the Company or any of its Restricted Subsidiaries is reduced on the Company's consolidated balance sheet upon the conversion or exchange (other than by a Subsidiary of the Company) subsequent to the Measurement Date of any Indebtedness of the Company or any 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 sum of (A) the net reduction in Investments (other than reductions in Permitted Investments) that were made after the Measurement Date in any Person resulting from (1) payments of interest on Indebtedness, dividends or repayments of loans or advances by such Person, in each case to the Company or any Restricted Subsidiary (except, in each case, to the extent any such payment or proceeds are included in the calculation of Consolidated Net Income) after the Measurement Date, (2) the unconditional release of a Guarantee provided by the Company or a Restricted Subsidiary after the Measurement Date of an obligation of another Person, (3) to the extent that an Investment made after the Measurement Date was, after such date, or is sold or otherwise liquidated or repaid for cash, the lesser of (x) cash return of capital with respect to such Investment (less the cost of disposition, if any) and (y) the initial amount of such Investment, (4) from redesignations of Unrestricted Subsidiaries as Restricted Subsidiaries, not to exceed, in each case, the amount of Investments (other than Permitted Investments) made by the Company or a Restricted Subsidiary after the Measurement Date in any such Person, or (5) any Person becoming a Restricted Subsidiary (whereupon all Investments made by the Company or any Restricted Subsidiary in such Person since the Measurement Date shall be deemed to have been made pursuant to clause (1) of the definition of "Permitted Investment") but only to the extent such Investments by the Company or any Restricted Subsidiary in such Person was a Restricted Payment made to the extent permitted under this paragraph (c), plus (B) the portion (proportionate to the Company's equity interest in such Unrestricted Subsidiary) of the Fair Market Value of the net assets of an Unrestricted Subsidiary at the time such Unrestricted Subsidiary is designated a Restricted Subsidiary under the Indenture; provided, however, that the foregoing sum shall not exceed, in the case of any Person, the amount of Investments previously made (and that would have been treated as Restricted Payments

under the Indenture had the Indenture been in effect at such time) by the Company or any Restricted Subsidiary in such Person, and provided further, that no amount will be included under this clause (iv) to the extent it is already included in Consolidated Net Income as described in clause (i) of this paragraph.

The foregoing provision shall not be violated by reason of:

- (1) the payment of any dividend or redemption of any Capital Stock within 60 days after the related date of declaration or call for redemption if, at said date of declaration or call for redemption, such payment or redemption would comply with the preceding paragraph;
- (2) the redemption, repurchase, defeasance or other acquisition or retirement for value of Subordinated Indebtedness of the Company or any of the Subsidiary Guarantors or JV Subsidiary Guarantors with the Net Cash Proceeds of, or in exchange for, a substantially concurrent Incurrence of Permitted Refinancing Indebtedness;
- (3) the redemption, repurchase or other acquisition of Capital Stock of the Company or any Subsidiary Guarantor or JV Subsidiary Guarantor (or options, warrants or other rights to acquire such Capital Stock) in exchange for, or out of the Net Cash Proceeds of a substantially concurrent capital contribution or a sale (other than to a Subsidiary of the Company) of, shares of the Capital Stock (other than Disqualified Stock) of the Company or 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 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, not less than 50% of which is held, directly or indirectly through Restricted Subsidiaries by the Company (or, with respect to Restricted Subsidiaries of which the Company owns, directly or indirectly, less than 50% of the Voting Stock, the Company owns, directly or indirectly, no less of such class of Capital Stock than it owns of such Voting Stock);
- (6) dividends paid to, or the purchase of Capital Stock of any PRC Restricted Subsidiary held by, any Financial Company Investor in respect of any Indebtedness or Preferred Stock outstanding on the Original Issue Date or permitted to be Incurred under paragraph (2)(q) of the “— Limitation on Indebtedness and Preferred Stock” covenant;

- (7) (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 the Company's 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 pursuant to this clause (7) shall not exceed US\$5 million (or the Dollar Equivalent thereof using the Original Issue Date as the date of determination);
- (8) cash payment 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 payment shall not be for the purpose of evading the limitation of this "— Limitation on Restricted Payments" covenant (as determined in good faith by the Board of Directors of the Company);
- (9) the purchase of Capital Stock of a Person, and payments made pursuant to (i) a Staged Acquisition Agreement, *provided* that such Person is either a Restricted Subsidiary or would become a Restricted Subsidiary upon completion of the transactions under such Staged Acquisition Agreement or (ii) a Minority Interest Staged Acquisition Agreement, *provided* that on the date that such Minority Staged Acquisition Agreement was entered into, such payments would have complied with the preceding paragraph;
- (10) the purchase by the Company or a Restricted Subsidiary of Capital Stock of any Restricted Subsidiary that is not Wholly Owned, directly or indirectly, by the Company from an Independent Third Party pursuant to an agreement entered into between or among the Company or any Restricted Subsidiary and such Independent Third Party solely for the purpose of acquiring real property or land use rights, *provided* that (x) such purchase occurs within 12 months after such Restricted Subsidiary acquires the real property or land use rights it was formed to acquire, (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 and (z) the aggregate consideration paid for all such purchased Capital Stock pursuant to this clause (10) shall not exceed an amount equal to 10.0% of Total Assets;
- (11) the declaration and payment by the Company of a dividend in respect of its Capital Stock in an amount not to exceed 35% of the Company's consolidated net profit for the financial year of 2016 (including any interim dividend that the Company has paid with respect to any portion of the financial year 2016, irrespective whether such interim dividend was paid prior to or after the Original Issue Date);
- (12) the declaration and payment of dividends by the Company with respect to any financial year commencing from 2017 up to an aggregate amount not to exceed 35% of the Company's consolidated net profit in such financial year, *provided* that the conditions of clause (a) and (c) of the first paragraph of this "Limitation on Restricted Payments" covenant would not be violated as a consequence of such declaration and payment of dividends; or
- (13) US\$20 million (or the Dollar Equivalent thereof);

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

Each Restricted Payment permitted pursuant to clause (1) or (9)(ii) of the preceding paragraph shall be included in calculating whether the conditions of clause (4)(c) of the first paragraph of this “Limitation on Restricted Payments” covenant have been met with respect to any subsequent Restricted Payments.

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

Not later than the date of making any Restricted Payment in excess of US\$10.0 million (or the Dollar Equivalent thereof) (other than any Restricted Payments set forth in clauses (5) through (13) above), the Company will deliver to the Trustee an Officers’ Certificate stating that such Restricted Payment is permitted and setting forth the basis upon which the calculations required by this “— Limitation on Restricted Payments” covenant were computed, together with a copy of any opinion or appraisal required by the Indenture.

For purposes of determining compliance with this “— Limitation on Restricted Payments” covenant, in the event that an item of Investment meets the criteria of both the first paragraph of this “— Limitation on Restricted Payments” covenant and paragraph (18) 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 or the Indenture, and any extensions, Refinancings, renewals or replacements of any of the foregoing agreements; *provided* that the encumbrances and restrictions in any such extension, Refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, Refinanced, renewed or replaced;
 - (b) existing under or by reason of applicable law, rule, regulation or order;
 - (c) existing with respect to any Person or the property or assets of such Person acquired by the Company or any Restricted Subsidiary, at the time of such acquisition and not incurred in contemplation thereof, which encumbrances or restrictions are not applicable to any Person or the property or assets of any Person other than such Person or the property or assets of such Person so acquired, and any extensions, Refinancings, renewals or replacements thereof; *provided* that the encumbrances and restrictions in any such extension, Refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, Refinanced, renewed or replaced;
 - (d) that otherwise would be prohibited by the provision described in clause (1)(d) of this covenant if they arise, or are agreed to, in the ordinary course of business and, that (i) restrict in a customary manner the subletting, assignment or transfer of any property or asset that is subject to a lease or license, or (ii) exist by virtue of any Lien on, or agreement to transfer, option or similar right with respect to, any property or assets of the Company or any Restricted Subsidiary not otherwise prohibited by the Indenture or (iii) do not relate to any Indebtedness, and that do not, individually or in the aggregate, detract from the value of property or assets of the Company or any Restricted Subsidiary in any manner material to the Company or any Restricted Subsidiary;
 - (e) with respect to a Restricted Subsidiary and imposed pursuant to an agreement that has been entered into for the sale or disposition of all or substantially all of the Capital Stock of, or property and assets of, such Restricted Subsidiary that is permitted by the “— Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries”, “— Limitation on Indebtedness and Preferred Stock” and “— Limitation on Asset Sales” covenants;
 - (f) with respect to any Restricted Subsidiary and imposed pursuant to an agreement that has been entered into for the Incurrence of Indebtedness or issuance of Preferred Stock or Disqualified Stock of the type described under clause (2)(e), (2)(g), (2)(h), (2)(q), (2)(r), (2)(s), (2)(t) or (2)(u) or permitted under clause (2)(n), 2(o), 2(p) or 2(v) of the “Limitation on Indebtedness and Preferred Stock” covenant if, as determined by the Board of Directors, such encumbrances or restrictions are (i) customary for such types of agreements and (ii) would not, at the time agreed to, be expected to materially and adversely affect the ability of the Company to make required payment on the Notes, and any extensions, Refinancings, renewals or replacements of any of the foregoing agreements; *provided* that the encumbrances and restrictions in any such extension, Refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, Refinanced, renewed or replaced; *provided further* that, the Board of Directors is empowered to determine whether the conditions set forth in clauses (i) and (ii) are met, which determination shall be conclusive if evidenced by a Board Resolution;

- (g) customary provisions contained in agreements evidencing Liens incurred in accordance with the “— Limitation on Liens” covenant that limit the right of the debtor to dispose of the assets which are subject to the Liens;
- (h) existing in customary provisions in shareholders agreements, joint venture agreements and other similar agreements permitted under the Indenture, to the extent such encumbrance or restriction relates to the activities or assets of a Restricted Subsidiary that is a party to such joint venture and if (as determined in good faith by the Board of Directors) (i) the encumbrances or restrictions are customary for a joint venture or similar agreement of that type and (ii) the encumbrances or restrictions would not, at the time agreed to, be expected to materially and adversely affect the ability of (x) 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, respectively; provided further that, the Board of Directors is empowered to determine whether the conditions set forth in clauses (i) and (ii) are met, which determination shall be conclusive if evidenced by a Board Resolution; or
- (i) 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, 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.

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;
- (2) to the extent such Capital Stock represents director’s qualifying shares or is required by applicable law to be held by a Person other than the Company or a Wholly Owned Restricted Subsidiary;
- (3) the issuance or sale of Capital Stock of a Restricted Subsidiary if, immediately after giving effect to such issuance or sale, such Restricted Subsidiary would no longer constitute a Restricted Subsidiary and any remaining Investment in such Person would have been permitted to be made under the “Limitation on Restricted Payments” covenant if made on the date of such issuance or sale and *provided* that the Company complies with the “— Limitation on Asset Sales” covenant to the extent required thereunder; or
- (4) the issuance or sale of Capital Stock of a Restricted Subsidiary (which remains a Restricted Subsidiary after any such issuance or sale); *provided* that the Company or such Restricted Subsidiary applies the Net Cash Proceeds of such issuance or sale in accordance with the “— Limitation on Asset Sales” covenant to the extent required thereunder.

Limitation on Issuances of Guarantees by Restricted Subsidiaries

The Company will not permit any Restricted Subsidiary which is neither a Subsidiary Guarantor nor 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 Guaranteed Indebtedness is permitted by clauses (2)(c), (2)(d), (2)(p), or (2)(v) (in the case of clause (2)(p) or (2)(v), with respect to the Guarantee provided by the Company or any Restricted Subsidiary through the pledge of one or more bank accounts or bank deposits or any other assets in the PRC to secure (or the use of any guarantee or letter of credit or similar instruments to guarantee) any Bank Deposit Secured Indebtedness or Onshore Secured Indebtedness) under the caption “— Limitation on Indebtedness and Preferred Stock.”

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

The Company will not permit any JV Subsidiary Guarantor, directly or indirectly, to guarantee any Indebtedness of the Company or any other Restricted Subsidiary unless the aggregate claims of the creditor under such guarantee will be limited to the JV Entitlement Amount. If any JV Subsidiary Guarantor guarantees any Indebtedness of the Company or any other Restricted Subsidiary where the aggregate claims of the creditor under such guarantee exceeds the JV Entitlement Amount, such JV Subsidiary Guarantee shall be replaced with a Subsidiary Guarantee given by a Subsidiary Guarantor.

Limitation on Transactions with Shareholders and Affiliates

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, enter into, renew or extend any transaction or arrangement (including, without limitation, the purchase, sale, lease or exchange of property or assets, or the rendering of any service) with (x) any holder (or any Affiliate of such holder) of 10.0% or more of any class of Capital Stock of the Company or (y) any Affiliate of the Company (each an “**Affiliate Transaction**”), unless:

- (1) the Affiliate Transaction is on fair and reasonable terms that are no less favorable to the Company or the relevant Restricted Subsidiary than those that would have been obtained in a comparable transaction by the Company or the relevant Restricted Subsidiary with a Person that is not an Affiliate of the Company; and
- (2) the Company delivers to the Trustee:
 - (a) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of US\$5.0 million (or the Dollar

Equivalent thereof), a Board Resolution set forth in an Officers' Certificate certifying that such Affiliate Transaction complies with this covenant and such Affiliate Transaction has been approved by a majority of the disinterested members of the Board of Directors; and

- (b) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of US\$10.0 million (or the Dollar Equivalent thereof), in addition to the Board Resolution required in clause (2)(a) above, an opinion 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 the terms available to (or from, as applicable) a Person that is not an Affiliate of the Company, in each case issued by an accounting, appraisal or investment banking firm of recognized international standing.

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

- (1) the payment of reasonable and customary regular fees and other compensation for the service as board members to directors of the Company or any Restricted Subsidiary who are not employees of the Company or any Restricted Subsidiary;
- (2) transactions between or among the Company and any of its Wholly Owned Restricted Subsidiaries or between or among Wholly Owned Restricted Subsidiaries;
- (3) any Restricted Payment of the type described in clauses (1) or (2) of the first paragraph of the covenant described above under “— Limitation on Restricted Payments” if permitted by that covenant;
- (4) any sale of Capital Stock (other than Disqualified Stock) of the Company;
- (5) the payment of compensation to officers and directors of the Company or any Restricted Subsidiary pursuant to an employee stock or share option scheme, so long as such scheme is in compliance with the listing rules of the Hong Kong Stock Exchange, which as of the Original Issue Date require a majority shareholder approval of any such scheme;
- (6) any purchase of Capital Stock of a Restricted Subsidiary pursuant to a Staged Acquisition Agreement or a Minority Staged Acquisition Agreement, and any purchase of Capital Stock of a Restricted Subsidiary held by a Financial Company Investor so long as each such purchase is in compliance with the listing rules of the Hong Kong Stock Exchange;
- (7) any transaction by the Company or any Restricted Subsidiary to outsource property management or business management services related to the Permitted Businesses, *provided* that such transactions are in compliance with the listing rules of the Stock Exchange of Hong Kong;
- (8) any repurchase, redemption or other acquisition or retirement for value of any Capital Stock of the Company or any Restricted Subsidiary pursuant to clause (7) of the second paragraph of the covenant entitled “— Limitation on Restricted Payments”; and
- (9) transactions with a Person (other than an Unrestricted Subsidiary of the Company) that is an Affiliate of the Company solely because the Company, directly or indirectly, owns

Capital Stock in, or controls, such Person or solely because the Company or one of its Subsidiaries has the right to designate one or more members of the Board of Directors or similar governing body of such Person; *provided* that the Company, at the time of such transaction, is listed on the Main Board of the Stock Exchange of Hong Kong.

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 (18) of the definition of “Permitted Investments” but otherwise excluding any other Permitted Investments) not prohibited by the “Limitation on Restricted Payments” covenant, (ii) transactions pursuant to agreements in effect on the Original Issue Date and described in this offering memorandum, or any amendment or modification or replacement thereof, so long as such amendment, modification or replacement is not more disadvantageous to the Company and its Restricted Subsidiaries than the original agreement in effect on the Original Issue Date and (iii) any transaction between or among any of the Company, any Wholly-Owned Restricted Subsidiary and any Restricted Subsidiary that is not a Wholly Owned Restricted Subsidiary or between or among the Company or a Restricted Subsidiary on the one hand and a Jointly Controlled Entity, an Associate or an Unrestricted Subsidiary on the other hand; *provided* that, in the case of clause (iii), (a) such transaction is entered into in the ordinary course of business and (b) 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, Jointly Controlled Entity, Associate or Unrestricted Subsidiary is a Person described in clause (x) or (y) of the first paragraph of this covenant (other than by reason of such shareholder or partner being an officer or director of such Restricted Subsidiary, Jointly Controlled Entity, Associate or Unrestricted Subsidiary, as the case may be).

Limitation on Liens

The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, incur, assume or permit to exist any Lien on any Capital Stock of an Subsidiary Guarantor (other than a Permitted Lien specified in clauses (1), (6) of the definition of “Permitted Liens”), unless the Notes are equally and ratably secured by such Lien.

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.

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 pursuant to the covenant described above under “— Limitation on Indebtedness and Preferred Stock” and (b) incurred a Lien to secure such Indebtedness pursuant to the covenant described above under “— Limitation on Liens”, in which case, the corresponding Indebtedness and Lien will be deemed incurred pursuant to those provisions;
- (2) the gross cash proceeds of that Sale and Leaseback Transaction are at least equal to the Fair Market Value of the property that is the subject of such Sale and Leaseback Transaction; and

- (3) the transfer of assets in that Sale and Leaseback Transaction is permitted by, and the Company or such Restricted Subsidiary applies the proceeds of such transaction in compliance with, the covenant described below under “— Limitation on Asset Sales.”

Limitation on Asset Sales

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

- (1) no Default shall have occurred and be continuing or would occur as a result of such Asset Sale;
- (2) the consideration received by the Company or such Restricted Subsidiary, as the case may be, is at least equal to the Fair Market Value of the assets sold or disposed of; and
- (3) at least 75% of the consideration received consists of cash, Temporary Cash Investments or Replacement Assets; *provided* that in the case of an Asset Sale in which the Company or such Restricted Subsidiary receives Replacement Assets involving aggregate consideration in excess of US\$10.0 million (or the Dollar Equivalent thereof), the Company shall deliver to the Trustee an opinion as to the fairness to the Company or such Restricted Subsidiary of such Asset Sale from a financial point of view issued by an accounting, appraisal or investment banking firm of 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 Replacement Assets; or
- (3) make an Investment in cash or Temporary Cash Investments pending application of such Net Cash Proceeds as set forth in clause (1) or (2) above.

Any Net Cash Proceeds from Asset Sales that are not applied or invested as provided in clauses (1) and (2) in the immediately preceding paragraph will constitute “**Excess Proceeds.**” Excess Proceeds of less than US\$10.0 million (or the Dollar Equivalent thereof) will be carried

forward and accumulated. When accumulated Excess Proceeds exceed US\$10.0 million (or the Dollar Equivalent thereof), within 10 days thereof, the 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 in such Offer to Purchase exceeds the amount of Excess Proceeds, the Notes (and such other *pari passu* Indebtedness) will be purchased on a pro rata basis (with adjustments to prevent fractional Notes) subject to the procedure of the clearing systems. Upon completion of each Offer to Purchase, the amount of Excess Proceeds will be reset at zero.

Limitation on the Company's Business Activities

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, engage in any business other than Permitted Businesses; *provided*, however, that the Company or any Restricted Subsidiary may own Capital Stock of an Unrestricted Subsidiary or joint venture or other entity that is engaged in a business other than a Permitted Business as long as any Investment therein was not prohibited when made by the covenant described under “— 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 and (2) pending the application of all of such net proceeds in such manner, to invest the portion of such net proceeds not yet so applied in Temporary Cash Investments.

Designation of Restricted and Unrestricted Subsidiaries

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

The Company has completed the registration of foreign debt in respect of the offering described in this Offering Memorandum (or, in the case of Additional Notes, the offering document relating to the sale of such Additional Notes) and obtained a certificate of registration from the NDRC in accordance with the NDRC Notice. The Company will file or cause to be filed with the NDRC or its local branch information of the offering described in this Offering Memorandum after the Original Issue Date (or, in the case of Additional Notes, after the issue date of such Additional Notes) in accordance with and within the time period prescribed by the NDRC Notice.

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 the two of the three Rating Agencies and no Default has occurred and is continuing, 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 (a “**Suspension Event**”), 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”; and
- (8) “— Certain Covenants — Limitation on Asset Sales.”

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

Such covenants will be reinstituted and apply according to their terms as of and from the first day on which a Suspension Event ceases to be in effect. Such covenants will not, however, be of any effect with regard to actions of the Company or any Restricted Subsidiary properly taken in compliance with the provisions of the Indenture during the continuance of the Suspension Event, and following reinstatement the calculations under the covenant described under “— 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 common shares are at any time

listed for trading, true and correct copies of any financial or other report in the English language filed with such exchange; *provided* that if at any time the Common Stock of the Company ceases to be listed for trading on a recognized stock exchange, the Company will file with the Trustee and furnish to the Holders:

- (a) as soon as they are available, but in any event within 90 calendar days after the end of the fiscal year of the Company, copies of its financial statements (on a consolidated basis) in respect of such financial year (including a statement of income, balance sheet and cash flow statement) audited by a member firm of an internationally-recognized firm of independent accountants;
 - (b) as soon as they are available, but in any event within 45 calendar days after the end of the second financial quarter of the Company, copies of its financial statements (on a consolidated basis) in respect of such half-year period (including a statement of income, balance sheet and cash flow statement) reviewed by a member firm of an internationally-recognized firm of independent accountants; and
 - (c) as soon as they are available, but in any event within 45 calendar days after the end of each of the first and third financial quarter of the Company, copies of its unaudited financial statements (on a consolidated basis), including a statement of income, balance sheet and cash flow statement, prepared on a basis consistent with the audited financial statements of the Company together with a certificate signed by the person then authorized to sign financial statements on behalf of the Company to the effect that such financial statements are true in all material respects and present fairly the financial position of the Company as at the end of, and the results of its operations for, the relevant quarterly period.
- (2) In addition, so long as any of the Notes remain outstanding, the Company will provide to the Trustee (a) within 120 days after the close of each fiscal year, an Officers' Certificate stating the Fixed Charge Coverage Ratio with respect to the two most recent fiscal semi-annual periods and showing in reasonable detail the calculation of the Fixed Charge Coverage Ratio, including the arithmetic computations of each component of the Fixed Charge Coverage Ratio, with a certificate from the Company's external auditors verifying the accuracy and correctness of the calculation and arithmetic computation; *provided* that, the Company shall not be required to provide such auditor certification if its external auditors refuse to provide such certification as a result of a policy of such external auditors not to provide such certification; and (b) as soon as possible and in any event within 30 days after the Company becomes aware or should reasonably become aware of the occurrence of a Default, an Officers' Certificate setting forth the details of the Default, and the action which the Company proposes to take with respect thereto.

Events of Default

The following events are 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 or Additional Amounts 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 an Investor Put Triggering Event", "— Repurchase of Notes by the Company at the Option of the Holders" or "— 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 million (or the Dollar Equivalent thereof) or more in the aggregate for all such Indebtedness of all such Persons, whether such Indebtedness now exists or shall hereafter be created, (a) an event of default that has caused the holder thereof to declare such Indebtedness to be due and payable prior to its Stated Maturity and/or (b) the failure to make a principal payment when due;
- (6) one or more final judgments or orders for the payment of money are rendered against the Company or any of its Restricted Subsidiaries and are not paid or discharged, and there is a period of 60 consecutive days following entry of the final judgment or order that causes the aggregate amount for all such final judgments or orders outstanding and not paid or discharged against all such Persons to exceed US\$10 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 Restricted Subsidiary with respect to it or its debts under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect seeking the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Company or any Restricted Subsidiary or for any substantial part of the property and assets of the Company or any Restricted Subsidiary and such involuntary case or other proceeding remains undismissed and unstayed for a period of 60 consecutive days; or an order for relief is entered against the Company or any Restricted Subsidiary under any applicable bankruptcy, insolvency or other similar law as now or hereafter in effect;
- (8) the Company or any Restricted Subsidiary (a) commences a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or consents to the entry of an order for relief in an involuntary case under any such law, (b) consents to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Company or any Restricted Subsidiary or for all or substantially all of the property and assets of the Company or any Restricted Subsidiary or (c) effects any general assignment for the benefit of creditors (other than, in each case under (b), any of the foregoing that arises from any solvent liquidation or restructuring of a Restricted Subsidiary in the ordinary course of business that shall result in the net assets of such Restricted Subsidiary being transferred to or otherwise vested in the Company or any Restricted Subsidiary on a pro rata basis or on a basis more favorable to the Company); or
- (9) any Subsidiary Guarantor or JV Subsidiary Guarantor denies or disaffirms in writing 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 request of such Holders shall (subject to being indemnified and/or secured by the Holders 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 Restricted Subsidiary, the principal of, premium, if any, and accrued and unpaid interest on the Notes then outstanding shall automatically become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holder.

The Holders of at least a majority in principal amount of the outstanding Notes by written notice to the Company and to the Trustee may on behalf of the Holders 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 at its sole discretion and without further notice 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 but it will not be bound to take any such proceeding unless (i) it shall have been so requested in writing by the Holders of at least 25% in aggregate principal amount of the Notes then outstanding and (ii) it shall have been indemnified, secured and/or pre-funded to its satisfaction. 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 the Trustee determines in good faith may be unduly prejudicial to the rights of Holders not joining in the giving of such direction and may take any other action it deems proper that is not inconsistent with any such direction received from Holders.

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

- (1) the Holder has previously given the Trustee written notice of a continuing Event of Default;
- (2) the Holders of at least 25% in aggregate principal amount of outstanding Notes make a written request to the Trustee to pursue the remedy;

- (3) such Holder or Holders offer the Trustee indemnity, security and/or pre-funding satisfactory to the Trustee against any costs, liability or expense to be incurred in compliance with such request;
- (4) the Trustee does not comply with the request within 60 days after receipt of the request and the offer of indemnity; and
- (5) during such 60-day period, the Holders of a majority in aggregate principal amount of the outstanding Notes do not give the Trustee a direction that is inconsistent with the request.

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

If the Trustee collects any money pursuant to the Indenture, it shall pay out the money in the following order:

First, to the Trustee and the Agents to the extent necessary to reimburse the Trustee and the Agents for any expenses incurred in connection with the collection or distribution of such amounts held or realized and any reasonable fees and expenses incurred in connection with carrying out their functions under the Indenture and the Agency Agreement (including reasonable legal fees);

Second, to the Trustee for the benefit of Holders; and

Third, any surplus remaining after such payments will be paid to the Company or to whomever may be lawfully entitled thereto.

Officers of the Company must certify, 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 has fulfilled all obligations thereunder and that there has been no potential Event of Default or Event of Default, or, if there has been a default in the fulfillment of any such obligation, specifying each such default and the nature and status thereof. Officers of the Company must promptly notify the Trustee of any potential Event of Default or any other default or defaults in the performance of any covenants or agreements under the Indenture and what action the Company is taking or proposes to take with respect thereto. The Trustee and the Agents shall not be required to take any steps to ascertain whether an Event of Default or any event which could lead to the occurrence of an Event of Default has occurred and shall be entitled to assume that no such event has occurred until they have received express written notice to the contrary from the Company. See "— Provision of Financial Statements and Reports" and "— Concerning the Trustee and Agents."

Consolidation, Merger and Sale of Assets

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

- (1) the Company shall be the continuing Person, or the Person (if other than it) formed by such consolidation or merger, or with or into which the Company consolidated or merged, or that acquired or leased such property and assets (the "**Surviving Person**") shall be a corporation organized and validly existing under the laws of the Cayman

Islands, Hong Kong, Bermuda or the British Virgin Islands and shall expressly assume, by a supplemental indenture to the Indenture, executed and delivered to the Trustee, all the obligations of the Company under the Indenture and the Notes, , including the obligation to pay Additional Amounts, and the Indenture and the Notes shall remain in full force and effect;

- (2) immediately after giving effect to such transaction, no Default shall have occurred and be continuing;
- (3) immediately after giving effect to such transaction on a pro forma basis, the Company 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 proviso in part (1) of the covenant described under “— 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) of this paragraph) and (y) an Opinion of Counsel, in each case stating that such consolidation, merger or transfer and the relevant supplemental indenture complies with this covenant and that all conditions precedent provided for in the Indenture relating to such transaction have been complied with;
- (6) each Subsidiary Guarantor and JV Subsidiary Guarantor, unless such Subsidiary Guarantor or JV Subsidiary Guarantor is the Person with which the Company has entered into a transaction described under the caption “— Consolidation, Merger and Sale of Assets”, shall execute and deliver a supplemental indenture to the Indenture confirming that its Subsidiary Guarantee or JV Subsidiary Guarantee, as applicable, shall apply to the obligations of the Company or the Surviving Person in accordance with the Notes and the Indenture; and
- (7) no Rating Decline shall have occurred.

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

- (1) such Subsidiary Guarantor or JV Subsidiary Guarantor shall be the continuing Person, or the Person (if other than it) formed by such consolidation or merger, or with or into which the Company consolidated or merged, or that acquired or leased such property and assets shall be the Company or 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, and the Indenture, and the Notes shall remain in full force and effect;

- (2) immediately after giving effect to such transaction, no Default shall have occurred and be continuing;
- (3) immediately after giving effect to such transaction on a pro forma basis, the Company shall have a Consolidated Net Worth equal to or greater than the Consolidated Net Worth of the Company immediately prior to such transaction;
- (4) immediately after giving effect to such transaction on a pro forma basis, the Company could Incur at least US\$1.00 of Indebtedness under the proviso in part (1) of the covenant described under “— 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) of this paragraph) and (y) an Opinion of Counsel, in each case stating that such consolidation, merger or transfer and the relevant supplemental indenture complies with this provision and that all conditions precedent provided for in the Indenture relating to such transaction have been complied with; and
- (6) no Rating Decline shall have occurred.

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

No Payments for Consents

The Company will not, and shall not permit any of its Subsidiaries to, directly or indirectly, pay or cause to be paid any consideration, whether by way of interest, fee or otherwise, to any Holder for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of the Indenture or the Notes unless such consideration is offered to be paid or is paid to all Holders that consent, waive or agree to amend such term or provision within the time period set forth in the solicitation documents relating to such consent, waiver or amendment. Notwithstanding the foregoing, in any offer or payment of consideration for, or as an inducement to, any consent, waiver or amendment of any of the terms or provisions of the Indenture or the Notes in connection with an exchange or tender offer, the Company and any Restricted Subsidiary may exclude (i) Holders or beneficial owners of the Notes that are not “Qualified Institutional Buyers” as defined in Rule 144A under the Securities Act, and (ii) Holders or beneficial owners of the Notes in any jurisdiction where the inclusion of such Holders or beneficial owners would require the Company or any Restricted Subsidiary to comply with the registration requirements or

other similar requirements under any securities laws of such jurisdiction, or the solicitation of such consent, waiver or amendment from, or the granting of such consent or waiver, or the approval of such amendment by, Holders or beneficial owners in such jurisdiction would be unlawful, in each case as determined by the Company in its sole discretion.

Defeasance

Defeasance and Discharge

The Indenture provides that the 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 hold monies for payment in trust and to pay Additional Amounts) if, among other things:

- (1) the Company (a) has deposited with the Trustee (or its agent) or to their order in trust and the Trustee may further deposit in another account for the company, 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 from a firm of recognized international standing to the effect that the creation of the defeasance trust does not violate the U.S. Investment Company Act of 1940, as amended, and after the passage of 123 days following the deposit, the trust fund will not be subject to the effect of Section 547 of the United States Bankruptcy Code or Section 15 of the New York Debtor and Creditor Law; and
- (3) immediately after giving effect to such deposit on a pro forma basis, no Event of Default, or event that after the giving of notice or lapse of time or both would become an Event of Default, shall have occurred and be continuing on the date of such deposit or during the period ending on the 183rd day after the date of such deposit, and such defeasance shall not result in a breach or violation of, or constitute a default under, any other agreement or instrument to which the Company or any of its Restricted Subsidiaries is a party or by which the Company or any of its Restricted Subsidiaries is bound.

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

Defeasance of Certain Covenants

The Indenture further provides that the provisions of the Indenture applicable to the Notes will no longer be in effect with respect to clauses (3), (4), (5)(x) and (7) under the first paragraph, and clauses (3), (4), (5)(x) and (6) under the second paragraph under “— Consolidation, Merger and Sale of Assets” and all the covenants described herein under “— Certain Covenants”, other than as described under “— Certain Covenants-Government Approvals and Licenses; Compliance with Law” and “— Certain Covenants-Anti-Layering”, clause (3) under “Events of Default” with respect to clauses (3), (4), (5)(x) and (7) under the first paragraph, and

clauses (3), (4), (5)(x) and (6) under the second paragraph under “Consolidation, Merger and Sale of Assets” and with respect to the other events set forth in such clause, clause (4) under “Events of Default” with respect to such other covenants and clauses (5) and (6) under “Events of Default” shall be deemed not to be Events of Default upon, among other things, the deposit with the Trustee (or its agent) or to their order, in trust, of money, U.S. Government Obligations or a combination thereof that through the payment of interest and principal in respect thereof in accordance with their terms will provide money in an amount sufficient to pay the principal of, premium, if any, and accrued interest on the Notes on the Stated Maturity of such payments in accordance with the terms of the Indenture and the Notes, and the satisfaction of the provisions described in clause (2) of the preceding paragraph.

Defeasance and Certain Other Events of Default

In the event 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 (or its agent) or to their order 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.

Satisfaction and Discharge

The Indenture will be discharged and will cease to be of further effect as to all Notes issued thereunder, when:

- (1) either:
 - (a) all Notes that have been authenticated, except lost, stolen or destroyed Notes that have been replaced or paid and Notes for whose payment money has been deposited in trust and thereafter repaid to the Company, have been delivered to the Trustee for cancellation; or
 - (b) all Notes that have not been delivered to the Trustee for cancellation have become due and payable by reason of the mailing of a notice of redemption or otherwise or will become due and payable within one year and the Company has irrevocably deposited or caused to be deposited with the Trustee as trust funds in trust solely for the benefit of the holders of the Notes, cash in U.S. dollars, non-callable U.S. Government Obligations, or a combination of cash in U.S. dollars and non-callable U.S. Government Obligations, in amounts as will be sufficient, without consideration of any reinvestment of interest, to pay and discharge the entire Indebtedness on the Notes not delivered to the applicable Trustee for cancellation for principal, premium, if any, and accrued interest to the date of maturity or redemption;
- (2) no Default or Event of Default has occurred and is continuing on the date of the deposit (other than a Default or Event of Default resulting from the borrowing of funds to be applied to such deposit and any similar and simultaneous deposit relating to other Indebtedness and, in each case, the granting of Liens in connection therewith) and such deposit will not result in a breach or violation of, or constitute a default under, any other instrument to which the Company or any Subsidiary Guarantor is a party or by which the Company or any Subsidiary Guarantor is bound;
- (3) the Company or any Subsidiary Guarantor has paid or caused to be paid all sums payable by it under the Indenture; and

- (4) the Company has delivered irrevocable instructions to the Trustee under the Indenture to apply the deposited money toward the payment of the Notes at maturity or on the redemption date, as the case may be.

In addition, the Company must deliver an Officer's Certificate of the Company and an Opinion of Counsel to the Trustee stating that all conditions precedent to satisfaction and discharge have been satisfied.

Amendments and Waivers

Amendments Without Consent of Holders

The Indenture, the Notes, the Subsidiary Guarantee or the JV Subsidiary Guarantee (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, the Subsidiary Guarantee, the JV Subsidiary Guarantee (if any), *provided however* that such amendment shall not adversely affect the interest of the Holders;
- (2) comply with the provisions described under “— Consolidation, Merger and Sale of Assets”;
- (3) evidence and provide for the acceptance of appointment by a successor Trustee;
- (4) add any Subsidiary Guarantor or JV Subsidiary Guarantor, or any Subsidiary Guarantee or JV Subsidiary Guarantee, or release any Subsidiary Guarantor or JV Subsidiary Guarantor from any Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, as provided or permitted by the terms of the Indenture;
- (5) provide for the issuance of Additional Notes in accordance with the limitations set forth in the Indenture;
- (6) add any collateral to secure the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee, including the sharing of collateral pursuant to the provisions described under “— Limitation on Liens”;
- (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 or the Notes, the Subsidiary Guarantee, the JV Subsidiary Guarantee (if any) may be modified or amended, and future compliance with any provision thereof may be waived, with the consent of the Holders of not less than a majority in aggregate principal amount of the outstanding Notes; *provided, however*, that no such modification, amendment or waiver may, without the consent of each Holder affected thereby:

- (1) change the Stated Maturity of the principal of, or 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 place, currency or time of payment of principal of, or premium, if any, or interest on, any Note;
- (4) impair the right to institute suit for the enforcement of any payment on or after the Stated Maturity (or, in the case of a redemption, on or after the redemption date) of any Note, 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, except in accordance with the other provisions of the Indenture;
- (10) reduce the amount payable upon a Repurchase Offer or an Offer to Purchase with the Excess Proceeds from any Asset Sale or, change the time or manner by which a Repurchase 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 Repurchase Offer or an Offer to Purchase with the Excess Proceeds or other proceeds from any Asset Sale, unless such amendment, waiver or modification shall be in effect prior to the occurrence of an Investor Put Triggering Event or the event giving rise to the repurchase of the Notes under “— Limitation on Asset Sales”;
- (11) change the redemption date or the redemption price of the Notes from that stated under the captions “— Optional Redemption” or “— Redemption for Taxation Reasons”;
- (12) amend, change or modify the obligation of the Company or any Subsidiary Guarantor or any JV Subsidiary Guarantor to pay Additional Amounts;
- (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 adversely affects the Holders; or

- (14) amend, change or modify the obligations of the Company or any Subsidiary Guarantor or any JV Subsidiary Guarantor under the captions “— Repurchase of Notes by the Company at the Option of the Holders” or “— Repurchase of Notes Upon an Investor Put Triggering Event” (including amending, changing or modifying the repurchase date or repurchase price of the Notes from that stated under such captions).

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 U.S. 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 Citibank, N.A., London Branch has been appointed as paying agent (the “**Paying Agent**”) and transfer agent (the “**Transfer Agent**”, and together with the Note Registrar and the Paying Agent, the “**Agents**”) with regard to the Notes. Prior to the occurrence of an Event of Default, the Trustee will not be liable for the performance of such duties as are specifically set forth in the Indenture except to the extent of its own gross negligence or willful default. If an Event of Default has occurred and is continuing, the Trustee will be required to use the same degree of care and skill in its exercise of the rights and powers vested in it under the Indenture as a prudent person would exercise under the circumstances in the conduct of such person’s own affairs.

The Trustee will be under no obligation to exercise any rights or powers conferred under the Indenture for the benefit of the Holders unless such Holders have offered to the Trustee indemnity, security and/or pre-funding satisfactory to the Trustee against any loss, liability or expense.

The Notes provide the Trustee to take action on behalf of the Holders in certain circumstances, but only if the Trustee is indemnified to its satisfaction. It may not be possible for the Trustee to take certain actions, whether in relation to the Notes, and accordingly in such circumstances the Trustee will be unable to take such actions, notwithstanding the provision of an indemnity to it, and it will be for the Holders to take such actions directly.

The Trustee may refrain from taking any action in any jurisdiction if the taking of such action in that jurisdiction would, in its opinion, be contrary to any law of that jurisdiction, any directive or regulation of any agency of that jurisdiction or any other law applicable to the Trustee and may without liability do anything which is, in its opinion, necessary to comply with any such law, directive or regulation. Furthermore, the Trustee may also refrain from taking such action if it would otherwise render it liable to any person in that jurisdiction or if, in its opinion based upon such legal advice, it would not have the power to do the relevant thing in that jurisdiction by virtue of any applicable law in that jurisdiction or if it is determined by any court or other competent authority in that jurisdiction that it does not have such power.

Neither the Trustee nor any of the Agents shall be under any duty to monitor or take any steps to ascertain whether any event or circumstance has happened or exists in relation to a Default, Event of Default, redemption, change of control, asset sale or under the heading “— Certain Covenants” and shall assume that no such event has occurred until it has received express written notice from the Company and shall not be liable to the Holders or any other person for any loss arising from any such assumption or failure to so monitor or take such steps to ascertain.

The Trustee and each of the Agents is permitted to engage in other transactions, including normal banking and trustee relationships, with the Company and its Affiliates. The Indenture contains limitations on the rights of the Trustee to obtain payment of claims as a creditor of the Company or any of the Subsidiary Guarantors or JV Subsidiary Guarantors in certain cases or to realize on certain property received by it in respect of any such claims, whether as security or otherwise.

The Trustee and the Agents shall be absolutely and conclusively entitled to rely on, and shall be fully protected in acting or refraining from acting upon, any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, approval, bond, security or other paper or document believed by it to be genuine. The Trustee may consult with counsel and the advice of such counsel or any Opinion of Counsel shall be full and complete authorization and protection in respect of any action taken or suffered or omitted hereunder in good faith and in reliance thereon.

All calculations relating to the Notes shall be performed by the Company or any other person appointed by it for this purpose. None of the Trustee or the Agents shall be liable in any respect for the accuracy or inaccuracy in any calculation or formula under the Indenture or the Notes, whether by the Company, auditors or any other person so appointed by any of them for such purpose.

In connection with the exercise of its functions (including but not limited to those in relation to any modification, authorization or waiver), the Trustee shall have regard to the interests of the Holders as a class and shall not have regard to the consequences of such exercise for individual Holders, and no Holder shall be entitled to claim from the Trustee or any other person any indemnification or payment in respect of any tax consequences of any such individual except as described under “— Additional Amounts”.

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

Book-Entry; Delivery and Form

The Additional Notes will be represented by a global note in registered form without interest coupons attached (the “**Initial Global Note**”). When issued, the Initial Global Note will be deposited with a common depositary and registered in the name of the common depositary or its nominee for the accounts of Euroclear and Clearstream. Any additional Notes will be represented by additional global notes in registered form without interest coupons attached (the “**Additional Global Notes**”, 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 “— Certificated 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 depositary 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 their respective agents will have any responsibility or be liable for any aspect of the records relating to the book-entry interests. The Notes are not issuable in bearer form.

Payments on the Global Notes

Payments of any amounts owing in respect of the Global Notes (including principal, premium, interest and Additional Amounts) will be made to the Paying Agent in U.S. dollars. The Paying Agent will, in turn, make such payments to the common depositary for Euroclear and Clearstream, which will distribute such payments to participants in accordance with their procedures. Each of the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors 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 the Trustee and the Agents will treat the registered holder of the Global Note (i.e., the common depositary or its nominee) as the owner thereof for the purpose of receiving payments and for all other purposes. Consequently, none of the Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors, the Trustee, the Agents or any of their respective agents has or will have any responsibility or liability for:

- any aspect of the records of Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a book-entry interest, for any such payments made by Euroclear, Clearstream or any participant or indirect participants, or for maintaining, supervising or reviewing any of the records of Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a book-entry interest; or
- any action or failure to take action by 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 depositary will distribute the U.S. dollar 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 U.S. dollar amount received by the common depositary, Euroclear or Clearstream, as applicable, in connection with the redemption of such Global Note (or any portion thereof). The Company understands that under existing practices

of Euroclear and Clearstream, if fewer than all of the Notes are to be redeemed at any time, Euroclear and Clearstream will credit their respective participants' accounts on a proportionate basis (with adjustments to prevent fractions) or 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 any Global Note. If there is an Event of Default under the Notes, however, each of Euroclear and Clearstream reserves the right to exchange the Global Notes for certificated notes in certificated form, and to distribute such certificated notes to their participants.

Transfers

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

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

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

Global Clearance and Settlement Under the Book-Entry System

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

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

Information Concerning Euroclear and Clearstream

We understand as follows with respect to Euroclear and Clearstream:

Euroclear and Clearstream hold securities for participating organizations and facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in accounts of such participants. Euroclear and Clearstream provide

to their participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream interface with domestic securities markets. Euroclear and Clearstream participants are financial institutions, such as underwriters, securities brokers and dealers, banks and trust companies, and certain other organizations. Indirect access to Euroclear or Clearstream is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodian relationship with a Euroclear or Clearstream participant, either directly or indirectly.

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

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

Certificated Notes

If (1) the common depositary or any successor to the common depositary is at any time unwilling or unable to continue as a depositary for the reasons described in the Indenture and a successor depositary is not appointed by the Company within 90 days, (2) either Euroclear or Clearstream, or a successor clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention to permanently cease business or does in fact do so, or (3) any of the Notes has become immediately due and payable in accordance with “— Events of Default” and the Company has received a written request from a Holder, the Company will issue certificated notes in registered form in exchange for the Global Notes. Upon receipt of such notice from the common depositary or the Trustee, as the case may be, the Company will use its best efforts to make arrangements with the common depositary for the exchange of interests in the Global Notes for certificated notes and cause the requested certificated notes to be executed and delivered to the Note Registrar in sufficient quantities and authenticated by the Note Registrar for delivery to Holders. Persons exchanging interests in a Global Note for certificated 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 certificated notes. In all cases, certificated notes delivered in exchange for any Global Note or beneficial interests therein will be registered in the names, and issued in any approved denominations, requested by the relevant clearing system.

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

Notices

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

So long as the Notes are represented by the Global Note and the Global Note is held on behalf of Euroclear and/or Clearstream, notices to Holders may be given by delivery of the relevant notice to Euroclear and/or Clearstream for communication by it to entitled participants in substitution for notification as required under the Notes.

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 Law Debenture for receipt of service of process in any such suit, action or proceeding.

Governing Law

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

Definitions

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

“*2017 Notes*” means the 7.0% Notes due 2020 issued by the Company.

“*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 months before or after February 27, 2022, yields for the two published maturities most closely corresponding to the Comparable Treasury Issue shall be determined and the Adjusted Treasury Rate shall be interpolated or extrapolated from such yields on a straight line basis, rounding to the nearest month) or (ii) if such release (or any successor release) is not published during the week preceding the calculation date or does not contain such yields, the rate per year equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date, in each case calculated on the third Business Day immediately preceding the redemption date.

“*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 principal amount of such Note on February 27, 2022, plus (y) all required remaining scheduled interest payments due on such Note through February 27, 2022 (but excluding accrued and unpaid interest to the redemption date), computed using a discount rate equal to the Adjusted Treasury Rate plus 100 basis points, over (B) the principal amount of such Note on such redemption date.

“*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 “— Limitation on Restricted Payments” covenant;
- (3) sales, transfers or other dispositions of assets with a Fair Market Value not in excess of US\$1 million (or the Dollar Equivalent thereof) in any transaction or series of related transactions;
- (4) any sale, transfer, assignment or other disposition of any property, or equipment that has become damaged, worn out, obsolete or otherwise unsuitable for use in connection with the business of the Company or its Restricted Subsidiaries;
- (5) any transfer, assignment or other disposition deemed to occur in connection with creating or granting any Permitted Lien;
- (6) a transaction covered by the covenant described under “— Consolidation, Merger and Sale of Assets”;

- (7) sales or other dispositions of cash or of Temporary Cash Investments; and
- (8) any sale, transfer or other disposition by the Company or any of its Restricted Subsidiaries, including the sale or issuance by the Company or any Restricted Subsidiary of any Capital Stock of any Restricted Subsidiary, to the Company or any Restricted Subsidiary.

“Associate” means any Person of which at least 20% of the Capital Stock is owned, directly or indirectly, by the Company or any Restricted Subsidiary.

“Attributable Indebtedness” means, in respect of a Sale and Leaseback Transaction, the present value, discounted at the interest rate implicit in such Sale and Leaseback Transaction, of the total obligations of the lessee for rental payments during the remaining term of the lease in such 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 secured by a pledge of one or more bank accounts or bank deposits of the Company or a Restricted Subsidiary or guaranteed by a guarantee or a letter of credit (or similar instruments) from or arranged by the Company or a Restricted Subsidiary and is used by the Company and its Restricted Subsidiaries to effect exchange of U.S. dollars, Hong Kong dollars or other foreign currencies into Renminbi or vice versa, or to remit Renminbi or any foreign currency into or outside the PRC.

“Board of Directors” means the board of directors of the Company, the Subsidiary Guarantor or the JV Subsidiary Guarantor, as the case may be, or any committee of such board duly authorized to take the action purported to be taken by such committee.

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

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

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

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

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

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

- (1) the direct or indirect sale, transfer, conveyance or other disposition (other than by way of merger or consolidation) in one or a series of related transactions, of all or substantially all of the properties or assets of the Company and its Restricted Subsidiaries, taken as a whole, to any “person” (within the meaning of Section 13(d) of the Exchange Act), other than one or more Permitted Holders;
- (2) the merger, amalgamation or consolidation of the Company with or into another Person (other than one or more Permitted Holders) or the merger, amalgamation or consolidation 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);
- (3) the Permitted Holders collectively are the beneficial owners of less than 51% of the total voting power of the Voting Stock of the Company;
- (4) any “person” or “group” (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act) is or becomes the “beneficial owner” (as such term is used in Rule 13d-3 of the Exchange Act), directly or indirectly, of total voting power of the Voting Stock of the Company greater than such total voting power held beneficially by the Permitted Holders;
- (5) individuals who on the Original Issue Date constituted the Board of Directors, together with any new directors whose election to 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 on the Original Issue Date or whose election was previously so approved, cease for any reason to constitute a majority of the Board of Directors then in office; or
- (6) the adoption of a plan relating to the liquidation or dissolution of the Company.

“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 includes, 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 February 27, 2022 that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities with a comparable maturity to February 27, 2022.

“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 available) 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 semi-annual period for which consolidated financial statements of the Company and its Restricted Subsidiaries (which the Company shall use its best efforts to compile on a timely manner) are available (which may be internal consolidated financial statements).

“*Consolidated EBITDA*” means, for any period, Consolidated Net Income for such period plus, to the extent such amount was deducted in calculating such Consolidated Net Income:

- (1) Consolidated Interest Expense, including for the avoidance of doubt, capitalized interest included in cost of sale,
- (2) income taxes (other than income taxes attributable to extraordinary and non-recurring gains (or losses) or sales of assets not included in the calculation of Consolidated EBITDA), including, for the avoidance of doubt, corporate income tax and land appreciation tax, and
- (3) depreciation expense, amortization expense and all other non-cash items reducing Consolidated Net Income (other than non-cash items in a period which reflect cash expenses paid or to be paid in another period and other than losses on Investment Properties arising from fair value adjustments made in conformity with GAAP), less all non-cash items increasing Consolidated Net Income (other than gains on Investment Properties arising from fair value adjustments made in conformity with GAAP),

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.

“*Consolidated Interest Expense*” means, for any period, the amount that would be included in net interest expense (interest expenses net of interest income) 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 net interest expense, and to the extent incurred, accrued or payable during such period by the Company and its Restricted Subsidiaries, without duplication, (1) interest expense attributable to Capitalized Lease Obligations, (2) amortization of debt issuance costs and original issue discount expense and non-cash interest payments in respect of any Indebtedness, (3) the interest portion of any deferred payment

obligation, (4) all commissions, discounts and other fees and charges with respect to letters of credit or similar instruments issued for financing purposes or in respect of any Indebtedness, (5) the net costs associated with Hedging Obligations (including the amortization of fees), (6) interest accruing on Indebtedness of any other Person that is Guaranteed by the Company or any Restricted Subsidiary (other than Pre-Registration Mortgage Guarantees) to the extent such interest has become payable by the Company or any Restricted Subsidiary, and (7) any capitalized interest, *provided* that interest expense attributable to interest on any Indebtedness bearing a floating interest rate will be computed on a pro forma basis as if the rate in effect on the date of determination had been the applicable rate for the entire relevant period.

“*Consolidated Net Income*” means, with respect to any specified Person for any period, the aggregate of the net income (or loss) of such Person and its Restricted Subsidiaries for such period, on a consolidated basis, determined in conformity with GAAP; *provided* that the following items shall be excluded in computing Consolidated Net Income (without duplication):

- (1) the net income (or loss) of any Person that is not a Restricted Subsidiary or that is accounted for by the equity method of accounting except that:
 - (a) subject to the exclusion contained in clause (5) below, the Company’s equity in the net income of any such Person for such period shall be included in such Consolidated Net Income up to the aggregate amount of cash actually distributed by such Person during such period to the Company or a Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend or other distribution paid to a Restricted Subsidiary, to the limitations contained in clause (3) below); and
 - (b) the Company’s equity in a net loss of any such Person for such period shall be included in determining such Consolidated Net Income to the extent funded with cash or other assets of the Company or Restricted Subsidiaries;
- (2) the net income (or loss) of any Person accrued prior to the date it becomes a Restricted Subsidiary or is merged into or consolidated with the Company or any of its Restricted Subsidiaries or all or substantially all of the property and assets of such Person are acquired by the Company or any of its Restricted Subsidiaries;
- (3) the net income (but not loss) of any Restricted Subsidiary to the extent that the declaration or payment of dividends or similar distributions by such Restricted Subsidiary of such net income is not at the time permitted by the operation of the terms of its charter, articles of association or other similar constitutive documents, or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to such Restricted Subsidiary;
- (4) the cumulative effect of a change in accounting principles;
- (5) any net after tax gains realized on the sale or other disposition of (a) any property or assets of the Company or any Restricted Subsidiary which is not sold in the ordinary course of its business or (b) any Capital Stock of any Person (including any gains by the Company realized on sales of Capital Stock of the Company or other Restricted Subsidiaries);
- (6) any translation gains or losses due solely to fluctuations in currency values and related tax effects; and
- (7) any net after-tax extraordinary or non-recurring gains.

provided that (A) solely for purposes of calculating Consolidated EBITDA and the Fixed Charge Coverage Ratio, any net after tax gains derived from direct or indirect sale by the Company or any Restricted Subsidiary of (i) Capital Stock of a Restricted Subsidiary primarily engaged in the holding of Investment Property or (ii) an interest in any Investment Property arising from the difference between the current book value and the cash sale price shall be added to Consolidated Net Income; (B) for purposes of the Consolidated Net Income calculation (but not for purposes of calculating Consolidated EBITDA and the Fixed Charge Coverage Ratio) any net after tax gains derived from direct or indirect sale by the Company or any Restricted Subsidiary of (i) Capital Stock of a Restricted Subsidiary primarily engaged in the holding of Investment Property or (ii) an interest in any Investment Property arising from the difference between the original cost basis and the cash sale price shall be added to Consolidated Net Income to the extent not already included in the net income for such period as determined in conformity with GAAP and Consolidated Net Income; and (C) solely for the purposes of calculating Consolidated EBITDA and the Fixed Charge Coverage Ratio, any net after tax gains on Investment Properties arising from fair value adjustments made in conformity with GAAP shall be added to Consolidated Net Income.

“Consolidated Net Worth” means, at any date of determination, stockholders’ equity as set forth on the most recently available 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.

“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.

“Delisting/Suspension Put Triggering Event” means the occurrence of either (a) the ordinary share capital of the Company ceasing to be listed on The Stock Exchange of Hong Kong Limited or (b) trading of the ordinary share capital of the Company on The Stock Exchange of Hong Kong Limited is suspended for 30 consecutive Trading Days.

“Disqualified Stock” means any class or series of Capital Stock of any Person that by its terms or otherwise is (1) required to be redeemed prior to the Stated Maturity of the Notes, (2) redeemable at the option of the holder of such class or series of Capital Stock at any time prior to the Stated Maturity of the Notes or (3) convertible into or exchangeable for Capital Stock referred to in clause (1) or (2) above or Indebtedness having a scheduled maturity prior to the Stated Maturity of the Notes; *provided* that any Capital Stock that would not constitute Disqualified Stock but for provisions thereof giving holders thereof the right to require such Person to repurchase or redeem such Capital Stock upon the occurrence of an “asset sale” or “change of control” occurring prior to the Stated Maturity of the Notes shall not constitute Disqualified Stock if the “asset sale” or “change of control” provisions applicable to such Capital Stock are no more favorable to the holders of such Capital Stock than the provisions contained in the “— Limitation on Asset Sales” and “— Repurchase of Notes upon an Investor Put Triggering Event” covenants

and such Capital Stock specifically provides that such Person will not repurchase or redeem any such stock pursuant to such provision prior to the Company's repurchase of such Notes as are required to be repurchased pursuant to the "— Limitation on Asset Sales" and "— Repurchase of Notes upon an Investor Put Triggering Event" covenants.

"*Dollar Equivalent*" means, with respect to any monetary amount in a currency other than U.S. dollars, at any time for the determination thereof, the amount of U.S. dollars obtained by converting such foreign currency involved in such computation into U.S. dollars at the base rate for the purchase of U.S. dollars with the applicable foreign currency as quoted by the Federal Reserve Bank of New York on the date of determination.

"*Entrusted Loans*" means borrowings by a PRC Restricted Subsidiary from a bank that are secured by a pledge of deposits made by another PRC Restricted Subsidiary to the lending bank as security for such borrowings, *provided* that, such borrowings are not reflected on the consolidated balance sheet of the Company.

"*Equity Offering*" means (i) any underwritten primary public offering or private placement of Common Stock of the Company after the Original Issue Date or (ii) any underwritten secondary public offering or secondary private placement of Common Stock of the Company beneficially owned by a Permitted Holder, after the Original Issue Date, to the extent that a Permitted Holder or a Person 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, as operator of the Euroclear System.

"*Exchange Act*" means the U.S. Securities Exchange Act of 1934, as amended.

"*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 the 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.

"*Financial Company Investor*" means a bank, financial institution, trust company, fund management company, asset management company, financial management company or insurance company, or an Affiliate thereof, that Invests in any Capital Stock of a PRC Restricted Subsidiary.

"*Fixed Charge Coverage Ratio*" means, on any Transaction Date, the ratio of (1) the aggregate amount of Consolidated EBITDA for the then most recent two fiscal semi-annual 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 "**Two Semi-Annual Period**") to (2) the aggregate Consolidated Fixed Charges during such Two Semi-Annual Period. In making the foregoing calculation:

- (a) pro forma effect shall be given to any Indebtedness, Disqualified Stock or Preferred Stock Incurred, repaid or redeemed during the period (the "**Reference Period**") commencing on and including the first day of the Two Semi-Annual 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 Two Semi-Annual Period), in each case as if such Indebtedness, Disqualified Stock or Preferred Stock had been Incurred, repaid or redeemed on the first day of such Reference Period; *provided* that, in the event of any such repayment or redemption, Consolidated EBITDA for such period shall be calculated as if the Company or such Restricted Subsidiary had not earned any interest income actually earned during such period in respect of the funds used to repay or redeem such Indebtedness, Disqualified Stock 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 Subsidiaries and Unrestricted Subsidiaries as if such creation, designation or redesignation had occurred on the first day of such Reference Period;
- (d) pro forma effect shall be given to Asset Dispositions and Asset Acquisitions (including giving pro forma effect to the application of proceeds of any Asset Disposition) that occur during such Reference Period as if they had occurred and such proceeds had been applied on the first day of such Reference Period; and
- (e) pro forma effect shall be given to asset dispositions and asset acquisitions (including giving pro forma effect to the application of proceeds of any asset disposition) that have been made by any Person that has become a Restricted Subsidiary or has been merged with or into the Company or any Restricted Subsidiary during such Reference Period and that would have constituted Asset Dispositions or Asset Acquisitions had such transactions occurred when such Person was a Restricted Subsidiary as if such asset dispositions or asset acquisitions were Asset Dispositions or Asset Acquisitions that occurred on the first day of such Reference Period;

provided that to the extent that clause (d) or (e) of this sentence requires that pro forma effect be given to an Asset Acquisition or Asset Disposition (or asset acquisition or asset disposition), such pro forma calculation shall be based upon the two full fiscal semi-annual 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.

“*Fitch*” means Fitch Ratings Ltd., a subsidiary of the Fitch Group, a jointly owned subsidiary of Fimalae, S.A. and Hearst Corporation, and its successors.

“*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 or redemption price plus accrued dividends.

Notwithstanding the foregoing, Indebtedness shall not include any capital commitments, deferred payment obligations, indemnity provided to joint venture partners, 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 or any Entrusted Loan; *provided* that such item is not reflected as borrowings on the consolidated balance sheet of the Company (contingent obligations and commitments referred to in a footnote to financial statements and not otherwise reflected as borrowings on the balance sheet will not be deemed to be reflected on such balance sheet).

The amount of Indebtedness of any Person at any date shall be the outstanding balance at such date of all unconditional obligations as described above and, with respect to contingent obligations, the maximum liability upon the occurrence of the contingency giving rise to the obligation; *provided*

- (1) that the amount outstanding at any time of any Indebtedness issued with original issue discount is the face amount of such Indebtedness less the remaining unamortized portion of the original issue discount of such Indebtedness at such time as determined in conformity with GAAP,
- (2) that money borrowed and set aside at the time of the Incurrence of any Indebtedness in order to prefund the payment of the interest on such Indebtedness shall not be deemed to be “Indebtedness” so long as such money is held to secure the payment of such interest, and
- (3) that the amount of Indebtedness with respect to any Hedging Obligation shall be: (i) zero if Incurred pursuant to clause (2)(f) under the “Limitation on Indebtedness and Preferred Stock” covenant, or (ii) equal to the net amount payable by such Person if such Hedging Obligation terminated at that time if not Incurred pursuant to such clause.

“*Independent Third Party*” means any Person that is not an Affiliate of the Company.

“*Interest Rate Agreement*” means any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedge agreement, option or future contract or other similar agreement or arrangement designed to reduce or manage exposure to fluctuations in interest rates.

“*Investment*” means:

- (1) any direct or indirect advance, loan or other extension of credit to another Person;
- (2) any capital contribution to another Person (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others);
- (3) any purchase or acquisition of Capital Stock, Indebtedness, bonds, notes, debentures or other similar instruments or securities issued by another Person; or
- (4) any Guarantee of any obligation of another Person to the extent such obligation is outstanding and to the extent guaranteed by such Person.

An acquisition of assets, Capital Stock or other securities by the Company or a Subsidiary for consideration to the extent such consideration consists of Common Stock of the Company will not be deemed an Investment.

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 or a rating of “Aaa”, or “Aa”, “A” or “Baa”, as modified by a “1”, “2” or “3” indication, or an equivalent rating representing one of the four highest rating categories, by Moody’s, or any of its successors or assigns, or 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 owned and held by any Restricted Subsidiary incorporated under the laws of the PRC primarily for rental yields or for capital appreciation or both, or any hotel owned by the Company or any Restricted Subsidiary from which the Company or any Restricted Subsidiary derives or expects to derive operating income.

“Jointly Controlled Entity” means any corporation, association or other business entity of which 20% or more of the voting power of the outstanding Capital Stock is owned, directly or indirectly, by the Company or a Restricted Subsidiary and such corporation, association or other business entity is treated as a “joint venture” in accordance with GAAP and is primarily engaged in a Permitted Business, and such Jointly Controlled Entity’s Subsidiaries.

“June 2018 Notes” means the 10.0% Notes due 2020 issued by the Company.

“JV Entitlement Amount” means, with respect to any JV Subsidiary Guarantor together with other members of JV Subsidiary Group, an amount that is equal to the product of (i) the Fair Market Value of the total assets of such JV Subsidiary Group and its Subsidiaries, on a consolidated basis (without deducting any Indebtedness or other liabilities of such JV Subsidiary Group and its subsidiaries) as of the date of the last fiscal year end of the Company; and (ii) a percentage equal to the effective equity ownership percentage of the Company and/or its Restricted Subsidiaries expressed as a percentage in such JV Subsidiary Guarantor.

“JV Subsidiary Group” means, with respect to any JV Subsidiary Guarantor, collectively (x) such JV Subsidiary Guarantor, (y) any of its Restricted Subsidiaries that are providing JV Subsidiary Guarantees, and (z) if such JV Subsidiary Guarantor is wholly-owned by a Restricted Subsidiary, any of its shareholders that are giving JV Subsidiary Guarantees.

“JV Subsidiary Guarantee” has the meaning set forth under the caption “— The Subsidiary Guarantees.”

“JV Subsidiary Guarantor” means a Restricted Subsidiary that executes a JV Subsidiary Guarantee.

“Lien” means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including, without limitation, any conditional sale or other title retention agreement or lease in the nature thereof or any agreement to create any mortgage, pledge, security interest, lien, charge, easement or encumbrance of any kind).

“March 2018 Notes” means the 10.2% Notes due 2019 issued by the Company.

“*Measurement Date*” means March 21, 2017.

“*Minority Interest Staged Acquisition Agreement*” means an agreement between the Company or a Restricted Subsidiary and an Independent Third Party (x) pursuant to which the Company or such Restricted Subsidiary agrees to acquire less than a majority of the Capital Stock of a Person for a consideration that is not more than the Fair Market Value of such Capital Stock of such Person at the time the Company or such Restricted Subsidiary enters into such agreement and (y) which provides that the payment of the purchase price for such Capital Stock is made in more than one installment over a period of time.

“*Moody’s*” means Moody’s Investors Service, Inc. and its successors.

“*NDRC*” means the National Development and Reform Commission of the PRC.

“*NDRC Notice*” means the Notice on the Administrative Reform for the Registration of Offshore Debt Issuances (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知) issued by the NDRC on September 14, 2015.

“*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 the Notes by the Company to the Holders commenced by the Company mailing a notice by first class mail, postage prepaid, to the Trustee, the Paying Agent and each Holder at its last address appearing in the Note register stating:

- (1) the provision in the Indenture pursuant to which the offer is being made and that all Notes validly tendered will be accepted for payment on a pro rata basis;
- (2) the purchase price and the date of purchase (which shall be a Business Day no earlier than 30 days nor later than 60 days from the date such notice is mailed) (the “**Offer to Purchase Payment Date**”);
- (3) that any Note not tendered will continue to accrue interest pursuant to its terms;
- (4) that, unless the Company defaults in the payment of the purchase price, any Note accepted for payment pursuant to the Offer to Purchase shall cease to accrue interest on and after the Offer to Purchase Payment Date;
- (5) that Holders electing to have a Note purchased pursuant to the Offer to Purchase will be required to surrender the Note, together with the form entitled “Option of the Holder to Elect Purchase” on the reverse side of the Note completed, to the Paying Agent at the address specified in the notice prior to the close of business on the Business Day immediately preceding the Offer to Purchase Payment Date;
- (6) that Holders will be entitled to withdraw their election if the Paying Agent receives, not later than the close of business on the third Business Day immediately preceding the Offer to Purchase Payment Date, a facsimile transmission or letter setting forth the name of such Holder, the principal amount of Notes delivered for purchase and a statement that such Holder is withdrawing his election to have such Notes purchased; and
- (7) that Holders whose Notes are being purchased only in part will be issued new Notes equal in principal amount to the unpurchased portion of the Notes surrendered; *provided* that each Note purchased and each new Note issued shall be in a principal amount of US\$200,000 or integral multiples of US\$1,000 in excess thereof.

On the Offer to Purchase Payment Date, the Company shall (a) accept for payment on a pro rata basis Notes or portions thereof tendered pursuant to an Offer to Purchase; (b) deposit with the Paying Agent money sufficient to pay the purchase price of all Notes or portions thereof so accepted; and (c) deliver, or cause to be delivered, to the Trustee all Notes or portions thereof so accepted together with an Officers’ Certificate specifying the Notes or portions thereof accepted for payment by the Company. The Paying Agent shall promptly mail to the Holders of Notes so accepted payment in an amount equal to the purchase price, and the Trustee or an authenticating agent shall 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 directors or 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* that, with respect to any Subsidiary Guarantor or JV Subsidiary Guarantor having only one Officer, an “Officers’ Certificate” means a certificate signed by such Officer.

“*Onshore Secured Indebtedness*” means Indebtedness of the Company or any Restricted Subsidiary that is, through a standby letter of credit or other similar instrument issued by a bank or other financial institution, indirectly benefited from the pledge of assets or shares of a Restricted Subsidiary in the PRC or a guarantee or a letter of credit (or similar instruments) from or arranged by a Restricted Subsidiary in the PRC to such bank or other financial institution.

“*Opinion of Counsel*” means a written opinion from legal counsel who is reasonably acceptable to the Trustee.

“*Original Issue Date*” means February 27, 2019.

“*outstanding*” when used with respect to the Notes means, as of the date of determination, all Notes theretofore authenticated and delivered under the Indenture, except:

- (1) Notes theretofore cancelled by the Paying Agent or accepted by the Paying Agent for cancellation;
- (2) Notes for whose payment or redemption money in the necessary amount has been theretofore deposited with the Trustee (in trust) or any Paying Agent for the Holders of such Notes; *provided* that, if such Notes are to be redeemed, notice of such redemption has been duly given pursuant to the Indenture or provision therefor reasonably satisfactory to the Trustee has been made; and
- (3) Notes in exchange for or in lieu of which other Notes have been authenticated and delivered pursuant to the Indenture.

A Note does not cease to be outstanding because the Company or any Affiliate of the Company holds the Note; *provided* that in determining whether the Holders of the requisite amount of outstanding Notes have given any request, demand, authorization, direction, notice, consent or waiver under the Indenture, Notes owned by the Company or any Affiliate of the Company or beneficially held for the Company or an Affiliate of the Company shall be disregarded and deemed not to be outstanding, except that, for the purpose of determining whether the Trustee shall be protected in relying on any such request, demand, authorization, direction, notice, consent or waiver, only Notes for which the Trustee has received an Officers’ Certificate

from the Company or an Affiliate of the Company evidencing such ownership or beneficial holding shall be so disregarded; *further provided* that at any time the Notes are owned only by the Company or any Affiliate of the Company or beneficially held for the Company or an Affiliate of the Company, the first proviso in this sentence shall not apply. Notes so owned or beneficially held that have been pledged in good faith may be regarded as outstanding if the pledgee establishes its right to act with respect to such Notes and that the pledgee is not the Company or an Affiliate of the Company.

“*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), any Subsidiary Guarantor or any JV Subsidiary Guarantor; *provided* that (1) the Company, such Subsidiary Guarantor or such JV Subsidiary Guarantor was permitted to Incur such Indebtedness under the covenant described under “— Limitation on Indebtedness and Preferred Stock” and (2) such guarantee ranks *pari passu* with the Notes, 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.

“*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.

“*Permitted Holders*” means any or all of the following:

- (1) Mr. Zhang Zhangsun;
- (2) an Affiliate (other than an Affiliate as defined in clause (2) of the definition of Affiliate) of the Person specified in clause (1); and
- (3) any Person both the Capital Stock and the Voting Stock of which (or in the case of a trust, the beneficial interests in which) are owned 80% or more by one or more of the Persons specified in clauses (1) and (2).

“*Permitted Investment*” means any of the following:

- (1) any Investment in the Company or a Restricted Subsidiary that is primarily engaged in a Permitted Business or a Person which will, upon the making of such Investment (including the acquisition of Capital Stock of such a Person), become a Restricted Subsidiary that is primarily engaged in a Permitted Business or be merged or consolidated with or into or transfer or convey all or substantially all its assets to, the Company or a Restricted Subsidiary that is primarily engaged in a Permitted Business;
- (2) 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 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;

- (7) receivables owing to the Company or any Restricted Subsidiary, if created or acquired in the ordinary course of business and payable or dischargeable in accordance with customary trade terms;
- (8) Investments made by the Company or any Restricted Subsidiary consisting of consideration received in connection with an Asset Sale made in compliance with the covenant described under “— Limitation on Asset Sales”;
- (9) pledges or deposits (x) with respect to leases or utilities provided to third parties in the ordinary course of business or (y) otherwise described in the definition of “Permitted Liens” or made in connection with Liens permitted under the covenant described under “— Limitation on Liens”;
- (10) any Investment pursuant to Pre-Registration Mortgage Guarantees 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, welfares and social benefits, property maintenance 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) payments made pursuant to any Staged Acquisition Agreement;
- (17) Guarantees permitted under clauses (2)(p), (2)(q), 2(r) or (2)(s) of the covenant under “— Limitation on Indebtedness and Preferred Stock”;
- (18) any Investment (including without limitation any deemed Investment upon the redesignation of a Restricted Subsidiary as an Unrestricted Subsidiary or upon the issuance or sale of Capital Stock of a Restricted Subsidiary) by the Company or any Restricted Subsidiary in any Person; *provided* that:
 - (i) (x) the aggregate of all Investments made under this clause (18) since the Measurement Date shall not exceed in aggregate an amount equal to 25% of Total Assets, and (y) the aggregate of all Investments made under this clause (18) since the Measurement Date in any Person, other than any Person of which at least 20%

of the Capital Stock and Voting Stock is (or upon the making of such Investment, will be) owned, directly or indirectly, by the Company or any Restricted Subsidiary (each such Person, an “Associate”), shall not exceed in aggregate an amount equal to 7.5% of Total Assets;

Such aggregate amount of Investments shall be calculated after deducting an amount equal to the net reduction in all Investments made under this clause (18) since the Measurement Date resulting from:

- (A) payments of interest on Indebtedness, dividends or repayments of loans or advances made under this clause (18), in each case to the Company or any Restricted Subsidiary (except, in each case, to the extent any such payment or proceeds are included in the calculation of Consolidated Net Income),
 - (B) the unconditional release of a Guarantee provided by the Company or a Restricted Subsidiary after the Measurement Date under this clause of an obligation of any such Person,
 - (C) to the extent that an Investment made after the Measurement Date under this clause (18) is sold or otherwise liquidated or repaid for cash, the lesser of (x) cash return of capital with respect to such Investment (less the cost of disposition, if any) and (y) the initial amount of such Investment, not to exceed, in each case, the amount of Investments made by the Company or a Restricted Subsidiary after the Measurement Date in any such Person pursuant to this clause (18),
 - (D) redesignations of Unrestricted Subsidiaries as Restricted Subsidiaries not to exceed, in each case, the amount of Investments made pursuant to this clause (18) by the Company or any Restricted Subsidiary after the Measurement 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 Measurement Date shall be deemed to have been made pursuant to clause (1) of the definition of “Permitted Investment”),
- (ii) the Associate into which such Investment is made is primarily engaged in a Permitted Business;
 - (iii) none of the other shareholders or partners in such Person in which such Investment was made pursuant to this clause (18) is a Person described in clauses (x) or (y) of the first paragraph of the covenant under the caption “— Limitation on Transactions with Shareholders and Affiliates” (other than by reason of such shareholder or partner being an officer or director of the Company or a Restricted Subsidiary or by reason of being a Subsidiary, Jointly Controlled Entity or Associate of the Company);
 - (iv) no Default has occurred and is continuing or would occur as a result of such Investment; and
 - (v) in the case only of any Investment by the Company or any Restricted Subsidiary in a Person of which a “person” or any of their Affiliates owns, directly or indirectly, voting power of the outstanding Voting Stock that is greater than that owned, directly or indirectly, by the Company or its Restricted Subsidiaries, at the time of such Investment, the Company could Incur at least US\$1.00 of Indebtedness under the proviso in the first paragraph of part (1) of the covenant under the caption “—

Limitation of Indebtedness and Preferred Stock”; *provided* that, the Company and the Restricted Subsidiaries shall not be required to comply with this clause (v) in respect of (A) Investments made or deemed to have been made by the Company or any Restricted Subsidiary in a Person as a result of a sale or issuance of Capital Stock of such Person which, prior to such sale or issuance, was a Restricted Subsidiary and, immediately after such sale or issuance, no longer constitutes a Restricted Subsidiary, (B) Investments in any Person whose financial statements, immediately following such Investment, would be consolidated by the Company or any Restricted Subsidiary and (C) any other Investments in any Person in an aggregate amount not to exceed 5% of Total Assets at the time of such Investment.

For the avoidance of doubt, the value of each Investment made pursuant to this clause shall be valued at the time such Investment is made;

(19) advances or deposits paid directly or indirectly to government authorities or government-affiliated or supervised entities, collective economic organizations, existing land or building owners, holders, occupants or lessees, or related agents in the PRC in connection with the financing of land acquisition, primary land development or land redevelopment activities in the ordinary course of business to the extent each such advance or deposit is on normal commercial terms; and

(20) repurchases of Notes.

“*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 of the type permitted by clause (2)(f) of the covenant described under “— Limitation on Indebtedness and Preferred Stock”;
- (11) Liens existing on the Original Issue Date;
- (12) Liens securing Indebtedness which is Incurred to Refinance secured Indebtedness which is permitted to be Incurred under clause (2)(e) of the covenant described under “— 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;
- (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 “— 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, welfare and social benefits, property maintenance 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 (including, without limitation, by way of acquisition of Capital Stock of a Person) in the ordinary course of business and not securing Indebtedness of the Company or any Restricted Subsidiary;
- (20) Liens incurred on one or more bank accounts or deposits to secure Bank Deposit Secured Indebtedness;
- (21) Liens incurred or deposits made to secure Entrusted Loans;
- (22) Liens on current assets securing Indebtedness which is permitted to be Incurred under clause (2)(n) of the covenant described under “— Limitation on Indebtedness and Preferred Stock”;
- (23) Liens on the Capital Stock of the Person that is to be acquired under the relevant Staged Acquisition Agreement or Minority Staged Acquisition Agreement securing Indebtedness which is permitted to be Incurred under clause (2)(o) or (2)(u), respectively, of the covenant described under “— Limitation on Indebtedness and Preferred Stock”;
- (24) Liens granted by the Company or a Restricted Subsidiary in favor of a Financial Company Investor in respect of, and to secure, the Indebtedness permitted under clause (2)(q) of the covenant described under “— Limitation on Indebtedness and Preferred Stock”;
- (25) Liens securing Indebtedness permitted to be Incurred under clause (2)(r) of the covenant described under the caption entitled “— Limitation on Indebtedness and Preferred Stock”;
- (26) Liens securing Indebtedness Incurred under clause (2)(s) of the — Certain covenants — Limitation on Indebtedness and Preferred Stock covenant; *provided* that such Liens are already existing at the time such Indebtedness is Incurred and have not been created with the approval or consent of the Company (other than refinancings in the ordinary course) in anticipation of such acquisition;
- (27) Liens on Investment Properties securing Indebtedness of the Company or Restricted Subsidiary incorporated under the laws of the PRC permitted to be Incurred under clause (2)(t) of the covenant described under the caption entitled “— Limitation on Indebtedness and Preferred Stock”;

- (28) Liens securing Indebtedness permitted under clause (2)(v) of the covenant described under “— Limitation on Indebtedness and Preferred Stock”; and
- (29) Liens securing Indebtedness of Restricted Subsidiaries (other than Subsidiary Guarantors or JV Subsidiary Guarantors) Incurred pursuant to clause 2(w) of the covenant described under “— Limitation on Indebtedness and Preferred Stock.”

“*Permitted Subsidiary Indebtedness*” means Indebtedness of, and all Preferred Stock issued by, the Restricted Subsidiaries (other than the Subsidiary Guarantors), taken as a whole (excluding any Public Indebtedness); *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 the amount of any Public Indebtedness of any Restricted Subsidiary and Indebtedness of any Restricted Subsidiary permitted under clauses (2)(a), (2)(b), (2)(d), (2)(f), (2)(g), (2)(i), (2)(m) and (2)(o) of the covenant described under “— Limitation on Indebtedness and Preferred Stock”) does not exceed an amount equal to 15% of Total Assets.

“*Person*” means any individual, corporation, partnership, limited liability company, joint venture, trust, unincorporated organization or government or any agency or political subdivision thereof.

“*PRC*” means the People’s Republic of China, excluding, solely for purposes of this definition, the Hong Kong Special Administrative Region, the 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 October 13, 2000) and the Detailed Rules for the Implementation of the Law of the People’s Republic of China on Sino-foreign Cooperative Joint Ventures promulgated on September 4, 1995, as such laws may be amended.

“*PRC CJV Partner*” means with respect to a PRC CJV, the other party to the joint venture agreement relating to such PRC CJV with the Company or any Restricted Subsidiary.

“*PRC Restricted Subsidiary*” means a Restricted Subsidiary organized under the laws of the PRC.

“*Preferred Stock*” as applied to the Capital Stock of any Person means Capital Stock of any class or classes that by its terms is preferred as to the payment of dividends, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over shares of Capital Stock of any other class of such Person.

“*Pre-Registration Mortgage Guarantee*” means any Indebtedness of the Company or any Restricted Subsidiary consisting of a guarantee in favor of any bank or other similar financial institutions in the ordinary course of business of secured loans of purchasers of individual units of properties from the Company or any Restricted Subsidiary; *provided* that, any such guarantee shall be released in full on or before the perfection of a security interest in such properties under applicable law in favor of the relevant lender.

“*Public Indebtedness*” means any bonds, debentures, notes or similar debt securities issued in a public offering or a private placement (other than the Notes) to institutional investors.

“*Rating Agencies*” means (1) S&P, (2) Moody’s and (3) Fitch, provided that if S&P, Moody’s or Fitch, two of any of the three or all three of them shall not make a rating of the Notes publicly available, a nationally recognized securities rating agency or agencies, as the case may be, selected by the Company, which shall be substituted for S&P, Moody’s or Fitch, two of any of the three or all three of them, as the case may be.

“Rating Category” means (1) with respect to S&P, any of the following categories: “BB”, “B”, “CCC”, “CC”, “C” and “D” (or equivalent successor categories); (2) with respect to Moody’s, any of the following categories: “Ba”, “B”, “Caa”, “Ca”, “C” and “D” (or equivalent successor categories); (3) with respect to Fitch, any of the following categories: “BB”, “B”, “CCC”, “CC”, “C” 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 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 actions contemplated under the caption “— Consolidation, Merger and Sale of Assets”, the notification by any of the Rating Agencies that such proposed actions will result in any of the events listed below:

- (a) in the event the Notes are rated by 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 either of such two Rating Agencies shall be below Investment Grade;
- (c) in the event the Notes are rated by one, and only one, of the three Rating Agencies on the Rating Date as Investment Grade, the rating of the Notes by such Rating Agency shall be below Investment Grade; or
- (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).

“Reference Treasury Dealer” means each of any three investment banks of recognized standing that is a primary U.S. Government securities dealer in The City of New York, selected by the Company in good faith.

“Reference Treasury Dealer Quotations” means, with respect to each Reference Treasury Dealer and any redemption date, the average as determined by the Company, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing by such Reference Treasury Dealer at 5:00 p.m., New York City time, on the third Business Day preceding such redemption date.

“Replacement Assets” means, on any date, property or assets (other than current assets that are not land use rights, prepaid land lease payments, properties under development or completed properties held for sale) of a nature or type or that are used in a Permitted Business, including the Capital Stock of any Person holding such property or assets that is primarily engaged in a Permitted Business and will, upon the acquisition by the Company or any of its Restricted Subsidiaries of such Capital Stock, become a Restricted Subsidiary.

“*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.

“*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.

“*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 50% or more 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 that is contractually subordinated or junior in right of payment to the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee, as applicable, pursuant to a written agreement to such effect.

“*Subsidiary*” means, with respect to any Person, any corporation, association or other business entity (i) of which more than 50% of the voting power of the outstanding Voting Stock is owned, directly or indirectly, by such Person and one or more other Subsidiaries of such Person or (ii) of which 50% or less of the voting power of the outstanding Voting Stock is owned, directly or indirectly, by such Person and one or more other Subsidiaries of such Person in each case which is ‘controlled’ and consolidated by such Person in accordance with GAAP; *provided, however*, that with respect to clause (ii) the occurrence of any event (other than the issuance or sale of Capital Stock) as a result of which such corporation, association or other business entity ceases to be “controlled” by such Person under 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 does 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, any state of the European Economic Area, the People’s Republic of China and Hong Kong or any agency of any of the foregoing or obligations fully and unconditionally Guaranteed by the United States of America, any state of the European Economic Area, the People’s Republic of China and Hong Kong or any agency of any of the foregoing, in each case maturing within one year;
- (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, 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 Rule 436 under the Securities Act) or any money market fund sponsored by a registered broker dealer or mutual fund distributor;
- (3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clause (1) above entered into with a bank or trust company meeting the qualifications described in clause (2) above;
- (4) commercial paper, maturing not more than 180 days after the date of acquisition thereof, issued by a corporation (other than an Affiliate of the Company) organized and in existence under the laws of the United States of America, any state thereof or any foreign country recognized by the United States of America with a rating at the time as of which any investment therein is made of “P-1” (or higher) according to Moody’s or “A-1” (or higher) according to S&P;
- (5) securities, maturing within one year of the date of acquisition thereof, issued or fully and unconditionally Guaranteed by any state, commonwealth or territory of the United States of America, or by any political subdivision or taxing authority thereof, and rated at least “A” by S&P or Moody’s;
- (6) any money market fund that has at least 95% of its assets continuously invested in investments of the types described in clauses (1) through (5) above;
- (7) structured deposit products with a term no exceeding six months that are principal protected with any banks organized under the laws of (x) the PRC or Hong Kong, or (y) if made in the ordinary course of business, any jurisdiction where the Company or any of its Restricted Subsidiaries conducts business; and
- (8) time deposit accounts, certificates of deposit, overnight or call deposits and money market deposits with any banks or financial institutions organized under the laws of (x) the PRC or Hong Kong, or (y) if made in the ordinary course of business, any jurisdiction where the Company or any of its Restricted Subsidiaries conducts business;

“*Total Assets*” means, as of any date, the total consolidated assets of the Company and its Restricted Subsidiaries measured in accordance with GAAP as of the last day of the most recent semi-annual period for which consolidated financial statements of the Company (which the Company shall use its best efforts to compile on a timely manner) are available (which may be internal consolidated financial statements); *provided* that (1) only with respect to clause (2)(h) of “— Certain Covenants — Limitation on Indebtedness and Preferred Stock” covenant and the definition of “Permitted Subsidiary Indebtedness”, Total Assets shall be calculated after giving pro forma effect to include the cumulative value of all of the real or personal property or equipment the acquisition, development, construction or improvement of which requires or required the Incurrence of Indebtedness and calculation of Total Assets thereunder, as measured by the purchase price or cost therefor or budgeted cost provided in good faith by the Company or any of its Restricted Subsidiaries to the bank or other similar financial institutional lender providing such Indebtedness and (2) only with respect to clause (2)(s) of “— 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 Non-Guarantor Subsidiary, pro forma effect shall at such time be given to the consolidated assets of such 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 Non-Guarantor Subsidiary).

“*Trading Day*” means a day (other than a Saturday, Sunday or gazetted public holiday) on which the Hong Kong Stock Exchange is open for securities trading.

“*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 or any Permitted Investment, the date such Restricted Payment or Permitted Investment is to be made.

“*Unrestricted Subsidiary*” means unless redesignated as a Restricted Subsidiary pursuant to the covenant summarized under the caption “—Certain covenants—Designation of Restricted and Unrestricted Subsidiaries,” Guoshang Holdings Limited, Guochi Holdings Limited, Guoyang Holdings Limited, Beijing Ruixin Management Limited, Glory Xingye (Beijing) Investment Limited, Guoxing International Holdings Limited, Guoxing (HK) International Holdings Limited, Beijing Daqian Nade Information Consulting Limited, Beijing Guoxing Wanxun Technology and Trading Consulting Limited, Shijiazhuang Guosha Real Estate Development Limited, Guangdong Hongtai Guotong Real Estate Limited, Guangzhou Guosha Real Estate Limited, Guangdong Guosha Real Estate Limited, Heshan Tengyue Real Estate Development Limited, Chongqing Guosha Real Estate Development Limited, Jiangmen Yinghuiwan Real Estate Limited, Tianjin Tianfu Rongsheng Real Estate Development Limited, Handan Guoxia Real Estate Limited, Handan Guolong Real Estate Development Limited, Sanya Jingheng Properties Limited, Lingshui Ganghong Agricultural Development Limited and Sanya Jinghong Agricultural Development Limited; 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 any Subsidiary of an Unrestricted Subsidiary.

“*Unrestricted Subsidiary Pre-Registration Mortgage Guarantee*” means any Indebtedness of the Company or any Restricted Subsidiary consisting of a guarantee in favor of any bank or other

similar financial institutions in the ordinary course of business of secured loans of purchasers of individual units of properties from any Unrestricted Subsidiary; *provided* that, any such guarantee shall be released in full on or before the perfection of a security interest in such properties under applicable law in favor of the relevant lender.

“*U.S. Government Obligations*” means securities that are (1) direct obligations of the United States of America for the payment of which its full faith and credit is pledged or (2) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States of America the payment of which is unconditionally guaranteed as a full faith and credit obligation by the United States of America, which, in either case, are not callable or redeemable at the option of the issuer thereof at any time prior to the Stated Maturity of the Notes, and shall also include a depository receipt issued by a bank or trust company as custodian with respect to any such U.S. Government Obligation or a specific payment of interest on or principal of any such U.S. Government Obligation held by such custodian for the account of the holder of a depository receipt; *provided* that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depository receipt from any amount received by the custodian in respect of the U.S. Government Obligation or the specific payment of interest on or principal of the U.S. Government Obligation evidenced by such depository receipt.

“*Voting Stock*” means, with respect to any Person, Capital Stock of any class or kind ordinarily having the power to vote for the election of directors, managers or other voting members of the governing body of such Person.

“*Wholly Owned*” means, with respect to any Subsidiary of any Person, the ownership of all of the outstanding Capital Stock of such Subsidiary (other than any director’s qualifying shares or Investments by foreign nationals mandated by applicable law) by such Person or one or more Wholly Owned Subsidiaries of such Person; *provided* that Subsidiaries that are PRC CJVs shall not be considered Wholly Owned Subsidiaries unless such Person or one or more Wholly Owned Subsidiaries of such Person is entitled to 95% or more of the economic benefits distributable by such Subsidiary.

TAXATION

The following summary of certain Cayman Islands, Hong Kong and PRC tax consequences relating to the Notes is based upon applicable laws, regulations, rulings and decisions as of the date of this offering memorandum, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Persons considering the purchase of Notes should consult their own tax advisors concerning the tax consequences of the purchase, ownership and disposition of Notes, including such possible consequences under the laws of their country of citizenship, residence or domicile.

Cayman Islands

Under the existing laws of the Cayman Islands, payments of interest, principal or premium on the Notes will not be subject to taxation and no withholding will be required on the payment of interest, 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 are not party to any double taxation treaties.

No stamp duty is payable in respect of the issue of the Notes. The holder of any Notes (or a legal personal representative of such holder) whose Notes are brought into the Cayman Islands may in certain circumstances be liable to pay stamp duty imposed under the laws of the Cayman Islands in respect of such Notes. Certificates evidencing registered Notes, to which title is not transferable by delivery, will not attract Cayman Islands stamp duty. However, an instrument transferring title to a registered Note, if brought to or executed in the Cayman Islands, would be subject to nominal Cayman Islands stamp duty. Stamp duty will be payable on any documents executed by the Company if any such documents are executed in or brought into the Cayman Islands or produced before the courts of the Cayman Islands.

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, disposition or redemption is or forms part of a trade, profession or business carried on in Hong Kong. Interest payments on the Notes will be subject to Hong Kong profits tax where such payments have a Hong Kong source, and are received by or accrue 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
- 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 distributions 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 disposition of the Notes where such transactions are or form part of a trade, profession or business carried on in Hong Kong.

Stamp Duty

No Hong Kong stamp duty will be chargeable upon the issue or transfer of a Note (for so long as the register of holders of the Notes is maintained outside Hong Kong).

PRC

Taxation on Interest

The EIT Law imposes a withholding tax at the rate of 10% on interest from PRC sources paid to holders of notes that are “non-resident enterprises” if any such “non-resident enterprise” holder does not have an establishment or place of business in China or if, despite the existence of an establishment or place of business in China, the relevant income is not effectively connected with such establishment or place of business in China. We may be considered a PRC tax resident enterprise, as described in “Risk Factors — Risks Relating to the PRC — We may be deemed a PRC resident enterprise under the PRC Enterprise Income Tax Law and be subject to PRC taxation on our worldwide income, and payments on, or proceeds from a sale of, the Notes may be subject to PRC tax.” Although the issue is not entirely clear, if we are considered a PRC resident enterprise, interest paid to non-resident holders on the Notes may be treated as income derived from sources within China and be subject to PRC withholding tax at the rate of 10% in the case of non-resident enterprise holders of the Notes pursuant to the EIT Law, or PRC individual withholding tax at the rate of 20% in the case of non-resident individual holders of the Notes pursuant to PRC individual income tax laws. We currently do not intend to withhold taxes from interest payments, but there can be no assurance that the PRC income tax authorities will accept our position on this issue. To the extent that China has entered into arrangements relating to the avoidance of double taxation with any jurisdiction, such as Hong Kong, that allow a lower rate of tax, such lower rate may apply to qualified investors in the Notes.

Taxation on Capital Gains

The EIT Law imposes a tax at the rate of 10% on capital gains from PRC sources realized by holders of notes that are “non-resident enterprises” if any such “non-resident enterprise” holder does not have an establishment or place of business in China or if, despite the existence of an establishment or place of business in China, the relevant gain is not effectively connected with such establishment or place of business in China. We may be considered a PRC tax resident enterprise, as described in “Risk Factors — Risks Relating to the PRC — We may be deemed a PRC resident enterprise under the PRC Enterprise Income Tax Law and be subject to PRC taxation on our worldwide income, and payments on, or proceeds from a sale of, the Notes may be subject to PRC tax.” Although the issue is not entirely clear, if we are considered a PRC resident enterprise, the capital gains realized by non-resident holders of the Notes may be treated as income derived from sources within China and be subject to PRC withholding tax at the rate of 10% in the case of non-resident enterprise holders of the Notes pursuant to the EIT Law, or PRC individual income tax at the rate of 20% in the case of non-resident individual holders of the Notes pursuant to PRC individual income tax laws. To the extent that China has entered into arrangements relating to the avoidance of double taxation with any jurisdiction, such as Hong Kong, that allow a lower rate of withholding tax, such lower rate may apply to qualified investors in the Notes.

Stamp duty

No PRC stamp tax will be chargeable upon the issue or transfer of a Note (for so long as the register of holders of the Notes is maintained outside China).

PLAN OF DISTRIBUTION

Haitong International Securities Company Limited is acting as the sole global coordinator, the sole lead manager and the sole bookrunner and as the Initial Purchaser of the offering. Subject to the terms and conditions stated in the purchase agreement dated the date of this offering memorandum (the “Purchase Agreement”), the Initial Purchaser has agreed to purchase, and we have agreed to sell to the Initial Purchaser, the Additional Notes in the aggregate principal amount of US\$.

The Purchase Agreement provides that the Company will pay the Initial Purchaser a customary commission. The Purchase Agreement provides that the obligations of the Initial Purchaser to purchase the Additional Notes are subject to approval of legal matters by counsel and to other conditions. The Initial Purchaser must purchase all the Additional Notes if they purchase any of the Additional Notes.

The Initial Purchaser proposes to resell the Additional Notes at the offering price set forth on the cover page of this offering memorandum only outside the United States in offshore transactions in reliance on Regulation S. See the section entitled “Transfer Restrictions” for additional details. The price at which the Additional Notes are offered may be changed at any time without notice. The Additional Notes and the Subsidiary Guarantees have not been and will not be registered under the U.S. Securities Act or any state securities laws and may not be offered or sold within the United States except in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act. The Initial Purchaser may offer and sell the Additional Notes through certain of its affiliates.

On February 25, 2019, Chairman Zhang has purchased from an affiliate of Haitong International an aggregate purchase amount of US\$77.6 million of a series of structured products underlying the Original Notes through his wholly-owned subsidiary, Alltogether Land.

The Additional Notes will be consolidated and form a single series with the Original Notes. The Original Notes are listed on the Hong Kong Stock Exchange and we have received the eligibility letter from the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Additional Notes by way of debt issues to Professional Investors only. However, we cannot assure you that the prices at which the Additional Notes will sell in the market after this offering will not be lower than the initial offering price or that an active trading market for the Additional Notes will develop and continue after this offering. The Initial Purchaser has advised us that it currently intends to make a market in the Additional Notes. However, it is not obligated to do so and it may discontinue any market-making activities with respect to the Additional Notes at any time without notice. Accordingly, we cannot assure you as to the liquidity of, or the trading market for, the Additional Notes.

In connection with the offering, Haitong International Securities Company Limited, as stabilization manager, or any person acting for it, may engage in over-allotment, stabilizing transactions, syndicate covering transactions and penalty bids to the extent permitted by applicable laws and regulations. Over-allotment involves sales in excess of the offering size, which creates a short position. Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum. Covering transactions involve purchase of the Additional Notes in the open market after the distribution has been completed in order to cover short positions. Penalty bids permit the stabilization manager to reclaim a selling concession from a dealer when the Additional Notes originally sold by such dealer are purchased in a stabilizing transaction or a covering transaction to cover short positions. Neither the Company nor the Initial Purchaser makes

any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the Additional Notes. In addition, neither we nor the Initial Purchaser makes any representation that the Initial Purchaser will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

We expect to deliver the Additional Notes against payment for the Additional Notes on or about the date specified in the last paragraph of the cover page of this offering memorandum, which will be the third business days following the date of the pricing of the Additional Notes. Under Rule 15c6-1 of the Exchange Act, trades in the secondary market generally settle in two business days, purchasers who wish to trade Notes prior to the closing date will be required, by virtue of the fact that the Additional Notes initially will settle in T+5, to specify alternative settlement arrangements to prevent a failed settlement. Purchasers of the Notes who wish to trade the Additional Notes on the date of pricing should consult their own advisor.

The Initial Purchaser or its affiliates have, from time to time, engaged in transactions with and performed services for us in the ordinary course of business for which they have received customary fees and reimbursement of expenses and they may continue to do so in the future. We may enter into hedging or other derivative transactions as part of our risk management strategy with the Initial Purchaser and its affiliates, which may include transactions relating to our obligations under the Notes. Our obligations under these transactions may be secured by cash or other collateral.

In connection with this offering of the Additional Notes, the Initial Purchaser and/or its affiliates may act as an investor for its own account and may take up the Additional Notes in the offering and in that capacity may retain, purchase or sell for its own account such securities and any of our other securities or related investments and may offer or sell such securities or other investments otherwise than in connection with the offering of the Additional Notes. Accordingly, references herein to the Additional Notes being offered should be read as including any offering of the Additional Notes to the Initial Purchaser and/or its affiliates acting in such capacity. Such persons do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

We and the Subsidiary Guarantors have agreed to indemnify the Initial Purchaser against certain liabilities, including liabilities under the U.S. Securities Act, or to contribute to payments that the Initial Purchaser may be required to make because of any of those liabilities.

If a jurisdiction requires that this offering of the Additional Notes be made by a licensed broker or dealer and the Initial Purchaser or any affiliate of the Initial Purchaser is a licensed broker or dealer in that jurisdiction, the offering of the Additional Notes shall be deemed to be made by the Initial Purchaser or such affiliate on behalf of the Company in such jurisdiction.

Selling Restrictions

General

No action has been taken or will be taken in any jurisdiction by us or the Initial Purchaser that would permit a public offering of the Additional Notes, or the possession, circulation or distribution of this offering memorandum or any other material relating to the Additional Notes or this offering, in any jurisdiction where action for that purpose is required. Accordingly, the Additional Notes may not be offered or sold, directly or indirectly, and neither this offering memorandum nor such other material may be distributed or published, in or from any country or jurisdiction except in compliance with any applicable rules and regulations of such country or jurisdiction.

PRIIPs/Prohibition of Sales to EEA Retail Investors

The Additional Notes have not been and will not be offered, sold or otherwise made available to any retail investor in the European Economic Area (the “EEA”).

For the purposes of this provision:

- (a) the expression “retail investor” means a person who is one (or more) of the following:
 - (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “MiFID II”); or
 - (ii) a customer within the meaning of Directive 2002/92/EC (as amended, the “Insurance Mediation Directive”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or
 - (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended, the “Prospectus Directive”); and
- (b) the expression “offer” includes the communication in any form and by any means of sufficient information on the terms of the offer and the Additional Notes to be offered so as to enable an investor to decide to purchase or subscribe the Additional Notes.

The Additional Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available by any person to any retail investor in the EEA. Consequently no key information document as would be required by Regulation (EU) No 1286/2014 (the “PRIIPs Regulation”) for offering or selling the Additional Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Additional Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

United States

The Additional Notes and the Subsidiary Guarantees have not been and will not be registered under the U.S. Securities Act or any state securities laws and may not be offered or sold within the United States except in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act. See the section entitled “Transfer Restrictions.”

United Kingdom

The Initial Purchaser has represented and agreed that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the “FSMA”) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Company; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to such Notes in, from or otherwise involving the United Kingdom.

Hong Kong

The Initial Purchaser has represented and agreed that:

- (a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes other than (i) to “professional investors” as defined in the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “SFO”) and any rules made under the SFO; or (ii) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of the Hong Kong) or which do not constitute an offer to the public within the meaning of that Ordinance; and
- (b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Additional Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the SFO and any rules made under that the SFO.

Japan

The Additional Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended) (the “FIEA”) and the Initial Purchaser has represented and agreed that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

Singapore

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

Where the Additional Notes are subscribed or purchased under Section 275 of the Securities and Futures Act by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the Securities and Futures Act)) 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;

- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an individual who is an accredited investor,
- (c) securities (as defined in Section 239(1) of the Securities and Futures Act) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferable for six months after that corporation or that trust has acquired the Additional Notes pursuant to an offer under Section 275 of the Securities and Futures Act except:
 - (i) to an institutional investor or to a relevant person defined in Section 275(2) of the Securities and Futures Act or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the Securities and Futures Act; or
 - (ii) where no consideration is or will be given for the transfer; or
 - (iii) where the transfer is by operation of law; or
 - (iv) pursuant to Section 276(7) of the Securities and Futures Act or Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations.

Notification under Section 309B(1)(c) of the SFA — the Company has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Additional Notes are prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

PRC

The Initial Purchaser has represented and agreed that neither it nor any of its affiliates has offered or sold or will offer or sell any of the Additional Notes in the PRC (excluding Hong Kong, Macau and Taiwan) as part of the initial distribution of the Additional Notes.

Cayman Islands

No Additional Notes will be offered or sold, directly or indirectly, to the public in the Cayman Islands.

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 Additional Notes, including the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any) (collectively, the “Securities”).

The Additional Notes are subject to restrictions on transfer as summarized below. By purchasing the Securities, you will be deemed to have made the following acknowledgments, representations to, and agreements with, us and the Initial Purchaser:

1. You understand and acknowledge that:
 - the Securities have not been registered under the U.S. Securities Act or any other applicable securities laws;
 - the Securities are being offered for resale in transactions that do not require registration under the U.S. 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 U.S. 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 U.S. Securities Act or any other applicable securities laws.
2. You agree to, and each subsequent holder is required to, notify any purchaser of the Additional Notes from it of the resale restrictions referred to in this clause, if then applicable.
3. You represent that you are either (i) not an affiliate (as defined in Rule 144 under the U.S. 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 or (ii) an affiliate (as defined in Rule 144 under the U.S. Securities Act) of ours, that you are purchasing the Securities in an offshore transaction in accordance with Regulation S and that you will only resell the Securities in an exempt transaction in accordance with the U.S. Securities Act.
4. You acknowledge that neither we nor the Initial Purchaser nor any person representing us or the Initial Purchaser has made any representation to you with respect to us or the offering of the Securities, other than the information contained in this offering memorandum. You represent that you are relying only on this offering memorandum in making your investment decision with respect to the 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.
5. 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 U.S. Securities Act.

6. 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 "U.S. 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 U.S. SECURITIES ACT.

7. You acknowledge that we, the Initial Purchaser 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 and the Initial Purchaser. 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.

RATINGS

The Additional Notes are expected to be rated B by Fitch Ratings Ltd. The rating reflects the rating agency's assessment of the likelihood of timely payment of the principal of and interest on the Additional Notes. The rating does not address the payment of any Additional Amounts and does not constitute recommendations to purchase, hold or sell the Additional Notes inasmuch as such rating does not comment as to market price or suitability for a particular investor. Such rating should be evaluated independently of any other rating on the Additional Notes, on other securities of ours, or on us. Additionally, we have been assigned B with a stable outlook by Fitch Ratings Ltd. and CCC with CreditWatch developing by Standard & Poor's Ratings Services. We cannot assure you that the rating on the Additional Notes or our corporate credit rating will remain in effect for any given period or that the ratings will not be lowered, put on negative outlook or CreditWatch negative, or otherwise revised or withdrawn entirely by such rating agencies in the future if in their judgment circumstances so warrant.

LEGAL MATTERS

Certain legal matters with respect to the Notes will be passed upon for us by Allen & Overy as to matters of Hong Kong, United States federal and New York law, Ogier as to matters of Cayman Islands law and British Virgin Islands law and Jingtian & Gongcheng as to matters of PRC law. Certain legal matters will be passed upon for the Initial Purchaser by Davis Polk & Wardwell as to matters of United States federal and New York law and Jiayuan Law as to matters of PRC law.

INDEPENDENT ACCOUNTANTS

The consolidated financial information as of and for the years ended December 31, 2015, 2016 and 2017 included in this offering memorandum have been audited by Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, as stated in their reports appearing herein. The condensed consolidated interim financial statements as of and for the six months period ended June 30, 2018 included in this offering memorandum have been reviewed by Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, as stated in their report appearing herein.

GENERAL INFORMATION

Consents

We have obtained all necessary consents, approvals and authorizations in the Cayman Islands, 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 Additional Notes have been authorized by a resolution of our Board of Directors dated December 27, 2018.

Litigation

Except as disclosed in this offering memorandum, there are no legal or arbitration proceedings against or affecting us, any of our subsidiaries or any of our assets, nor are we aware of any pending or threatened proceedings, which are or might be material in the context of this issue of the Additional Notes or the Subsidiary Guarantees.

No material adverse change

Except as otherwise disclosed in this offering memorandum, there has been no adverse change, or any development reasonably likely to involve an adverse change, in the condition (financial or otherwise) of our general affairs since June 30, 2018 that is material in the context of the issue of the Additional Notes.

Documents available

For so long as any of the Notes are outstanding, copies of the Indenture may be inspected by holders of the Notes upon satisfactory proof of holding free of charge during normal business hours on any business day (except public holidays) at the corporate trust office of the Trustee.

For so long as any of the Notes are outstanding, copies of our audited financial statements for the last two financial years, if any, may be obtained during normal business hours on any business day (except public holidays) at the corporate trust office of the Trustee.

Clearing systems

The Additional Notes have been accepted for clearance through Euroclear and Clearstream. Certain trading information with respect to the Additional Notes is set forth below:

	ISIN	Common Code
Regulation S Notes	XS1932655613	193265561

Listing of the Additional Notes

The Original Notes are listed on the Hong Kong Stock Exchange and we have received the eligibility letter from the Hong Kong Stock Exchange for the issuance and listing of the Additional Notes by way of debt issues to Professional Investors only as described in this offering memorandum. Hong Kong Exchanges and Clearing Limited and the Hong Kong Stock Exchange take no responsibility for the contents of this offering memorandum, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this offering memorandum. Admission of the Additional Notes to the listing of the Hong Kong Stock Exchange is not to be taken as an indication of the merits of the Additional Notes or us.

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¹ Report on review of condensed consolidated financial statements on our unaudited interim condensed consolidated financial statements for the six months ended June 30, 2018 set out herein are reproduced from our Interim Report for the six months ended June 30, 2018. Page references referred to in the abovenamed reports refer to pages set out in such interim report.

² The accountants' report on our consolidated financial statements for the years ended December 31, 2016 and 2017 set out herein are reproduced from our annual reports for the years ended December 31, 2016 and 2017 respectively. Page references referred to in the abovenamed reports refer to pages set out in such annual reports.

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



德勤

TO THE BOARD OF DIRECTORS OF GUORUI PROPERTIES LIMITED

(INCORPORATED UNDER THE NAME OF “GLORY LAND COMPANY LIMITED (國瑞置業有限公司)” IN THE CAYMAN ISLANDS AND CARRYING ON BUSINESS IN HONG KONG AS “GUORUI PROPERTIES LIMITED”)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Guorui Properties Limited (incorporated under the name of “Glory Land Company Limited (國瑞置業有限公司)” in the Cayman Islands and carrying on business in Hong Kong as “Guorui Properties Limited”) (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 125 to 184, which comprise the condensed consolidated statement of financial position as of June 30, 2018 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”) issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the International Auditing and Assurance Standards Board. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

August 27, 2018

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended June 30, 2018

		Six months ended June 30,	
NOTES		2018	2017
		RMB'000 (Unaudited)	RMB'000 (Unaudited)
	Revenue		
	Property sales	1,955,755	2,004,155
	Construction and development services	64,977	34,893
	Property rental	207,085	140,435
	Property management and related services	10,571	2,407
	Total revenue	2,238,388	2,181,890
	Cost of sales and services	(1,474,428)	(1,186,186)
	Gross profit	763,960	995,704
	Other gains and losses	(28,532)	40,765
	Other income	74,943	10,226
	Change in fair value of investment properties	539,592	434,438
	Distribution and selling expenses	(86,728)	(103,652)
	Administrative expenses	(206,770)	(178,387)
	Other expenses	(29,675)	(21,348)
	Share of losses of associates	(6,029)	—
	Share of losses of joint ventures	(1,039)	—
	Finance costs	(108,826)	(79,963)
	Profit before tax	910,896	1,097,783
	Income tax expense	(352,677)	(467,333)
	Profit for the period	558,219	630,450

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME

For the six months ended June 30, 2018

NOTE	Six months ended June 30,	
	2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Other comprehensive (expense) income:		
Items that will not be reclassified to profit or loss:		
Fair value loss on investments in equity instruments at fair value through other comprehensive income	(20,700)	—
Income tax relating to items that will not be reclassified to profit or loss	5,175	—
Other comprehensive expense for the period (net of tax)	(15,525)	—
Total comprehensive income for the period	542,694	630,450
Profit for the period attributable to:		
Owners of the Company	410,446	498,293
Non-controlling interests	147,773	132,157
	558,219	630,450
Total comprehensive income for the period attributable to:		
Owners of the Company	396,318	498,293
Non-controlling interests	146,376	132,157
	542,694	630,450
EARNINGS PER SHARE		
– Basic (RMB cents)	9.2	11.3
– Diluted (RMB cents)	9.2	11.2

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at June 30, 2018

	NOTES	As at June 30, 2018 RMB'000 (Unaudited)	As at December 31, 2017 RMB'000 (Audited)
Non-current Assets			
Investment properties	9	18,784,150	18,308,269
Property, plant and equipment	10	1,153,987	850,258
Other non-current assets		1,053,932	1,053,778
Interests in joint ventures		33,525	9,064
Interests in associates		5,052	269,246
Available-for-sale investments		—	165,192
Equity instruments at fair value through other comprehensive income ("FVTOCI")		209,200	—
Prepaid lease payments		278,420	281,438
Deposit paid for acquisition of property, plant and equipment		170,000	120,000
Deferred tax assets		433,947	404,235
Restricted bank deposits		405,467	105,720
Value added tax and tax recoverable		1,289,812	1,422,585
		23,817,492	22,989,785
Current Assets			
Inventories		209	61
Prepayment/deposits paid for land acquisition		605,010	605,010
Properties under development for sale		33,501,323	23,626,222
Properties held for sale		3,864,274	3,408,156
Trade and other receivables, deposits and prepayments	11	2,164,790	1,082,946
Contract assets	12	1,322,423	—
Amounts due from customers for contract work		—	1,191,139
Value added tax and tax recoverable		1,136,132	500,477
Amounts due from related parties	23(b)	2,471,807	2,928,197
Financial assets at fair value through profit or loss		—	97
Restricted bank deposits		685,344	620,761
Cash and bank balances		1,134,372	1,591,506
		46,885,684	35,554,572

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at June 30, 2018

	NOTES	As at June 30, 2018 RMB'000 (Unaudited)	As at December 31, 2017 RMB'000 (Audited)
Current Liabilities			
Trade and other payables	13	7,583,867	5,585,713
Deposits received from pre-sale of properties		—	3,308,339
Contract liabilities		7,585,654	—
Amounts due to related parties	23(c)	2,745,816	893,229
Tax payable		2,478,969	2,492,186
Bank and other borrowings - due within one year	14	10,222,763	11,625,399
Corporate bonds	15	2,996,671	2,992,645
Senior notes	16	3,609,816	—
		37,223,556	26,897,511
Net Current Assets		9,662,128	8,657,061
Total Assets less Current Liabilities		33,479,620	31,646,846
Non-current Liabilities			
Other payables	13	91,512	89,393
Bank and other borrowings - due after one year	14	11,784,020	12,601,665
Corporate bonds	15	997,968	997,006
Senior notes	16	650,064	1,940,948
Deferred tax liabilities		3,539,861	2,425,425
		17,063,425	18,054,437
Net Assets		16,416,195	13,592,409
Capital and Reserves			
Share capital		3,520	3,519
Share premium and reserves		11,125,649	10,898,692
Equity attributable to owners of the Company		11,129,169	10,902,211
Non-controlling interests		5,287,026	2,690,198
Total Equity		16,416,195	13,592,409

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended June 30, 2018

	Attributable to owners of the Company										Attributable to non-controlling interests		Total
	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Revaluation reserve RMB'000	FVTOCI reserve RMB'000	Other reserve RMB'000 (Note i)	Equity-settled share-based payment reserve RMB'000	Treasury shares reserve RMB'000	Statutory surplus reserve RMB'000 (Note ii)	Retained earnings RMB'000	Total RMB'000	RMB'000	
As at December 31, 2017 (Audited)	3,519	306,015	133,379	194,970	—	(58,030)	39,669	—	1,087,541	9,195,148	10,902,211	2,690,198	13,592,409
Adjustment (See note 2)	—	—	—	—	44,163	—	—	—	—	—	44,163	4,368	48,531
As at January 1, 2018 (Restated)	3,519	306,015	133,379	194,970	44,163	(58,030)	39,669	—	1,087,541	9,195,148	10,946,374	2,694,566	13,640,940
Profit for the period	—	—	—	—	—	—	—	—	—	410,446	410,446	147,773	558,219
Other comprehensive expense for the period	—	—	—	—	(14,128)	—	—	—	—	—	(14,128)	(1,397)	(15,525)
Total comprehensive (expense) income for the period	—	—	—	—	(14,128)	—	—	—	—	410,446	396,318	146,376	542,694
Exercise of share options	1	2,012	—	—	—	—	(771)	—	—	—	1,242	—	1,242
Dividend declared to shareholders of the Company	—	(300,000)	—	—	—	—	—	—	—	—	(300,000)	—	(300,000)
Dividend declared to non-controlling interests of subsidiaries	—	—	—	—	—	—	—	—	—	—	—	(140,000)	(140,000)
Acquisition of subsidiaries (note 17)	—	—	—	—	—	85,235	—	—	—	—	85,235	2,586,084	2,671,319
As at June 30, 2018 (Unaudited)	3,520	8,027	133,379	194,970	30,035	27,205	38,898	—	1,087,541	9,605,594	11,129,169	5,287,026	16,416,195
As at January 1, 2017 (Audited)	3,513	833,681	133,379	—	—	(58,601)	57,785	(18,748)	855,993	7,676,855	9,483,857	2,326,993	11,810,850
Profit and total comprehensive income for the period	—	—	—	—	—	—	—	—	—	498,293	498,293	132,157	630,450
Exercise of share options	2	4,921	—	—	—	—	(1,795)	—	—	—	3,128	—	3,128
Dividend declared to shareholders of the Company	—	(240,000)	—	—	—	—	—	—	—	—	(240,000)	—	(240,000)
Dividend declared to non-controlling interests of subsidiaries	—	—	—	—	—	—	—	—	—	—	—	(236,000)	(236,000)
Recognition of equity-settled share-based payments (note 21)	—	—	—	—	—	—	5,007	—	—	—	5,007	—	5,007
As at June 30, 2017 (Unaudited)	3,515	598,602	133,379	—	—	(58,601)	60,997	(18,748)	855,993	8,175,148	9,750,285	2,223,150	11,973,435



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended June 30, 2018

Notes:

- i. Other reserve mainly represents the differences between the amount by which non-controlling interests are adjusted and the fair value of consideration paid or received when the Group acquired or disposed of partial interests in existing subsidiaries and deemed capital contributions from non-controlling interests and a related party.
- ii. In accordance with the Articles of Association of all subsidiaries established in the People's Republic of China ("PRC"), those subsidiaries are required to transfer 10% of the profit after taxation to the statutory surplus reserve until the reserve reaches 50% of the registered capital. Transfer to this reserve must be made before distributing dividends to equity holders. The statutory surplus reserve can be used to make up for previous years' losses, expand the existing operations or convert into additional capital of the subsidiaries.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended June 30, 2018

NOTE	Six months ended June 30,	
	2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
NET CASH USED IN OPERATING ACTIVITIES	(1,395,103)	(3,894,169)
INVESTING ACTIVITIES		
Placement of restricted bank deposits	(3,197)	(42,594)
Withdrawal of restricted bank deposits	3,595	6,188
Purchase of property, plant and equipment and intangible assets	(100,901)	(107,675)
Proceeds on disposal of property, plant and equipment	351	17
Interest received	3,712	5,202
Payments for investment properties	(73,804)	(229,359)
Repayments from related parties	1,715,212	—
Advances to related parties	(1,188,927)	—
Proceeds on disposal of financial assets at fair value through profit or loss	97	—
Investment in an associate	(7,000)	—
Investment in a joint venture	(25,500)	—
Payment of consideration payable for acquisition of subsidiaries in prior year	—	(599,151)
Net cash inflow from acquisition of subsidiaries	694,238	—
NET CASH FROM (USED IN) INVESTING ACTIVITIES	1,017,876	(967,372)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended June 30, 2018

	Six months ended June 30,	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
FINANCING ACTIVITIES		
New bank loans raised	1,702,648	5,570,000
New other loans raised	1,212,700	1,400,000
Repayments of bank loans	(4,932,529)	(3,327,430)
Repayments of other loans	(1,050,000)	(90,000)
Proceeds on issue of senior notes	2,224,790	2,072,130
Transaction costs paid for issuance of senior notes	(36,880)	(31,082)
Dividends paid to shareholders of the Company	(95,811)	(44,321)
Dividends paid to non-controlling interests of subsidiaries	(72,500)	(221,000)
Interest paid	(912,569)	(518,667)
Exercise of share options	1,242	3,128
Repayments to related parties	(7,003)	(2,335)
Advances from related parties	1,886,005	4,010
NET CASH FROM FINANCING ACTIVITIES	(79,907)	4,814,433
NET DECREASE IN CASH AND CASH EQUIVALENTS	(457,134)	(47,108)
CASH AND CASH EQUIVALENTS		
AT THE BEGINNING OF THE PERIOD	1,591,506	1,234,250
CASH AND CASH EQUIVALENTS		
AT THE END OF THE PERIOD, REPRESENTED		
BY CASH AND BANK BALANCES	1,134,372	1,187,142

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2018

1. GENERAL INFORMATION OF THE GROUP

The Company was incorporated under the name of “Glory Land Company Limited (國瑞置業有限公司)” in the Cayman Islands and carrying on business in Hong Kong as “Guorui Properties Limited” as an exempted company with limited liability under the Company Laws (2012 Revision) of the Cayman Islands on July 16, 2012. Its parent and ultimate holding company is Alltogether Land Company Limited (通和置業有限公司) (“Alltogether Land”), a company incorporated in the British Virgin Islands. The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principal place of business is located at East Block, Hademen Plaza, 8-1# Chongwenmenwai Street, Dongcheng District, Beijing, the PRC.

The Company and its subsidiaries (hereinafter collectively referred to as the “Group”) are principally engaged in property development, primary land construction and development services, property investment and property management and related services.

The condensed consolidated financial statements are presented in Renminbi (“RMB”), the currency of the primary economic environment in which the group entities operate (the functional currency of the group entities).

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34 Interim Financial Reporting issued by the International Accounting Standards Board (the “IASB”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “Listing Rules”).

The condensed consolidated financial statements have been prepared on the historical cost basis, except for investment properties and certain financial instruments which are measured at fair values, as appropriate.

Other than changes in accounting policies resulting from application of new and amendments to International Financial Reporting Standards (“IFRSs”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended June 30, 2018 are the same as those followed in the preparation of the Group’s consolidated financial statements for the year ended December 31, 2017.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2018

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

Application of new and amendments to IFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to IFRSs issued by IASB which are mandatory effective for the annual period beginning on or after January 1, 2018 for the preparation of the Group's condensed consolidated financial statements:

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers and the related Amendments
IFRIC 22	Foreign Currency Transactions and Advance Consideration
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
Amendments to IAS 28	As part of the Annual Improvements to IFRS Standards 2014-2016 Cycle
Amendments to IAS 40	Transfers of Investment Property

The new and amendments to IFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies amounts reported and/or disclosures as described below.

2.1 Impacts and changes in accounting policies of application on IFRS 15 *Revenue from Contracts with Customers*

The Group has applied IFRS 15 for the first time in the current interim period. IFRS 15 superseded IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related interpretations.

The Group recognizes revenue from the following major sources under IFRS 15:

- Property sales;
- Construction and development services; and
- Property management and related services.

The Group has applied IFRS 15 retrospectively with the cumulative effect of initially applying this standard recognized at the date of initial application, January 1, 2018. Any difference at the date of initial application is recognized in the opening retained earnings and comparative information has not been restated. Furthermore, in accordance with the transition provisions in IFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed as at January 1, 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 18 and IAS 11 and the related interpretations.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

2.1 Impacts and changes in accounting policies of application on IFRS 15 *Revenue from Contracts with Customers* (continued)

2.1.1 Key changes in accounting policies resulting from application of IFRS 15

IFRS 15 introduces a 5-step approach when recognizing revenue:

- Step 1: Identify the contract (s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognize revenue when (or as) the Group satisfies a performance obligation.

Under IFRS 15, the Group recognizes revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognized over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met.

- the customer simultaneously receives and consumes the benefits provided by the Group’s performance as the Group performs;
- the Group’s performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group’s performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2018

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

2.1 Impacts and changes in accounting policies of application on IFRS 15 *Revenue from Contracts with Customers* (continued)

2.1.1 Key changes in accounting policies resulting from application of IFRS 15 (continued)

Otherwise, revenue is recognized at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customers.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

The progress towards complete satisfaction of a performance obligation for construction and development services, and property management and related services, are measured based on input or output method respectively, which is to recognize revenue on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation, that best depict the Group's performance in transferring control of goods or services.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

2.1 Impacts and changes in accounting policies of application on IFRS 15 *Revenue from Contracts with Customers* (continued)

2.1.1 Key changes in accounting policies resulting from application of IFRS 15 (continued)

Existence of significant financing component

In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract.

For contracts where the period between payment and transfer of the associated goods or services is less than one year, the Group applies the practical expedient of not adjusting the transaction price for any significant financing component.

Incremental costs of obtaining a contract

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained.

The Group recognizes such costs (e.g. sales commissions) as an asset if it expects to recover these costs. The asset so recognized is subsequently amortized to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate. The asset is subject to impairment review.

The Group applies the practical expedient of expensing all incremental costs to obtain a contract if these costs would otherwise have been fully amortized to profit or loss within one year.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2018

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

2.1 Impacts and changes in accounting policies of application on IFRS 15 *Revenue from Contracts with Customers* (continued)

2.1.2 Summary of effects arising from initial application of IFRS 15

The transition to IFRS 15 does not have material impact to the Group's retained earnings as at January 1, 2018.

The following adjustments were made to the amounts recognized in the condensed consolidated statement of financial position as at January 1, 2018. Line items that were not affected by the changes have not been included.

	Notes	Carrying amounts previously reported as at December 31, 2017 RMB'000	Reclassification RMB'000	Remeasurement RMB'000	Carrying amounts under IFRS 15 as at January 1, 2018 RMB'000
Current Assets					
Properties under development	(a)	23,626,222	—	72,032	23,698,254
Trade and other receivables, deposits and prepayments	(b)	1,082,946	(63,535)	—	1,019,411
Contract assets	(b) & (c)	—	1,254,674	—	1,254,674
Amounts due from customers for contract work	(c)	1,191,139	(1,191,139)	—	—
Current Liabilities					
Deposits received from pre-sale of properties	(a)	3,308,339	(3,308,339)	—	—
Contract liabilities	(a)	—	3,308,339	72,032	3,380,371

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

2.1 Impacts and changes in accounting policies of application on IFRS 15 *Revenue from Contracts with Customers* (continued)

2.1.2 Summary of effects arising from initial application of IFRS 15 (continued)

- (a) As at January 1, 2018, advances from customers of RMB3,308,339,000 in respect of sale of properties contracts previously included in deposits received from pre-sale of properties were reclassified to contract liabilities.

Finance costs accumulated up to January 1, 2018 of RMB72,032,000 in respect of certain sale of properties contracts containing significant financing component where the period between payment and transfer of the associated properties exceed one year, were accrued under contract liabilities, with the corresponding charge capitalized under properties under development.

- (b) At the date of initial application, unbilled revenue of RMB63,535,000 arising from certain sale of properties contracts are conditional on the satisfaction of specified conditions as stipulated in the contracts, and hence such balance was reclassified from trade receivables to contract assets.
- (c) In relation to construction contracts previously accounted under IAS 11, the Group continues to apply input method in measurement of progress towards complete satisfaction of a performance obligation upon initial application of IFRS 15. RMB1,191,139,000 of amounts due from customers for contract work were reclassified to contract assets.

The following tables summarize the impacts of applying IFRS 15 on the Group's condensed consolidated statement of financial position as at June 30, 2018 and its condensed consolidated statement of profit or loss and other comprehensive income for the current interim period for each of the line items affected. Line items that were not affected by the changes have not been included.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2018

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

2.1 Impacts and changes in accounting policies of application on IFRS 15 *Revenue from Contracts with Customers* (continued)

2.1.2 Summary of effects arising from initial application of IFRS 15 (continued)

Impact on the condensed consolidated statement of financial position

	As reported RMB'000	Adjustments RMB'000	Amounts without application of IFRS 15 RMB'000
Current Assets			
Properties under development for sale	33,501,323	(86,931)	33,414,392
Trade and other receivables, deposits and prepayments	2,164,790	64,318	2,229,108
Contract assets	1,322,423	(1,322,423)	—
Amounts due from customers for contract work	—	1,258,105	1,258,105
Current Liabilities			
Deposits received from pre-sale of properties	—	7,498,723	7,498,723
Contract liabilities	7,585,654	(7,585,654)	—

Impact on the condensed consolidated statement of profit or loss and other comprehensive income

	Note	As reported RMB'000	Adjustments RMB'000	Amounts without application of IFRS 15 RMB'000
Revenue				
Property sales	(a)	1,955,755	(21,414)	1,934,341
Cost of sales and services	(a)	(1,474,428)	21,414	(1,453,014)

Note:

- (a) The amounts represented interest expense of RMB21,414,000 in respect of certain sale of properties contracts containing significant financing component, which were capitalized in properties held for sale and the related properties were sold in the current period.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 Impacts and changes in accounting policies of application on IFRS 9 *Financial Instruments*

In the current period, the Group has applied IFRS 9 *Financial Instruments* and the related consequential amendments to other IFRSs. IFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses (“ECL”) for financial assets and other items (for example, contract assets, lease receivables and financial guarantee contracts) and 3) general hedge accounting.

The Group has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognized as at January 1, 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognized as at January 1, 2018. The difference between carrying amounts as at December 31, 2017 and the carrying amounts as at January 1, 2018 are recognized in the opening retained earnings and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 39 *Financial Instruments: Recognition and Measurement*.

2.2.1 Key changes in accounting policies resulting from application of IFRS 9

Classification and measurement of financial assets

Trade receivables arising from contracts with customers are initially measured in accordance with IFRS 15.

All recognized financial assets that are within the scope of IFRS 9 are subsequently measured at amortized cost or fair value, including unquoted equity investments measured at cost less impairment under IAS 39.

Debt instruments that met the following conditions are subsequently measured at amortized cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2018

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 Impacts and changes in accounting policies of application on IFRS 9 *Financial Instruments* (continued)

2.2.1 Key changes in accounting policies resulting from application of IFRS 9 (continued)

Classification and measurement of financial assets (continued)

All other financial assets are subsequently measured at fair value through profit or loss (“FVTPL”), except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income (“OCI”) if that equity investment is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 *Business Combinations* applies.

In addition, the Group may irrevocably designate a debt investment that meets the amortized cost criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Equity instruments designated as at FVTOCI

At the date of initial application/initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognized in OCI and accumulated in the FVTOCI reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Group’s right to receive the dividends is established in accordance with IFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the “other income” line item in profit or loss.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 Impacts and changes in accounting policies of application on IFRS 9 *Financial Instruments* (continued)

2.2.1 Key changes in accounting policies resulting from application of IFRS 9 (continued)

Classification and measurement of financial assets (continued)

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortized cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss. The net gain or loss recognized in profit or loss includes any dividend or interest earned on the financial asset and is included in the “other gains and losses” line item.

The directors of the Company (the “Directors”) reviewed and assessed the Group’s financial assets as at January 1, 2018 based on the facts and circumstances that existed at that date. Changes in classification and measurement on the Group’s financial assets and the impacts thereof are detailed in note 2.2.2

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2018

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 Impacts and changes in accounting policies of application on IFRS 9 *Financial Instruments* (continued)

2.2.1 Key changes in accounting policies resulting from application of IFRS 9 (continued)

Impairment under ECL model

The Group recognizes a loss allowance for ECL on financial assets at amortized cost which are subject to impairment under IFRS 9, contract assets, lease receivables and financial guarantee contracts. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognizes lifetime ECL for trade receivables and contract assets. The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognizes lifetime ECL. The assessment of whether lifetime ECL should be recognized is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 Impacts and changes in accounting policies of application on IFRS 9 *Financial Instruments* (continued)

2.2.1 Key changes in accounting policies resulting from application of IFRS 9 (continued)

Impairment under ECL model (continued)

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; and
- an actual or expected significant adverse change in the regulatory, economic or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

For financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk of financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2018

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 Impacts and changes in accounting policies of application on IFRS 9 *Financial Instruments* (continued)

2.2.1 Key changes in accounting policies resulting from application of IFRS 9 (continued)

Impairment under ECL model (continued)

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. For a lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with IAS 17 *Leases*.

For a financial guarantee contract, the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instruments that is guaranteed. Accordingly, the expected losses in the present value of the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortized cost of the financial asset.

Except for financial guarantee contracts, the Group recognizes an impairment gain or loss in profit or loss for all items by adjusting their carrying amount, with the exception of trade and other receivables and contract assets where the corresponding adjustment is recognized through a loss allowance account.

For financial guarantee contracts, the loss allowances are recognised at the higher of the amount of the loss allowance determined in accordance with IFRS 9; and the amount initially recognised less, where appropriate, cumulative amount of income recognised over the guarantee period.

As at January 1, 2018, the Directors reviewed and assessed the Group's existing financial assets, contract assets, lease receivables and financial guarantee contracts for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of IFRS 9. The results of the assessment and the impact thereof are detailed in note 2.2.2.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2018

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 Impacts and changes in accounting policies of application on IFRS 9 *Financial Instruments* (continued)

2.2.2 Summary of effects arising from initial application of IFRS 9

The table below illustrates the classification and measurement (including impairment) of financial assets and other items subject to ECL under IFRS 9 and IAS 39 at the date of initial application, January 1, 2018.

	Notes	Available- for-sale investments RMB'000	Financial assets at FVTPL RMB'000	Equity instruments at FVTOCI RMB'000	Trade receivables RMB'000	Contract assets RMB'000	Amount from customers for contract work RMB'000	Deferred tax liabilities RMB'000	FVTOCI reserve RMB'000	Non- controlling interests RMB'000
Closing balance as at December 31, 2017		165,192	97	—	480,394	—	1,191,139	2,425,425	—	2,690,198
Effect arising from initial application of IFRS 15		—	—	—	(63,535)	1,254,674	(1,191,139)	—	—	—
Effect arising from initial application of IFRS 9:										
Reclassification										
From available-for-sale	(a)	(165,192)	—	165,192	—	—	—	—	—	—
Remeasurement										
From cost less impairment to fair value	(a)	—	—	64,708	—	—	—	16,177	44,163	4,368
Opening balance as at January 1, 2018		—	97	229,900	416,859	1,254,674	—	2,441,602	44,163	2,694,566

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2018

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 Impacts and changes in accounting policies of application on IFRS 9 *Financial Instruments* (continued)

2.2.2 Summary of effects arising from initial application of IFRS 9 (continued)

Notes:

(a) *Available-for-sale investments*

From available-for-sale equity investments to FVTOCI

The Group elected to present in OCI for the fair value changes of all its equity investments previously classified as available-for-sale, of which RMB165,192,000 related to unquoted equity investments previously measured at cost less impairment under IAS 39. These investments are not held for trading and not expected to be sold in the foreseeable future. At the date of initial application of IFRS 9, RMB165,192,000 related to unquoted equity investments previously measured at cost less impairment under IAS 39 were reclassified from available-for-sale investments to equity instruments at FVTOCI. The fair value gain of RMB64,708,000 relating to those unquoted equity investments previously carried at cost less impairment were adjusted to equity instruments at FVTOCI and FVTOCI reserve as at January 1, 2018, and the related deferred tax liability of RMB16,177,000 were adjusted to FVTOCI reserve as at January 1, 2018.

(b) *Impairment under ECL model*

The Group applies the IFRS 9 simplified approach to measure ECL which uses a lifetime ECL for trade receivables and contract assets. To measure the ECL, contract assets and trade receivables have been grouped based on shared credit risk characteristics. The contract assets have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for the trade receivables are a reasonable approximation of the loss rates for the contract assets.

Loss allowances for other financial assets at amortized cost mainly comprise of other receivables, deposits, amounts due from related parties, restricted bank deposits and bank balances, are measured on 12m ECL basis and there had been no significant increase in credit risk since initial recognition.

As at January 1, 2018, no material additional credit loss allowance has been recognized upon application of expected loss approach as at the same date.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

2.3 Impacts and changes in accounting policies of application on Amendments to IAS 40

Transfers of Investment Property

The amendments clarify that a transfer to, or from, investment property necessitates an assessment of whether a property meets, or has ceased to meet, the definition of investment property, supported by evidence that a change in use has occurred. The amendments further clarify that situations other than the ones listed in IAS 40 may evidence a change in use, and that a change in use is possible for properties under construction (i.e. a change in use is not limited to completed properties).

At the date of initial application, the Group assessed the classification of certain properties based on conditions existed at that date, there is no impact to the classification as at January 1, 2018.

Except as described above, the application of other new and amendments to IFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

2.4 Impacts on opening condensed consolidated statement of financial position arising from the application of all new standards

As a result of the changes in the Group's accounting policies above, the opening condensed consolidated statement of financial position had to be restated. The following table show the adjustments recognized for each individual line item.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2018

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

2.4 Impacts on opening condensed consolidated statement of financial position arising from the application of all new standards (continued)

	As at December 31, 2017 RMB'000 (Audited)	IFRS 15 RMB'000	IFRS 9 RMB'000	As at January 1, 2018 RMB'000 (Restated)
Non-current Assets				
Available-for-sale investments	165,192	—	(165,192)	—
Equity instruments at FVTOCI	—	—	229,900	229,900
Others with no adjustments	22,824,593	—	—	22,824,593
	22,989,785	—	64,708	23,054,493
Current Assets				
Properties under development for sale	23,626,222	72,032	—	23,698,254
Trade and other receivables, deposits and prepayments	1,082,946	(63,535)	—	1,019,411
Contract assets	—	1,254,674	—	1,254,674
Amounts due from customers for contract work	1,191,139	(1,191,139)	—	—
Others with no adjustments	9,654,265	—	—	9,654,265
	35,554,572	72,032	—	35,626,604
Current Liabilities				
Deposits received from pre-sale of properties	3,308,339	(3,308,339)	—	—
Contract liabilities	—	3,380,371	—	3,380,371
Others with no adjustments	23,589,172	—	—	23,589,172
	26,897,511	72,032	—	26,969,543

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2018

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

2.4 Impacts on opening condensed consolidated statement of financial position arising from the application of all new standards (continued)

	As at December 31, 2017 RMB'000 (Audited)	IFRS 15 RMB'000	IFRS 9 RMB'000	As at January 1, 2018 RMB'000 (Restated)
Net Current Assets	8,657,061	—	—	8,657,061
Total Assets less Current Liabilities	31,646,846	—	64,708	31,711,554
Non-current Liabilities				
Deferred tax liabilities	2,425,425	—	16,177	2,441,602
Others with no adjustments	15,629,012	—	—	15,629,012
	18,054,437	—	16,177	18,070,614
Net Assets	13,592,409	—	48,531	13,640,940
Capital and Reserves				
Share capital	3,519	—	—	3,519
Reserves	10,898,692	—	44,163	10,942,855
Equity attributable to owners of the Company	10,902,211	—	44,163	10,946,374
Non-controlling interests	2,690,198	—	4,368	2,694,566
Total Equity	13,592,409	—	48,531	13,640,940

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2018

3. REVENUE AND SEGMENT INFORMATION

The Group is organized into business units based on their types of activities. These business units are the basis of information that is prepared and reported to the Group's chief operating decision maker (i.e. the Executive Directors of the Company) for the purposes of resources allocation and assessment of performance. The Group's operating segments under IFRS 8 *Operating Segments* are identified as the following four business units:

Property development: This segment develops and sells commercial and residential properties. All of the Group's activities are carried out in the PRC.

Primary land construction and development services: This segment derives revenue from primary land development, including services for resettlement, construction of land infrastructure and ancillary public facilities on land owned by the local governments. All of the Group's activities are carried out in the PRC.

Property investment: This segment derives rental income from investment properties developed by the Group. Currently, the Group's investment property portfolio mainly comprises commercial properties located in the PRC.

Property management and related services: This segment derives income from property management and related services. Currently, the Group's activities are carried out in the PRC.

Segment profit represents the profit earned by each segment without allocation of other gains and losses, other income, other expenses, share of losses of associates, changes in fair value of investment properties, finance costs, share of losses of joint ventures and unallocated administrative expenses, including auditor's remuneration and directors' emoluments. This is the measure reported to the Group's chief operating decision maker for the purpose of resources allocation and performance assessment.

Inter-segment sales are priced with reference to prices charged to external parties for similar products and services.

No segment assets and liabilities are presented as they were not regularly provided to the chief operating decision maker for the purposes of resources allocation and performance assessment.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2018

3. REVENUE AND SEGMENT INFORMATION (continued)

(a) Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable and operating segment.

	Property development RMB'000 (Unaudited)	Primary land construction and development services RMB'000 (Unaudited)	Property investment RMB'000 (Unaudited)	Property management and related services RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Six months ended June 30, 2018					
Revenue from external customers	1,955,755	64,977	207,085	10,571	2,238,388
Segment revenue	1,955,755	64,977	207,085	10,571	2,238,388
Segment profit	336,818	1,199	157,255	6,906	502,178
Six months ended June 30, 2017					
Revenue from external customers	2,004,155	34,893	140,435	2,407	2,181,890
Segment revenue	2,004,155	34,893	140,435	2,407	2,181,890
Segment profit (loss)	619,934	539	108,071	(421)	728,123

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2018

3. REVENUE AND SEGMENT INFORMATION (continued)

(b) Disaggregation of revenue from contracts with customers

	Property development RMB'000 (Unaudited)	Primary land construction and development services RMB'000 (Unaudited)	Property investment RMB'000 (Unaudited)	Property management and related services RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Six months ended June 30, 2018					
Geographical market					
Mainland China	1,955,755	64,977	—	10,571	2,031,303
Timing of revenue recognition					
A point in time	1,955,755	—	—	—	1,955,755
Over time	—	64,977	—	10,571	75,548
Total	1,955,755	64,977	—	10,571	2,031,303

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information.

	Property development RMB'000 (Unaudited)	Primary land construction and development services RMB'000 (Unaudited)	Property investment RMB'000 (Unaudited)	Property management and related services RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Six months ended June 30, 2018					
Revenue disclosed in segment information					
External customers	1,955,755	64,977	207,085	10,571	2,238,388
Less: rental income	—	—	(207,085)	—	(207,085)
Revenue from contracts with customers	1,955,755	64,977	—	10,571	2,031,303

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2018

3. REVENUE AND SEGMENT INFORMATION (continued)

(c) Reconciliations of segment revenue, profit or loss

	Six months ended June 30,	
	2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Revenue		
Segment revenue	2,238,388	2,181,890
Profit		
Segment profit	502,178	728,123
Other gains and losses	(28,532)	40,765
Other income	74,943	10,226
Change in fair value of investment properties	539,592	434,438
Unallocated administrative expenses	(31,716)	(14,458)
Other expenses	(29,675)	(21,348)
Share of losses of associates	(6,029)	—
Share of losses of joint ventures	(1,039)	—
Finance costs	(108,826)	(79,963)
Consolidated profit before taxation	910,896	1,097,783

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2018

4. FINANCE COSTS

	Six months ended June 30,	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest on bank loans	570,032	477,674
Interest on other loans	212,576	37,336
Interest on corporate bonds	141,235	141,069
Interest on senior notes	143,393	43,411
Imputed interest on contract liabilities	108,345	—
Total	1,175,581	699,490
Less: Amounts capitalized to properties under development	(1,066,755)	(619,527)
	108,826	79,963

Interests capitalized arose from borrowings made specifically for the purpose of construction of the qualifying assets, which bore annual interest at rates from 4.75% to 9.60% (six months ended June 30, 2017: 4.9% to 9.8%) and general borrowings pool calculated by applying a capitalization rate of 6.97% (six months ended June 30, 2017: 6.4%) per annum on expenditure on the qualifying assets.

5. INCOME TAX EXPENSE

	Six months ended June 30,	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax		
PRC Enterprise Income Tax	130,423	215,555
Under provision in prior year	242	—
Land appreciation tax ("LAT")	108,080	229,560
	238,745	445,115
Deferred tax	113,932	22,218
Income tax expense	352,677	467,333

PRC Enterprise Income Tax has been calculated on the estimated assessable profit derived from the PRC at the rate of 25% for both periods.

The provision of LAT is estimated according to the requirements set forth in the relevant PRC tax laws and regulations. LAT has been provided at ranges of progressive rates of the appreciation value, with certain allowable exemptions and deductions.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2018

6. PROFIT FOR THE PERIOD

Profit for the period has been arrived at after charging (crediting):

	Six months ended June 30,	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Directors' remunerations		
– Salaries and other benefits	5,590	5,655
– Retirement benefit contributions	68	64
– Equity-settled share-based payments	—	363
Other staff costs		
– Salaries and other benefits	137,024	135,045
– Retirement benefit contributions	11,960	11,993
– Equity-settled share-based payments	—	4,644
Total staff costs	154,642	157,764
Less: Amounts capitalized to properties under development	(75,350)	(73,883)
	79,292	83,881
Cost of properties sold recognized as expense	1,394,625	1,137,035
Losses on disposal of property, plant and equipment	2	1
Net foreign exchange losses (gains) (included in “other gains and losses”)	152,779	(40,766)
Interest income	(71,392)	(5,202)
Depreciation of property, plant and equipment	35,731	14,772
Amortization of intangible assets (included under “other non-current assets”)	1,264	692
Release of prepaid lease payments	3,018	3,018
Operating lease rentals	1,134	1,085
Rental income from investment properties	(207,085)	(140,435)
Less: Direct operating expenses	23,145	32,364
	(183,940)	(108,071)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2018

7. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

Six months ended June 30,	
2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Earnings	
Earnings for the purposes of basic and diluted earnings per share:	
Profit for the period attributable to owners of the Company	498,293
410,446	
Six months ended June 30,	
2018 '000	2017 '000
Number of shares	
Weighted average number of ordinary shares for the purpose of basic earnings per share	
4,444,154	4,426,788
Effect of dilutive potential ordinary shares:	
Share options	24,773
Share awards	11,145
Weighted average number of ordinary shares for the purpose of diluted earnings per share	
4,465,318	4,462,706

The number of shares adopted in the calculation of the basic earnings per share for the six months ended June 30, 2017 has been arrived at after eliminating the unvested shares of the Company held under the Company's share award scheme.

8. DIVIDENDS

During the current interim period, a final dividend in respect of the year ended December 31, 2017 of HK 8.07 cents (six months ended June 30, 2017: in respect of the year ended December 31, 2016 of HK 6.04 cents) per ordinary share totalling HK\$358,578,000 (equivalent to approximately RMB300,000,000) (six months ended June 30, 2017: HK\$267,994,000, equivalent to approximately RMB240,000,000) was declared.

During the current interim period, part of the dividend amounting to HK\$117,550,000 (equivalent to approximately RMB95,811,000) (six months ended June 30, 2017: HK\$50,835,000, equivalent to approximately RMB44,321,000) was paid.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2018

9. INVESTMENT PROPERTIES

	Completed investment properties RMB'000	Investment properties under construction RMB'000	Total RMB'000
Fair value			
As at January 1, 2017 (Audited)	9,844,500	6,830,000	16,674,500
Additions	122,249	792,708	914,957
Reclassification	5,329,818	(5,329,818)	—
Net increase in fair value recognized in profit or loss	887,633	68,110	955,743
Transfers to property, plant and equipment	(597,931)	—	(597,931)
Transfers from property, plant and equipment	361,000	—	361,000
As at December 31, 2017 (Audited)	15,947,269	2,361,000	18,308,269
Transfer to property, plant and equipment	(240,206)	—	(240,206)
Additions	—	122,603	122,603
Transfer from properties held for sale	53,892	—	53,892
Change in fair value of investment properties	482,195	57,397	539,592
As at June 30, 2018 (Unaudited)	16,243,150	2,541,000	18,784,150

The investment properties are all situated in the PRC. The fair value of the Group's investment properties, including the Group's property interests held under operating leases classified and accounted for as investment properties, as at June 30, 2018 and December 31, 2017 have been arrived at on the basis of valuations carried out on those dates by Colliers International (Hong Kong) Ltd ("Colliers"), a firm of independent qualified professional valuers not connected with the Group, who have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations.

The valuations of completed investment properties were arrived at with adoption of direct comparison approach assuming sale of each of these properties in its existing state by making reference to comparable sales transactions as available in the relevant market and also consider income method-direct capitalization approach by capitalization of the net rental income derived from the existing tenancy agreements with due allowance for the reversionary income potential of the properties.

Fair values of the investment properties under development are generally derived using the residual method. This valuation method is essentially a means of valuing the land and building by reference to its development potential by deducting development costs together with developer's profit and risk from the estimated capital value of the proposed development assuming completed in accordance with the existing development plans as at the date of valuation, which duly reflected the risks associated with the development.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2018

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended June 30, 2018, additions to property, plant and equipment amounted to RMB90,687,000 (six months ended June 30, 2017: RMB61,651,000), consisted of buildings, motor vehicles and electronic equipment and furniture.

As at June 30, 2018, investment property amounting to RMB240,206,000 was transferred to property, plant and equipment upon commencement of owner occupation.

11. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Trade receivables mainly comprise of rental receivables and receivables for sales of properties. Pursuant to the lease agreements, rental payment is generally required to be settled in advance with no credit period being granted to the tenants. In respect of sale of properties, a credit period of six to twelve months may be granted to specific customers on a case-by-case basis.

	As at June 30, 2018 RMB'000 (Unaudited)	As at December 31, 2017 RMB'000 (Audited)
Trade receivables, net of allowance	517,659	480,394
Advances to contractors and suppliers	595,798	274,537
Other receivables from independent third parties (Note)	304,299	17,261
Other receivables and prepayment	442,035	183,746
Prepaid lease payment - current portion	6,035	6,035
Deposits	298,964	120,973
	2,164,790	1,082,946

Note: As at June 30, 2018, included in other receivables from independent third parties are unsecured advances to the independent third parties of RMB287,038,000 which are bearing interest ranging from 10.2% to 11.0% per annum, and repayable on demand. Such advances have been fully settled in August 2018.

Except as disclosed above, the remaining other receivables from independent third parties are of non-trade nature, unsecured, interest-free and repayable on demand.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2018

11. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (continued)

The following is an analysis of trade receivables by age, presented based on the date of recognition of revenue:

	As at June 30, 2018 RMB'000 (Unaudited)	As at December 31, 2017 RMB'000 (Audited)
0 to 60 days	224,592	281,666
61 to 180 days	65,693	66,121
181 to 365 days	170,857	59,737
1-2 years	52,484	21,715
Over 2 years	4,033	51,155
	517,659	480,394

Trade receivables with an amount of approximately RMB64,360,000 and RMB59,743,000 as at June 30, 2018 and December 31, 2017, respectively, are past due but not impaired. The Group does not hold any collateral over these balances except the rental deposits.

12. CONTRACT ASSETS

	As at June 30, 2018 RMB'000 (Unaudited)
Construction and development services	1,258,105
Property sales	64,318
	1,322,423

The contract assets primarily relate to the Group's right to consideration for work completed but not billed because the rights are conditional on the satisfaction of specified conditions as stipulated in the contracts of construction and development services and property sales at the reporting date. The contract assets are transferred to trade receivables when the rights become unconditional.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2018

13. TRADE AND OTHER PAYABLES

	As at June 30, 2018 RMB'000 (Unaudited)	As at December 31, 2017 RMB'000 (Audited)
Trade payables	4,210,719	4,099,193
Deposits received	1,984,825	431,967
Rental received in advance	89,288	49,361
Dividends	82,500	15,000
Accrued payroll	25,770	56,076
Business and other tax payable	355,951	386,111
Other payables and accruals	926,326	637,398
	7,675,379	5,675,106
Analyzed for reporting purposes as:		
Non-current (Note (a))	91,512	89,393
Current	7,583,867	5,585,713
	7,675,379	5,675,106

Note:

- (a) Pursuant to the relevant rental agreements, rental deposits of approximately RMB91,512,000 as at June 30, 2018 (December 31, 2017: RMB89,393,000) will be refundable after twelve months from the end of the reporting period and is therefore classified as non-current liability.

Trade payables comprise construction costs payable and other project-related expenses payable. The average credit period of trade payable is approximately 180 days.

The following is an analysis of trade payables by age, presented based on the invoice date:

	As at June 30, 2018 RMB'000 (Unaudited)	As at December 31, 2017 RMB'000 (Audited)
0 to 60 days	1,371,158	2,196,999
61-365 days	1,736,594	458,745
1-2 years	363,879	975,541
Over 2 years	739,088	467,908
	4,210,719	4,099,193

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2018

14. BANK AND OTHER BORROWINGS

	As at June 30, 2018 RMB'000 (Unaudited)	As at December 31, 2017 RMB'000 (Audited)
Bank loans, secured	18,074,083	19,517,064
Other loans, secured	3,932,700	4,710,000
	22,006,783	24,227,064
Less: Amount due within one year shown under current liabilities	(10,222,763)	(11,625,399)
Amount due after one year	11,784,020	12,601,665

As at June 30, 2018 and December 31, 2017, in respect of several bank loans with an aggregate carrying amount of approximately RMB100,000,000, the Group breached certain covenants of the bank loans, which are primarily related to the debt-equity ratio. On discovery of the breaches, the Directors informed the lenders and commenced a renegotiation of the terms of the loans with the relevant bankers. As at June 30, 2018, these negotiations have not been concluded. Accordingly, the loans are repayable on demand and have been classified as current liabilities. Up to the date of approval for issuance of these condensed consolidated financial statements, the negotiations are still in progress. Taking into account of the Group's financial position, the Directors are confident that these negotiations will ultimately reach a successful conclusion and believe that such bank loans will be repaid in accordance with the scheduled repayment terms as set out in the loan agreements.

As at June 30, 2018, the borrowings with carrying amount of RMB8,576,983,000 (December 31, 2017: RMB8,399,086,000) carry interest at variable rates based on the interest rates quoted by the People's Bank of China, the effective interest rate ranges from 2.76% to 7.13% (December 31, 2017: 2.58% to 6.5%) per annum. The remaining borrowings are arranged at fixed rates, ranging from 4.75% to 12.00% (December 31, 2017: 5.9% to 8.75%) per annum as at June 30, 2018.

The Directors consider that the carrying amounts of bank and other borrowings amounting to RMB22,006,783,000 (December 31, 2017: RMB24,227,064,000) and related interest payable amounting to RMB34,076,000 (December 31, 2017: RMB48,915,000) as at June 30, 2018 recognized in the condensed consolidated financial statements approximate to their fair value.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2018

15. CORPORATE BONDS

(a) Corporate bonds issued in 2015 (the “2015 Corporate Bonds”)

On November 11, 2015, Shantou Garden Group Co., Ltd. 汕頭花園集團有限公司 (“Garden Group”), a wholly-owned subsidiary of the Company, has issued its first tranche of domestic corporate bonds to the public in the PRC (“First Tranche Issue”) with a principal amount of RMB2,000,000,000, bearing interest at the coupon rate of 7.25% per annum, payable annually, and has a term of 5 years. On December 22, 2015, Garden Group has issued the second tranche of domestic corporate bonds to the public in the PRC (“Second Tranche Issue”) with a principal amount of RMB1,000,000,000, bearing interest at the coupon rate of 7.47% per annum, payable annually, and has a term of 5 years.

According to the terms and conditions of the 2015 Corporate Bonds, Garden Group has the right to adjust and not adjust the coupon rate for the fourth and fifth year at the end of the third year, by giving a 30-day notice to the bondholder before November 10 and December 21, 2018 respectively. At the same time, the bondholder may at its option require Garden Group to redeem the bond at a redemption price equal to 100% of the principal plus accrued interest to such redemption date. The remaining bond will be subject to the adjusted interest rate until the maturity date. The effective interest rate of the First Tranche Issue and Second Tranche Issue of 2015 Corporate Bonds is approximately 7.61% and 7.64% per annum after the adjustment for transaction costs.

The carrying amount of 2015 Corporate Bonds is amounting to approximately RMB2,996,671,000 (December 31, 2017: RMB2,992,645,000) and related interest is amounting to approximately RMB131,193,000 (December 31, 2017: RMB22,246,000) as at June 30, 2018.

2015 Corporate Bonds are subject to the redemption at the option of the bondholders in 2018 and they have been classified as current liabilities as at June 30, 2018 and December 31, 2017.

(b) Corporate bonds issued in 2016 (the “2016 Corporate Bonds”)

On September 22, 2016, Garden Group has issued its first tranche of domestic corporate bonds through non-public offering in the PRC (“First Tranche Non-public Issue”) with a principal amount of RMB1,000,000,000, bearing interest at the coupon rate of 5.3% per annum, payable annually, and has a term of 5 years. The 2016 Corporate Bonds are secured by certain investment properties of the Group.

According to the terms and conditions of the 2016 Corporate Bonds, Garden Group has the right to adjust and not adjust the coupon rate for the fourth and fifth year at the end of the third year, by giving a 30-day notice to the bondholder before September 21, 2019. At the same time, the bondholder may at its option require Garden Group to redeem the bond at a redemption price equal to 100% of the principal plus accrued interest to such redemption date. The remaining bond will be subject to the adjusted interest rate until the maturity date. The effective interest rate of the 2016 Corporate Bonds is approximately 5.47% per annum after the adjustment for transaction costs.

The carrying amounts of 2016 Corporate Bonds is amounting to RMB997,968,000 (December 31, 2017: RMB997,006,000) and related interest is amounting to RMB39,786,000 (December 31, 2017: RMB13,156,000) as at June 30, 2018. 2016 Corporate Bonds have been classified as non-current liabilities as at June 30, 2018 and December 31, 2017.

16. SENIOR NOTES

(a) 2017 Senior Notes

On March 21, 2017, the Company issued senior notes with an aggregate nominal value of United States dollars (“US\$”) 300,000,000 (“2017 Senior Notes”) at face value. The 2017 Senior Notes, bearing interest at 7.00% per annum, payable semi-annually on March 21 and September 21, will mature on March 21, 2020. The effective interest rate is approximately 7.82% per annum after the adjustment for transaction costs. The 2017 Senior Notes are listed on the Stock Exchange.

According to the terms and conditions of the 2017 Senior Notes, the Company may at its option (“early redemption options”) to redeem the 2017 Senior Notes in the following circumstances: (1) On March 21, 2019, the Company may redeem the 2017 Senior Notes, in whole and not in part, at the redemption price equal to 100% of the principal amount of the 2017 Senior Notes redeemed plus accrued interest, if any, on the 2017 Senior Notes redeemed, to (but not including) the date of redemption. (2) At any time prior to March 21, 2019, the Company may redeem the 2017 Senior Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the redeemed 2017 Senior Notes plus the applicable premium as of, and accrued interest, if any, to (but not including) the redemption date. Applicable premium means with respect to 2017 Senior Notes at any redemption date, the greater of (i) 1.00% of the principal amount of such notes and (ii) the excess of (A) the present value at such redemption date of the principal amount of such notes on March 21, 2019, plus all required remaining scheduled interest payments due on such notes through March 21, 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 notes on such redemption date. (3) At any time and from time to time prior to March 21, 2020, the Company may redeem up to 35% of the aggregate principal amount of the 2017 Senior 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 107.00% of the principal amount of the 2017 Senior Notes redeemed, plus accrued interest, if any, to (but not including) the redemption date, provided that at least 65% of the aggregate principal amount of the 2017 Senior Notes originally issued on the original issue date remains outstanding after such redemption and any such redemption takes place within 60 days after the closing of the related equity offering.

The holders of 2017 Senior Notes have the right, at their option, to require the Company to repurchase all of their 2017 Senior Notes in cash, or any portion of the principal thereof that is equal to US\$200,000 or an integral multiple of US\$1,000 in excess thereof, on March 21, 2019 at the repurchase price equal to 100% of the principal amount of 2017 Senior Notes to be repurchased, plus accrued interest to, but excluding, March 21, 2019.

The Directors consider that the fair value of the early redemption options was insignificant on initial recognition and as at June 30, 2018.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2018

16. SENIOR NOTES (continued)

(a) 2017 Senior Notes (continued)

The carrying amount of 2017 Senior Notes is amounting to RMB1,973,682,000 (December 31, 2017: RMB1,940,948,000) and related interest payable is amounting to RMB38,767,000 (December 31, 2017: RMB37,660,000) as at June 30, 2018. The fair value of 2017 Senior Notes as at June 30, 2018 is approximately RMB1,719,489,000 based on quoted market price and classified as level 1 of fair value hierarchy.

2017 Senior Notes are subject to the redemption at the option of the bondholders on March 21, 2019 and they have been classified as current liabilities as at June 30, 2018.

(b) 2018 First Tranche Senior Notes

On March 2, 2018, the Company issued senior notes with an aggregate nominal value of US\$ 250,000,000 ("2018 First Tranche Senior Notes") at face value. 2018 First Tranche Senior Notes bearing interest at 10.20% per annum, payable semi-annually on September 2, 2018 and March 1, 2019, will mature on March 1, 2019. The effective interest rate is approximately 11.94% per annum after the adjustment for transaction costs. 2018 First Tranche Senior Notes are listed on the Stock Exchange.

2018 First Tranche Senior Notes may be redeemed in the following circumstances:

- (1) At any time prior to March 1, 2019, the Company may at its option to redeem the 2018 First Tranche Senior Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of 2018 First Tranche Senior Notes plus the applicable premium as of, and accrued and interest, if any, to (but not including) the redemption date. The Company will give not less than 30 days notice of any redemption.
- (2) At any time and from time to time prior to March 1, 2019, the Company may redeem up to 35% of the aggregate principal amount of 2018 First Tranche Senior 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 110.2% of the principal amount of 2018 First Tranche Senior Notes redeemed, plus accrued interest, if any, to (but not including) the redemption date, provided that at least 65% of the aggregate principal amount of 2018 First Tranche Senior Notes originally issued on the original issue date remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related equity offering.

The Directors consider that the fair value of the above early redemption options was insignificant on initial recognition and as at June 30, 2018.

The carrying amount of 2018 First Tranche Senior Notes is amounting to RMB1,636,134,000 and related interest payable is amounting to RMB55,477,000 as at June 30, 2018. The fair value of 2018 First Tranche Senior Notes as at June 30, 2018 is approximately RMB1,554,901,000 based on quoted market price and classified as level 1 of fair value hierarchy.

16. SENIOR NOTES (continued)**(c) 2018 Second Tranche Senior Notes**

On June 7, 2018, the Company issued senior notes with an aggregate nominal value of US\$ 100,000,000 ("2018 Second Tranche Senior Notes") at face value. 2018 Second Tranche Senior Notes bearing interest at 10.00% per annum payable semi-annually on December 7 and June 7 of each year, will mature on June 7, 2020. The effective interest rate is approximately 11.03% per annum after the adjustment for transaction costs. 2018 Second Tranche Senior Notes are listed on the Stock Exchange.

2018 Second Tranche Senior Notes may be redeemed in the following circumstances:

- (1) At any time prior to June 7, 2020, the Company may at its option to redeem 2018 Second Tranche Senior Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of 2018 Second Tranche Senior Notes plus the applicable premium as of, and accrued interest, if any, to (but not including) the redemption date.
- (2) At any time and from time to time prior to June 7, 2020, the Company may redeem up to 35% of the aggregate principal amount of 2018 Second Tranche Senior 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 110.0% of the principal amount of 2018 Second Tranche Senior Notes redeemed, plus accrued interest, if any, to (but not including) the redemption date, provided that at least 65% of the aggregate principal amount of 2018 Second Tranche Senior Notes originally issued on the original issue date remains outstanding after such redemption and any such redemption takes place within 60 days after the closing of the related equity offering.

The Company will give not less than 30 days notice of any redemption.

The Directors consider that the fair value of the above early redemption options was insignificant on initial recognition and as at June 30, 2018.

The carrying amount of 2018 Second Tranche Senior Notes is amounting to RMB650,064,000 and related interest payable is amounting to RMB4,158,000 as at June 30, 2018. The fair value of 2018 Second Tranche Senior Notes as at June 30, 2018 is approximately RMB827,330,000 based on quoted market price and classified as level 1 of fair value hierarchy.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2018

17. ACQUISITION OF SUBSIDIARIES

On August 31, 2017, Garden Group, Heshan Tengyue Property Development Co., Ltd. 鶴山市騰悅房地產開發有限公司("Heshan Tengyue"), a company indirectly controlled by Mr. Zhang Zhangqiao (younger brother of Mr. Zhang Zhangsun, executive director and controlling shareholder of the Company), Great Strong International Co., Ltd. 強旺國際有限公司("Great Strong International"), original shareholder of Jiangmen Yinghuiwan Estate Co., Ltd. 江門映暉灣房地產有限公司 ("Jiangmen Yinghuiwan", ultimately controlled by Mr. Zhang Zhangqiao), and Jiangmen Yinghuiwan entered into an Equity Acquisition and Cooperation Agreement, pursuant to which Garden Group will acquire 10% equity interest in Jiangmen Yinghuiwan from Heshan Tengyue at a consideration of RMB34,340,000 and cooperate in the projects of Jiangmen Yinghuiwan.

On August 31, 2017, Garden Group entered into the subscription and cooperation agreements with the respective shareholders of Guangdong Hongtaiguotong, Guangdong Guosha, Tianjin Tianfurongsheng, Sanya Jingheng, Handan Guoxia and Chongqing Guosha as defined in below table, which were ultimately controlled by Mr. Zhang Zhangqiao, to make capital contributions to those entities, at a total consideration of RMB233,920,000 to obtain 10% equity interest of each entity.

Those companies were accounted for as associates of the Group as at December 31, 2017 as the Group has the right to appoint one director in the board of each entity and has significant influence over these entities.

On April 27, 2018, the Group decided to increase its shareholding in these entities and entered into capital contribution agreements with the following entities, together with their respective shareholders at the following considerations as set out below. Upon signing of the capital contribution agreements and the amendment of the articles of associations of each entity, these entities became subsidiaries of the Group. These acquisitions were accounted for using the acquisition method.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2018

17. ACQUISITION OF SUBSIDIARIES (continued)

Name of subsidiaries	Capital contributions RMB'000	Proportion of ownership interest held by the Group	
		As at December 31, 2017	As at June 30, 2018
Jiangmen Yinghuiwan	170,169	10%	52%
Guangdong Hongtaiguotong Estate Co., Ltd. ("Guangdong Hongtaiguotong") 廣東宏泰國通地產有限公司	366,980	10%	35%*
Guangdong Guosha Estate Co., Ltd. ("Guangdong Guosha") 廣東國廈地產有限公司	46,770	10%	68%
Tianjin Tianfurongsheng Real Estate Development Co., Ltd. ("Tianjin Tianfurongsheng") 天津天富融盛房地產開發有限公司	171,060	10%	35%*
Sanya Jingheng Properties Co., Ltd. ("Sanya Jingheng") 三亞景恒置業有限公司	253,820	10%	35%*
Handan Guoxia Real Estate Development Co., Ltd. ("Handan Guoxia") 邯鄲市國夏房地產開發有限公司	87,220	10%	35%*
Chongqing Guosha Estate Development Co., Ltd. ("Chongqing Guosha") 重慶國廈房地產開發有限公司	72,580	10%	51%
	1,168,599		

- * Upon completion of the capital contribution agreements, the Group held 35% equity interests of Guangdong Hongtaiguotong, Tianjin Tianfurongsheng, Sanya Jingheng and Handan Guoxia. The Group has contractual right to appoint 2 out of 3 directors in the board of directors of these entities. Resolutions in the board of directors of these entities are passed by majority votes. As the Group controls the composition of the board of directors of these entities, in the opinion of the Directors, the Group has control over these entities.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2018

17. ACQUISITION OF SUBSIDIARIES (continued)

Assets acquired and liabilities recognized at the date of acquisition (determined on a provisional basis) are as follows:

	RMB'000 (Unaudited)
<i>Non-current assets</i>	
Property, plant and equipment	8,918
Other non-current assets	668
<i>Current assets</i>	
Properties under development for sale	8,553,279
Trade and other receivables, deposits and prepayments	2,316,934
Value added tax and tax recoverable	221,934
Cash and bank balances	694,238
<i>Current liabilities</i>	
Trade and other payables	(3,133,581)
Contract liabilities	(3,804,515)
Tax payable	(466)
Bank and other borrowings - due within one year	(200,000)
<i>Non-current liabilities</i>	
Bank and other borrowings - due after one year	(646,900)
Deferred tax liabilities	(959,790)
Fair value of net assets acquired	<u>3,050,719</u>

Bargain purchases gain (determined on a provisional basis)

	RMB'000 (Unaudited)
Fair value of 10% equity interests	379,400
Plus: Non-controlling interests	2,586,084
Less: Net assets acquired	<u>(3,050,719)</u>
	<u>(85,235)</u>

The gain from bargain purchases amounted to RMB85,235,000 were recognized as a deemed contribution from a related party.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2018

17. ACQUISITION OF SUBSIDIARIES (continued)

Non-controlling interests

The non-controlling interests in the subsidiaries recognized at the acquisition date were measured by reference to the proportionate share of net assets acquired.

Net cash inflow arising on acquisition:

	RMB'000 (Unaudited)
Cash and bank balances acquired	694,238

18. PLEDGE OF ASSETS

The following assets were pledged to secure certain bank and other loans facilities granted to the Group:

	As at June 30, 2018 RMB'000 (Unaudited)	As at December 31, 2017 RMB'000 (Audited)
Investment properties	17,482,594	16,769,654
Property, plant and equipment	837,376	617,349
Prepaid lease payments	283,649	286,638
Properties under development for sale	15,523,302	14,215,345
Properties held for sale	1,083,468	1,203,340
Restricted bank deposits	224,995	224,995
	35,435,384	33,317,321

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2018

18. PLEDGE OF ASSETS (continued)

The equity interest of the following companies were pledged to secure certain bank and other loans facilities granted to the Group:

	As at June 30, 2018 % (Unaudited)	As at December 31, 2017 % (Audited)
Foshan Glory Southern Real Estate Development Co., Ltd 佛山市國瑞南方地產開發有限公司 (“Foshan Glory Southern”)	100	100
Glory Xingye (Beijing) Investment Co., Ltd 國瑞興業(北京)投資有限公司 (“Glory Investment”)	100	100
Beijing Wenhushengda Real Estate Development Co., Ltd 北京文華盛達房地產開發有限公司 (“Beijing Wenhushengda”)	100	100
Foshan Guohua Properties Co., Ltd. 佛山市國華置業有限公司 (“Foshan Guohua”)	100	100
Shantou Glory Real Estate Development Co., Ltd. 汕頭市國瑞房地產開發有限公司 (“Shantou Glory”)	100	100
Qidong Yujiangwan Investment Management Co., Ltd. 啟東禦江灣投資管理有限公司 (“Qidong Yujiangwan”)	90	90
Shantou Guorui Hospital Co., Ltd. 汕頭市國瑞醫院有限公司 (“Guorui Hospital”)	100	100
Langfang Glory Real Estate Development Co., Ltd. 廊坊國瑞房地產開發有限公司 (“Langfang Glory”)	100	100
Suzhou Glory Real Estate Co., Ltd. 蘇州國瑞地產有限公司 (“Suzhou Glory”)	100	100
Beijing Deheng Real Estate Development Co., Ltd. 北京國瑞德恒房地產開發有限公司 (“Beijing Deheng”)	100	100
Shenzhen Wanji Pharmaceutical Co., Ltd. 深圳萬基藥業有限公司 (“Shenzhen Wanji”)	75	75
Hainan Junhe Industrial Co., Ltd. 海南駿和實業有限公司 (“Hainan Junhe”)	51	51

Except as disclosed above, the Group pledged 100% equity interest in Hainan Glory Investment & Development Co., Ltd. 海南國瑞投資開發有限公司 (“Hainan Glory Investment”) to Hai Kou New City Construction & Development Co., Ltd. 海口新城區開發建設有限公司 (“Hai Kou New City”) in order to secure the performance obligation as at June 30, 2018 and December 31, 2017. Upon the completion of the construction contract, the pledge shall be released within 10 days. The Group also pledged its equity interest in Beijing Ruimao Zhiye Co., Ltd. 北京瑞茂置業有限公司 (“Ruimao Zhiye”) to guarantee the agreed fixed return in respect of the capital contribution from China Minsheng Trust Co., Ltd. 中國民生信託有限公司 (“Minsheng Trust”).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2018

19. COMMITMENTS

As at June 30, 2018 and December 31, 2017, the Group had the following commitments:

	As at June 30, 2018 RMB'000 (Unaudited)	As at December 31, 2017 RMB'000 (Audited)
Contracted but not provided for		
– Expenditure in respect of investment properties under development	342,858	258,097
– Construction of properties for own use	845,837	337,764
– Expenditure in respect of investment in a subsidiary	—	520,238
– Consideration of equity interest purchase	20,000	—
– Investment in a joint venture	1,173,000	—
	2,381,695	1,116,099

In addition to the above capital commitments, the Group has contracted expenditure in respect of properties under development for sale of RMB6,861,935,000 (December 31, 2017: RMB 3,557,378,000) as at June 30, 2018, which have not been provided for in the condensed consolidated financial statements.

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For the six months ended June 30, 2018

20. CONTINGENT LIABILITIES

	As at June 30 2018 RMB'000 (Unaudited)	As at December 31, 2017 RMB'000 (Audited)
Guarantees provided by the Group in respect of loan facilities utilized by		
– individual property buyers	7,909,160	7,607,905
– corporate property buyers	—	54,640
	7,909,160	7,662,545

Note:

As at June 30, 2018 the Group provided guarantees to banks in favor of its customers in respect of the mortgage loans provided by the banks to those customers for the purchase of the Group's developed properties. These guarantees provided by the Group to the banks will be released upon receiving the building ownership certificate of the respective properties by the banks from the customers as security of the mortgage loans granted.

In the opinion of the Directors, considering the deposits received, the fair value of the financial guarantee contracts at initial recognition and subsequently at the end of each reporting period is not significant after consideration of the low default rate and the value of the collateral.

Pursuant to the construction contract signed between Hainan Glory Property Services Co., Ltd. 海南國瑞房地產開發有限公司 ("Hainan Glory") and Hai Kou New City on July 5, 2009, Hainan Glory pledged its 100% equity interest in Hainan Glory Investment to Hai Kou New City, the details of the pledge are disclosed in note 18.

Pursuant to the agreements, Beijing Glory Hengxiang Properties Limited 北京國瑞恒祥置業有限公司 ("Glory Hengxiang") provide a guarantee to Minsheng Trust in respect of the agreed fixed return of the capital contribution made by Minsheng Trust to Ruimao Zhiye, the details are disclosed in note 18.

For the six months ended June 30, 2018

21. SHARE-BASED PAYMENT TRANSACTIONS

(a) Share Award Scheme

Pursuant to the share award scheme adopted by the Company on June 12, 2014 (the “Share Award Scheme”), a total of four employees were awarded in aggregate 33,617,700 shares of the Company on June 16, 2014. The awarded shares will be vested in three equal tranches on the first, second and third anniversary of the date on which the Company’s shares are listed on the Stock Exchange (the “Listing Date”), respectively. On July 7, 2017, all shares had been vested to the employees.

The Group recognized the expense of RMB2,735,000 (2018: nil) for the six months ended June 30, 2017 in relation to the awarded shares.

The following table discloses movements of the awarded shares during the prior period:

	Outstanding as at January 1, 2017	Vested during the period	Outstanding as at June 30, 2017
Awarded shares	11,205,908	—	11,205,908

(b) Share Option Scheme

Pursuant to the pre-IPO share option scheme adopted by the Company on June 5, 2014 (the “Pre-IPO Share Option Scheme”), the Company granted to 54 employees options to subscribe for an aggregate of 67,076,800 shares of the Company on June 16, 2014 (the “Pre-IPO Share Option”).

All options under the Pre-IPO Share Option Scheme were granted on June 16, 2014 and no further options will be granted under the Pre-IPO Share Option Scheme prior to the Listing Date. No additional performance target or condition applies to the outstanding options granted under the Pre-IPO Share Option Scheme. The exercise price for any option granted under the Pre-IPO Share Option Scheme shall be 60% of the offer price. The share options granted will be vested in three equal tranches on the first, second and third anniversary of the Listing Date. All share options will be expired after 7 years since the grant date.

The vesting periods of the Pre-IPO Share Options are as follows:

- 33.33% : from the date of grant to July 7, 2015
- 33.33% : from the date of grant to July 7, 2016
- 33.34% : from the date of grant to July 7, 2017

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2018

21. SHARE-BASED PAYMENT TRANSACTIONS (continued)

(b) Share Option Scheme (continued)

The following table discloses movements of the Company's share options held by employees and directors during the period:

	Outstanding as at January 1, 2018	Exercised during the period	Forfeited during the period	Outstanding as at June 30, 2018
Pre-IPO Share Option				
– Directors	10,500,000	—	—	10,500,000
– Other employees	43,813,814	(1,071,000)	(150,010)	42,592,804
	54,313,814	(1,071,000)	(150,010)	53,092,804
Exercisable at the end of the period				53,092,804
Weighted average exercise price (HKD)	1.428	1.428	—	1.428

	Outstanding at January 1, 2017	Exercised during the period	Forfeited during the period	Outstanding at June 30, 2017
Pre-IPO Share Option				
– Directors	10,500,000	—	—	10,500,000
– Other employees	50,416,483	(2,493,665)	—	47,922,818
	60,916,483	(2,493,665)	—	58,422,818
Exercisable at the end of the period				36,463,844
Weighted average exercise price (HKD)	1.428	1.428	—	1.428

Note: The share options granted under Pre-IPO Share Option were forfeited during the six months ended June 30, 2018 because the employees failed to exercise the vested share options within six months after resignation.

In respect of the share options exercised during the current interim period, the weighted average share price at the dates of exercise is HKD2.22.

For the six months ended June 30, 2018

21. SHARE-BASED PAYMENT TRANSACTIONS (continued)**(b) Share Option Scheme (continued)**

The fair values of the share options granted were calculated using the binominal model. The inputs into the model were as follows:

	Pre-IPO Share Option
Date of grant	June 16, 2014
Share price at the date of grant	HKD 2.38
Exercise price of the options	HKD 1.428
Expected volatility	42.10%
Expected life	7 years
Risk-free rate	1.32%
Expected dividend yield	4.88%
Fair value	RMB 0.720

Expected volatility was determined by using the historical volatility of the similar companies. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. Changes in variables and assumptions may result in changes in the fair value of the options.

The Group recognized the expense of RMB2,272,000 for the six months ended June 30, 2017 (2018: nil) in relation to share options granted by the Company.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2018

22. OPERATING LEASE COMMITMENT

The Group as a lessor

The properties held by the Group for rental purpose have committed tenants from six months to twenty years in which majority are fixed rental.

As at June 30, 2018 and December 31, 2017, the Group has contracted with tenants for the following future minimum lease payments under non-cancellable operating leases:

	As at June 30, 2018 RMB'000 (Unaudited)	As at December 31, 2017 RMB'000 (Audited)
Within one year	344,328	332,710
In the second to the fifth year inclusive	643,034	550,211
After the fifth year	175,158	208,410
	1,162,520	1,091,331

The Group as a lessee

The Group leases various office buildings under non-cancellable operating lease agreements. The lease terms are between 1 and 3 years, and the majority of lease agreements are renewable at the end of the lease period at market rate.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	As at June 30, 2018 RMB'000 (Unaudited)	As at December 31, 2017 RMB'000 (Audited)
Within one year	980	1,750
In the second to the fifth year inclusive	732	340
After the fifth year	326	210
	2,038	2,300

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2018

23. RELATED PARTY BALANCES AND TRANSACTIONS

- (a) The following parties are identified as related parties to the Group and the respective relationships are set out below:

Name of related party	Relationship
Mr. Zhang Zhangsun	Executive Director and controlling shareholder of the Company
Ms. Ruan Wenjuan	Executive Director and spouse of Mr. Zhang Zhangsun
Ms. Zhang Jin	Executive Director and daughter of Mr. Zhang Zhangsun
Mr. Zhang zhangqiao	Younger brother of Mr. Zhang zhangsun
Beijing Glory Commercial Management Co., Ltd.* ("Glory Commercial Management") 北京國瑞興業商業管理有限公司	Controlled by Ms. Zhang Jin, daughter of Mr. Zhang Zhangsun
Jinming Wujin Material Co., Ltd. * ("Jinming Wujin") 汕頭市金明五金材料有限公司	Controlled by Mr. Zhang Zhangsun
Foshan Yinhe Ruixing Commercial Management Co., Ltd.* ("Foshan Yinhe") 佛山市銀和瑞興商業管理有限公司	Controlled by Ms. Zhang Jin, daughter of Mr. Zhang Zhangsun
Shenyang Glory Xingda Management Co., Ltd.* ("Shenyang Xingda") 沈陽國瑞興達企業管理有限公司	Controlled by Ms. Zhang Jin, daughter of Mr. Zhang Zhangsun
Longhu Huamu Market Co., Ltd.* ("Longhu Huamu") 汕頭市龍湖花木市場有限公司	Controlled by Ms. Zhang Youxi, sister of Mr. Zhang Zhangsun
Tonghe Leasing Co., Ltd.* ("Tonghe Leasing") 通和租賃股份有限公司	Controlled by Ms. Zhang Youxi, sister of Mr. Zhang Zhangsun
Shantou Garden Hotel Management Co., Ltd.* ("Shantou Garden Hotel") 汕頭市花園賓館管理有限公司	Controlled by Mr. Zhang Zhangsun

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2018

23. RELATED PARTY BALANCES AND TRANSACTIONS (continued)

- (a) The following parties are identified as related parties to the Group and the respective relationships are set out below: (continued)

Name of related party	Relationship
Beijing Glory Property Services Co., Ltd. * ("Glory Services") 北京國瑞物業服務有限公司	Controlled by Mr. Zhang Zhangsun
Alltogether Land	Parent and ultimate holding company controlled by Mr. Zhang Zhangsun
Shenzhen Glory Industrial Development Co., Ltd. * ("Shenzhen Glory Industrial") 深圳國瑞興業發展有限公司	Controlled by Mr. Zhang Zhangsun
Heshan Tengyue	Controlled by Mr. Zhang Zhangqiao, younger brother of Mr. Zhang Zhangsun
Guangdong Hongtaiguotong	Associate as at December 31, 2017 (note 17)
Guangdong Guosha	Associate as at December 31, 2017 (note 17)
Tianjin Tianfurongsheng	Associate as at December 31, 2017 (note 17)
Sanya Jingheng	Associate as at December 31, 2017 (note 17)
Handan Guoxia	Associate as at December 31, 2017 (note 17)
Chongqing Guosha	Associate as at December 31, 2017 (note 17)
Beijing Ruida Properties Co., Ltd. * ("Ruida Zhiye") 北京銳達置業有限公司	Associate
Beijing Maorui Properties Co., Ltd. * ("Maorui Zhiye") 北京茂瑞置業有限公司	Joint venture
Ruimao Zhiye	Joint venture
Shantou Guosha	Controlled by Mr. Zhang Zhangqiao, younger brother of Mr. Zhang Zhangsun
Shenzhen Glory Medical Industrial Development Co., Ltd.* ("Shenzhen Glory Medical") 深圳國瑞醫療產業發展有限公司	Controlled by Ms. Zhang Jin, daughter of Mr. Zhang Zhangsun
Shenzhen Guokesheng Robot Technology Co., Ltd.* ("Shenzhen Guokesheng Robot") 深圳國科盛機器人科技有限公司	Controlled by Ms. Zhang Jin, daughter of Mr. Zhang Zhangsun

* The English name of the companies established in the PRC are for reference only and have not been registered.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2018

23. RELATED PARTY BALANCES AND TRANSACTIONS (continued)

- (b) As at June 30, 2018 and December 31, 2017, the Group has prepayments to or amounts receivable from the following related parties and the details are set out below:

Name of related party	As at June 30, 2018 RMB'000 (Unaudited)	As at December 31, 2017 RMB'000 (Audited)
Trade nature (Note):		
Glory Commercial Management	2,077	—
Foshan Yinhe	18,355	16,792
Glory Services	3,062	3,823
Shenyang Xingda	—	662
	23,494	21,277
Non-trade nature:		
Alltogether Land	140	140
Shenzhen Glory Industrial	5,000	5,000
Maorui Zhiye	629,995	827,914
Ruida Zhiye	864,006	2,073,866
Shantou Guosha	659,866	—
Ruimao Zhiye	285,706	—
Shenzhen Glory Medical	3,400	—
Shenzhen Guokesheng Robot	200	—
	2,448,313	2,906,920
Total	2,471,807	2,928,197

Note: Balance is of trade nature, unsecured, interest free, and aged within one year.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2018

23. RELATED PARTY BALANCES AND TRANSACTIONS (continued)

- (c) As at June 30, 2018 and December 31, 2017, the Group has amounts due to the following related parties and the details are set out below:

	As at June 30, 2018 RMB'000 (Unaudited)	As at December 31, 2017 RMB'000 (Audited)
Trade nature (Note i):		
Glory Commercial Management	521	2,417
Shenyang Xingda	333	—
Glory Services	11,833	9,847
	12,687	12,264
Non-trade nature:		
Jinming Wujin	182	181
Alltogether Land (Note ii)	1,512,083	605,521
Shantou Guosha	1,174,505	—
Longhu Huamu	29,500	—
Mr. Zhang Zhangsun	16,859	—
Shantou Garden Hotel	—	3
Ruida Zhiye	—	7,000
Guangdong Hongtaiguotong	—	67,020
Guangdong Guosha	—	11,370
Tianjin Tianfurongsheng	—	44,890
Sanya Jingheng	—	67,130
Handan Guoxia	—	31,430
Chongqing Guosha	—	12,080
Heshan Tengyue	—	34,340
	2,733,129	880,965
Total	2,745,816	893,229

Notes:

- (i) Balance is of trade nature, unsecured, interest free, and aged within one year.
- (ii) The amount represented dividend payable and advance from shareholder of the Company recorded under amounts due to related parties.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2018

23. RELATED PARTY BALANCES AND TRANSACTIONS (continued)

- (d) During the six months ended June 30, 2018 and 2017, the Group entered into the following transactions with its related parties:

Name of related party	Nature of transaction	Six months ended June 30,	
		2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Glory Commercial Management	Property management services fee	2,773	—
Foshan Yinhe	Property management services fee	1,563	7,642
Shenyang Xingda	Property management services fee	1,249	—
Glory Services	Property management services fee	1,326	—

- (e) Mr. Zhang Zhangsun and Ms. Ruan Wenjuan have provided guarantees for certain bank loans and other loans granted to the Group for nil consideration. As at June 30, 2018, the Group has bank loans and other loans guaranteed by Mr. Zhang Zhangsun and Ms. Ruan Wenjuan amounting to RMB9,426,200,000 (December 31, 2017: RMB12,221,178,000).

Mr. Zhang Zhangqiao and his spouse have provided guarantees for certain bank loans and other loans granted to the Group for nil consideration. As at June 30, 2018, the Group has bank loans and other loans guaranteed by Mr. Zhang Zhangqiao and his spouse amounting to RMB479,100,000.

Longhu Huamu has provided guarantees for certain bank loans and other loans granted to the Group for nil consideration. As at June 30, 2018, the Group has bank loans and other loans guaranteed by Longhu Huamu amounting to RMB385,000,000 (December 31, 2017: RMB 134,000,000).

Mr. Zhang Zhangsun have provide a guarantee to Minsheng Trust in the event of default of Glory Hengxiang's guarantee provided to Minsheng Trust as detailed in note 18. As at June 30, 2018, the guarantee provided by Mr. Zhang Zhangsun is amounting to approximately RMB1,173,000,000.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2018

23. RELATED PARTY BALANCES AND TRANSACTIONS (continued)

(f) Key management personnel emoluments

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, which including directors of the Company and other key management of the Group. The key management personnel compensation are as follows:

	Six months ended June 30	
	2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
Short-term employee benefits	11,860	12,667
Retirement benefit contributions	261	238
Equity-settled share-based payments	—	2,893
	12,121	15,798

INDEPENDENT AUDITOR'S REPORT



德勤

TO THE SHAREHOLDERS OF GUORUI PROPERTIES LIMITED (INCORPORATED UNDER THE NAME OF "GLORY LAND COMPANY LIMITED (國瑞置業有限公司)" IN THE CAYMAN ISLANDS AND CARRYING ON BUSINESS IN HONG KONG AS "GUORUI PROPERTIES LIMITED")

OPINION

We have audited the consolidated financial statements of Guorui Properties Limited (incorporated under the name of "Glory Land Company Limited (國瑞置業有限公司)" in the Cayman Islands and carrying on business in Hong Kong as "Guorui Properties Limited") (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 260 to 384, which comprise the consolidated statement of financial position as at December 31, 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties	
<p>We identified the valuation of investment properties as a key audit matter because the valuation process is based on an estimation of future results, a set of assumptions and a determination of key inputs, which are judgmental. Any changes to these inputs may have a significant impact on the fair value. The management determined the fair value of the Group's investment properties at December 31, 2017 with the assistance of an external valuer.</p> <p>Details of the investment properties and the related key estimation uncertainty are set out in notes 16 and 4, to the consolidated financial statements, respectively.</p>	<p>Our procedures in relation to valuation of investment properties included:</p> <ul style="list-style-type: none"> • Evaluating the competence, capabilities and objectivity of the external valuer engaged by the management. • Obtaining a copy of valuation report prepared by the external valuer and discussing with the external valuer to understand the basis of determination of valuation. • Challenging the external valuer the methodologies and judgments used in valuing the investment properties and obtaining the market evidence that the external valuer used to support the key inputs.

INDEPENDENT AUDITOR'S REPORT

Key audit matter

Revenue from sales of properties

We identified the revenue from sales of properties as a key audit matter due to the significance of the amount and volume of sales transactions recognized during the year.

Details of revenue from sales of properties are set out in note 5 to the consolidated financial statements.

How our audit addressed the key audit matter

Our procedures in relation to revenue from sales of properties included:

- Testing key internal controls over revenue recognition on a sample basis.
- Selecting property sales transactions on a sample basis and:
 - reading the signed sales and purchase agreements to understand the relevant terms of the timing of property delivery and title transfer.
 - obtaining evidence regarding the property delivery and title transfer.
 - reconciling the monetary amounts of recorded transactions and related payments to the signed sales and purchase agreements.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

INDEPENDENT AUDITOR'S REPORT

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Mok Sau Fan.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

March 28, 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended December 31, 2017

	NOTES	Year ended December 31,	
		2017 RMB'000	2016 RMB'000
Revenue	5	6,787,415	8,034,581
Cost of sales and services		(3,618,543)	(4,916,491)
Gross profit		3,168,872	3,118,090
Other gains and losses	6	161,185	(23,671)
Other income	7	88,241	20,227
Gain on fair value change of investment properties		955,743	851,934
Selling expenses		(194,915)	(260,817)
Administrative expenses		(360,684)	(329,129)
Other expenses	8	(45,676)	(18,656)
Finance costs	9	(198,683)	(126,824)
Share of result of a joint venture		(936)	—
Share of result of associates		(6,014)	(727)
Profit before tax	10	3,567,133	3,230,427
Income tax expenses	12	(1,527,622)	(1,274,739)
Profit for the year		2,039,511	1,955,688
Other comprehensive income	13		
Items that will not be reclassified to profit or loss:			
Gain on revaluation of properties		324,949	—
Related income tax		(81,237)	—
Other comprehensive income for the year		243,712	—
Total comprehensive income for the year		2,283,223	1,955,688
Profit for the year attributable to:			
Owners of the Company		1,749,841	1,562,956
Non-controlling interests		289,670	392,732
		2,039,511	1,955,688
Total comprehensive income for the year attributable to:			
Owners of the Company		1,944,811	1,562,956
Non-controlling interests		338,412	392,732
		2,283,223	1,955,688
Earnings per share, in Renminbi cents:	14		
Basic		39.46	35.38
Diluted		39.20	35.04

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At December 31, 2017

		At December 31,	
	NOTES	2017 RMB'000	2016 RMB'000
Non-current assets			
Investment properties	16	18,308,269	16,674,500
Property, plant and equipment	17	850,258	198,468
Other non-current assets	18	1,053,778	794,099
Interest in a joint venture	19	9,064	—
Interest in associates	20	269,246	—
Available-for-sale investments	21	165,192	165,192
Prepaid lease payments	22	281,438	287,473
Deferred tax assets	23	404,235	290,533
Deposit paid for acquisition of projects under construction		120,000	—
Value-added tax and taxation recoverable		1,422,585	—
Restricted bank deposits	31	105,720	135,167
		22,989,785	18,545,432
Current assets			
Inventories		61	105
Deposits paid for land acquisition	24	605,010	365,010
Properties under development	25	23,626,222	19,005,089
Properties held for sale	27	3,408,156	3,118,955
Trade and other receivables, deposits and prepayments	28	1,082,946	803,477
Amounts due from customers for contract work	29	1,191,139	1,363,512
Value-added tax and taxation recoverable		500,477	125,267
Amounts due from related parties	49	2,928,197	5,000
Financial assets at fair value through profit or loss	30	97	97
Restricted bank deposits	31	620,761	151,499
Cash and bank balances	32	1,591,506	1,234,250
		35,554,572	26,172,261
Current liabilities			
Trade and other payables	33	5,585,713	6,029,313
Deposits received from sale of properties	34	3,308,339	2,680,425
Amounts due to related parties	49	893,229	225,513
Taxation payable	35	2,492,186	1,894,475
Bank and other borrowings - due within one year	36	11,625,399	2,877,489
Corporate bonds	37	2,992,645	—
		26,897,511	13,707,215
Net current assets		8,657,061	12,465,046
Total assets less current liabilities		31,646,846	31,010,478

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At December 31, 2017

	NOTES	At December 31,	
		2017 RMB'000	2016 RMB'000
Non-current liabilities			
Other payables	33	89,393	77,794
Bank and other borrowings - due after one year	36	12,601,665	13,030,378
Corporate bonds	37	997,006	3,980,214
Deferred tax liabilities	23	2,425,425	2,111,242
Senior notes	38	1,940,948	—
		18,054,437	19,199,628
Net assets		13,592,409	11,810,850
Capital and reserves			
Share capital	39	3,519	3,513
Reserves		10,898,692	9,480,344
Equity attributable to owners of the Company		10,902,211	9,483,857
Non-controlling interests		2,690,198	2,326,993
Total equity		13,592,409	11,810,850

The consolidated financial statements on pages 260 to 384 were approved and authorised for issue by the Board of Directors on March 28, 2018 and are signed on its behalf by:

DIRECTOR
Ge Weiguang

DIRECTOR
Ruan Wenjuan

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2017

	Attributable to owners of the Company										Attributable to	
				Equity-settled							non-	
	Share	Share	Capital	Other	payment	Treasury	Statutory	Property	Retained		controlling	Total
	capital	premium	reserve	reserve	reserve	shares	surplus reserve	revaluation	earnings	Subtotal	interests	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(note i)	(note 41)		(note ii)					
At January 1, 2016	3,511	1,033,470	133,379	(42,258)	59,368	(37,495)	673,320	—	6,296,201	8,119,496	1,808,474	9,927,970
Profit and total comprehensive income												
for the year	—	—	—	—	—	—	—	—	1,562,956	1,562,956	392,732	1,955,688
Appropriate to reserve	—	—	—	—	—	—	182,673	—	(182,673)	—	—	—
Dividend declared to the shareholders												
of the Company	—	(206,000)	—	—	—	—	—	—	—	(206,000)	—	(206,000)
Dividend declared to the non-controlling equity												
holders of subsidiaries	—	—	—	—	—	—	—	—	—	—	(180,000)	(180,000)
Acquisition of subsidiaries (note 42)	—	—	—	—	—	—	—	—	—	—	224,461	224,461
Recognition of equity-settled share-based												
payments (note 41)	—	—	—	—	19,453	—	—	—	—	19,453	—	19,453
Exercise of share options (note 41)	2	6,211	—	—	(2,289)	—	—	—	—	3,924	—	3,924
Shares vested under												
share award scheme (note 41)	—	—	—	—	(18,747)	18,747	—	—	—	—	—	—
Capital injection by non-controlling equity												
holders of subsidiaries (note iii)	—	—	—	—	—	—	—	—	—	—	15,000	15,000
Deemed contribution from owner of												
the Company (note iv)	—	—	—	283	—	—	—	—	—	283	71	354
Disposal of partial equity interest in a subsidiary												
to non-controlling equity holders of												
subsidiaries (note v)	—	—	—	(10,778)	—	—	—	—	619	(10,159)	110,159	100,000
Acquisition of non-controlling interest (note v)	—	—	—	(5,848)	—	—	—	—	(248)	(6,096)	(43,904)	(50,000)
At December 31, 2016	3,513	833,681	133,379	(58,601)	57,785	(18,748)	855,993	—	7,676,855	9,483,857	2,326,993	11,810,850

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2017

	Attributable to owners of the Company											Total
	Equity-settled									Attributable to non-		
	Share capital	Share premium	Capital reserve	Other reserve	share-based	Treasury shares reserve	Statutory surplus reserve	Property revaluation reserve	Retained earnings	Subtotal	controlling interests	
					payment							
					reserve							
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
			(note i)	(note 41)		(note ii)						
December 31, 2016	3,513	833,681	133,379	(58,601)	57,785	(18,748)	855,993	—	7,676,855	9,483,857	2,326,993	11,810,850
Profit for the year	—	—	—	—	—	—	—	—	1,749,841	1,749,841	289,670	2,039,511
Other comprehensive income												
for the year (note 13)	—	—	—	—	—	—	—	194,970	—	194,970	48,742	243,712
Appropriate to reserve	—	—	—	—	—	—	231,548	—	(231,548)	—	—	—
Dividend declared to the shareholders of the Company	—	(540,000)	—	—	—	—	—	—	—	(540,000)	—	(540,000)
Dividend declared to the non-controlling equity holders of subsidiaries	—	—	—	—	—	—	—	—	—	—	(236,000)	(236,000)
Acquisition of subsidiaries (note 42)	—	—	—	—	—	—	—	—	—	—	73,646	73,646
Recognition of equity-settled share-based payments (note 41)	—	—	—	—	5,206	—	—	—	—	5,206	—	5,206
Exercise of share options (note 41)	6	12,334	—	—	(4,574)	—	—	—	—	7,766	—	7,766
Shares vested under share award scheme (note 41)	—	—	—	—	(18,748)	18,748	—	—	—	—	—	—
Disposal of partial equity interest in a subsidiary to non-controlling equity holders of subsidiaries (note vi)	—	—	—	571	—	—	—	—	—	571	187,147	187,718
At December 31, 2017	3,519	306,015	133,379	(58,030)	39,669	—	1,087,541	194,970	9,195,148	10,902,211	2,690,198	13,592,409

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2017

Notes:

- (i) Other reserve mainly represents the differences between the amount by which non-controlling interests are adjusted and the fair value of consideration paid or received when the Group (as defined in note 1) acquired or disposed of partial interests in existing subsidiaries and capital contribution from non-controlling equity holders of subsidiaries.
- (ii) In accordance with the Articles of Association of all subsidiaries established in the People's Republic of China ("PRC"), those subsidiaries are required to transfer 10% of the profit after taxation to the statutory surplus reserve until the reserve reaches 50% of the registered capital. Transfer to this reserve must be made before distributing dividends to equity holders. The statutory surplus reserve can be used to make up for previous years' losses, expand the existing operations or convert into additional capital of the subsidiaries.
- (iii) The non-controlling equity holders of Shenzhen Dachao Shan Real Estate Development Ltd. 深圳市大潮汕建設有限公司 ("Shenzhen Dachao Shan") have increased their share capital amounting to RMB15,000,000 in 2016.
- (iv) Beijing Glory Property Services Co., Ltd. 北京國瑞物業服務有限公司 ("Glory Services") is an 80% indirectly owned subsidiary of Guorui Properties Limited (the "Company"). In 2016, Beijing Glory Real Estate (Holding) Co., Ltd (北京國瑞興業房地產控股有限公司) ("New Beijing Glory") disposed of the entire 100% equity interest in Glory Services to Shenzhen Glory Industrial Development Co., Ltd. 深圳國瑞興業發展有限公司 ("Shenzhen Glory Industrial"), a related party controlled by Mr. Zhang Zhangsun. The gain on disposal of the subsidiary amounted to RMB283,000 were recognized as a deemed contribution from owner of the Company.
- (v) On May 30, 2016, the Group has disposed of 12.5% equity interest in Shenzhen Wanji Pharmaceutical Co., Ltd. 深圳萬基藥業有限公司 ("Shenzhen Wanji") to an independent third party at a consideration of RMB100,000,000. In August 2016, the Group entered into an agreement with another independent third party for the acquisition of 5% equity interest in Shenzhen Wanji for a total cash consideration of RMB50,000,000.
- (vi) On December 21, 2017, the Group has renegotiated and entered into a supplementary agreement with the Vendors (as defined in Note 42 (d) to dispose of 10% equity interest of Qidong Yujiangwan Investment Management Co., Ltd. 啟東禦江灣投資管理有限公司 ("Qidong Yujiangwan") at a consideration of RMB 187,718,000. The gain on disposal of partial equity interest in a subsidiary to non-controlling interest amounted to RMB 571,000 were recognized as other reserve.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2017

OPERATING ACTIVITIES

Profit before tax

Adjustments for:

Finance costs

Interest income

Exchange differences

Depreciation of property, plant and equipment

Amortization of intangible assets

Release of prepaid lease payments

Changes in fair value of investment properties

Loss on disposal of property, plant and equipment

Reversal of allowance on doubtful receivables, net

Share of result of associates

Share of result of a joint venture

Share-based payment expense

Operating cash flows before movements in working capital

Increase in properties under development and properties held for sale

(Increase) decrease in prepayment/deposits paid for land acquisition

Decrease (increase) in inventories

(Increase) decrease in trade and other receivables

Increase in amount due from related parties

Increase (decrease) in amounts due to related parties

Increase in trade and other payables

Increase in deposits received from sale of properties

Decrease (increase) in amounts due from customers for contract work

Increase in restricted bank deposits

Cash used in operations

Income tax and land appreciation tax paid

Net cash used in operating activities

Year ended December 31,

2017 RMB'000	2016 RMB'000
3,567,133	3,230,427
198,683	126,824
(79,965)	(6,588)
(161,278)	—
31,715	31,892
1,492	1,163
6,035	6,035
(955,743)	(851,934)
93	3
—	(624)
6,014	727
936	—
4,171	15,534
2,619,286	2,553,459
(5,326,204)	(7,526,712)
(240,000)	2,564,838
44	(48)
(259,558)	56,008
(21,277)	—
8,833	(20,676)
194,658	882,984
627,914	1,068,726
221,463	(89,621)
(198,753)	(48,320)
(2,373,594)	(559,362)
(866,780)	(865,932)
(3,240,374)	(1,425,294)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2017

		Year ended December 31,	
	NOTE	2017 RMB'000	2016 RMB'000
INVESTING ACTIVITIES			
Interest received		6,822	6,588
Proceeds on disposal of property, plant and equipment		191	51
Proceeds on disposal of investment properties		—	29,794
Purchase of property, plant and equipment, intangible assets		(476,630)	(78,127)
Payments for investment properties		(633,501)	(507,843)
Net cash inflow (outflow) arising on acquisition of subsidiaries	42	15	(1,886,761)
Payment of consideration payable for acquisition of subsidiaries in prior year		(599,150)	(21,500)
Net cash outflow on disposal of subsidiaries		—	(17,816)
Investment in a joint venture		(10,000)	—
Proceeds from disposal of financial products		—	70,000
Advance to related parties		(3,668,757)	—
Repayment from related parties		839,980	1,063
Withdrawal of other restricted bank deposits		66,234	7,953
Placement of other restricted bank deposits		(307,296)	(126,715)
Net cash used in investing activities		(4,782,092)	(2,523,313)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2017

	Year ended December 31,	
	2017 RMB'000	2016 RMB'000
FINANCING ACTIVITIES		
New bank loans raised	8,153,986	9,117,454
New other loans raised	4,760,000	—
Repayment of bank loans	(4,244,789)	(3,698,237)
Repayment of other loans	(350,000)	(1,809,475)
Advance from related parties	8	10,417
Repayment to related parties	(3,065)	(3,000)
Proceeds on issue of corporate bonds	—	1,000,000
Transaction cost paid for corporate bonds	—	(4,720)
Proceeds on issue of senior notes	2,072,130	—
Issue cost paid for senior notes	(31,082)	—
Interest paid	(1,655,266)	(1,136,421)
Exercise of share options	7,766	3,924
Dividends paid to shareholders of the Company	(108,966)	(38,348)
Dividends paid to non-controlling equity holders of subsidiaries	(221,000)	(180,000)
Acquisition of non-controlling interest	—	(50,000)
Capital injection from non-controlling equity holders of subsidiaries	—	15,000
Net cash from financing activities	8,379,722	3,226,594
Net increase (decrease) in cash and cash equivalents	357,256	(722,013)
Cash and cash equivalents at beginning of the year	1,234,250	1,956,263
Cash and cash equivalents at end of the year, represented by bank balances and cash	1,591,506	1,234,250

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

1. GENERAL

The Company was incorporated in the Cayman Islands under the name of “Glory Land Company Limited (國瑞置業有限公司)” as an exempted company with limited liability under the Company Laws (2012 Revision) of the Cayman Islands on July 16, 2012 which carries on business in Hong Kong as “Guorui Properties Limited”. Its parent and ultimate holding company is Alltogether Land Company Limited (通和置業有限公司) (“Alltogether Land”), a company incorporated in the British Virgin Islands. Mr. Zhang Zhangsun, who hold 100% equity interests of Alltogether Land is the ultimate shareholder of the Company. The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principal place of business is located at East Block, Hademen Plaza, 8-1#Chongwenmenwai Street, Dongcheng District, Beijing, the PRC.

On July 7, 2014, the Company completed the global offering and its shares were listed on the mainboard of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Company and its subsidiaries (collectively the “Group”) are principally engaged in property development, primary land construction and development services, property investment and property management and related services.

The consolidated financial statements are presented in Renminbi (“RMB”), the currency of the primary economic environment in which the group entities operate (the functional currency of the group entities).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”)

Amendments to IFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to IFRSs issued by the International Accounting Standards Board (the “IASB”) for the first time in the current year.

Amendments to IAS 7	Disclosure Initiative
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealized Losses
Amendments to IFRS 12	As part of the Annual Improvements to IFRS Standards 2014-2016 Cycle

Except as described below, the application of the amendments to IFRSs in the current year has had no material impact on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to IAS 7 Disclosure Initiative

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

A reconciliation between the opening and closing balances of these items is provided in note 52. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure in note 52, the application of these amendments has had no impact on the Group’s consolidated financial statements.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”) (continued)

New and revised IFRSs in issue but not yet effective

The Group has not early applied the following new and revised IFRSs, including Interpretations, which have been issued but are not yet effective:

IFRS 9	Financial Instruments ¹
IFRS 15	Revenue from Contracts with Customers and the related Amendments ¹
IFRS 16	Leases ²
IFRS 17	Insurance Contracts ⁴
IFRIC 22	Foreign Currency Transactions and Advance Consideration ¹
IFRIC 23	Uncertainty over Income Tax Treatments ²
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions ¹
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts ¹
Amendments to IFRS 9	Prepayment Features with Negative Compensation ²
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to IAS 19	Plan Amendments, Curtailment or Settlement ²
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures ²
Amendments to IAS 28	As part of the Annual Improvements to IFRS Standards 2014- 2016 Cycle ¹
Amendments to IAS 40	Transfers of Investment Property ¹
Amendments to IFRSs	Annual Improvements to IFRS Standards 2015-2017 Cycle ²

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 Effective for annual periods beginning on or after a date to be determined

⁴ Effective for annual periods beginning on or after January 1, 2021

Except for the new and amendments to IFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to IFRSs and Interpretations will have no material impact on consolidated financial statements in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”) (continued)

IFRS 15 *Revenue from Contracts with Customers*

IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognizes revenue when (or as) a performance obligation is satisfied, i.e. when ‘control’ of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

In 2016, IASB issued *Clarifications to IFRS 15* in relation to the identification of performance obligation, principal versus agent consideration, as well as licensing application guidance.

The directors of the Company have assessed the impact on application of IFRS 15. Based on the existing contracts and arrangements, they did not anticipate a material impact on timing and amount of revenue recognized by the Group. However, application of IFRS 15 may have impact on the following areas: Currently, the Group expensed off the costs associated with obtaining the sales of properties contracts with customers. Under the requirement of IFRS 15, incremental costs of obtaining a contract is eligible for capitalization as deferred contract costs if they meet certain criteria. In the pre-completion sales of properties held for sale, when payments are made before the properties held for sales are delivered to the customer, the customer may be providing the Group with a benefit of financing. The Group will not adjust the promised amount of customer consideration if the effects of the financing component will not materially change the amount of revenue at a contract level or it was subject to the exemption where the period between payment and transfer of properties will be less than one year. Otherwise, the Group will adjust the promised amount and recognize revenue at the cash selling price in accordance with the requirement of IFRS 15.

In addition, the application of IFRS 15 in the future may result in more disclosures in the consolidated financial statements.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”) (continued)

IFRS 9 *Financial Instruments*

IFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of IFRS 9 which are relevant to the Group are:

- All recognized financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at fair value through other comprehensive income. All other financial assets are measured at their fair values at the end of subsequent reporting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss.
- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39 *Financial Instruments: Recognition and Measurement*. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.

Based on the Group’s financial instruments and risk management policies as at December 31, 2017, the directors of the Company anticipate the following potential impact on initial application of IFRS 9:

Classification and measurement:

Equity securities classified as available-for-sale investments carried at cost less impairment as disclosed in note 21: these securities are qualified for designation as measured at fair value through other comprehensive income under IFRS 9 and the Group will measure these securities at fair value at the end of subsequent reporting periods with fair value gains or losses to be recognized as other comprehensive income and accumulated in the investments revaluation reserve. Upon initial application of IFRS 9, the fair value gain relating to these securities would be adjusted to investments revaluation reserve as at January 1, 2018.

All other financial assets and financial liabilities will continue to be measured on the same bases as are currently measured under IAS 39.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”) (continued)

IFRS 9 *Financial Instruments* (continued)

Impairment

In general, the directors of the Company anticipate that the application of the expected credit loss model of IFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to the Group’s financial assets measured at amortized costs and other items that subject to the impairment provisions upon application of IFRS 9 by the Group.

Based on the assessment by the directors of the Company, if the expected credit loss model was to be applied by the Group, the accumulated amount of impairment loss to be recognized by Group as at January 1, 2018 would not be significantly increased as compared to the accumulated amount recognized under IAS 39 mainly attributable to expected credit losses provision on trade and other receivables, deposits and amounts due from related parties. Such further impairment recognized under expected credit loss model would reduce the opening retained earnings and increase the deferred tax assets at January 1, 2018.

IFRS 16 *Leases*

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede IAS 17 *Leases* and the related interpretations when it becomes effective.

IFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognized for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest expense and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Upon application of IFRS 16 lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be both presented as financing cash flows by the Group.

Under IAS 17, the Group has already recognized prepaid lease payments for leasehold lands where the Group is a lessee. The application of IFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”) (continued)

IFRS 16 *Leases* (continued)

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by IFRS 16.

As at December 31, 2017, the Group had non-cancellable operating lease commitments of RMB2,300,000 (2016: RMB1,492,000) as disclosed in Note 48. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of IFRS 16, the Group will recognize a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term lease upon the application of IFRS 16.

In addition, the Group currently considers refundable rental deposits received of RMB123,424,000 as at December 31, 2017 as rights and obligations under leases to which IFRS 17 applies. Based on the definition of lease payments under IFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortized cost and such adjustments are considered as additional lease payments. Adjustments to refundable rental deposits received would be considered as advance lease payments.

Furthermore, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above.

Amendments to IAS 40 *Transfers of Investment Property*

The amendments clarify that a transfer to, or from, investment property necessitates an assessment of whether a property meets, or has ceased to meet, the definition of investment property, supported by observable evidence that a change in use has occurred. The amendments further clarify that situations other than the ones listed in IAS 40 may evidence a change in use, and that a change in use is possible for properties under construction. For example, change in use for transfer from properties under development for sale in the ordinary course of business to investment properties could be evidenced by inception of an operating lease to another party. Currently, the Group accounts for such transfer only upon commencement of an operating lease.

The directors of the Company anticipate that the application of these amendments will result in early recognition of such transfers on the Group's consolidated financial statements in future periods should there be a change in use of any of its properties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements have been prepared in accordance with IFRSs. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) and by the Hong Kong Companies Ordinance (“CO”).

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for the investment properties and certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based Payment*, leasing transactions that are within the scope of IAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets*.

A fair value measurement of a non-financial asset takes into account a market participant’s ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For investment properties which are transferred at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that the results of the valuation technique equals the transaction price.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of preparation (continued)

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Except for business combination involving entities under common control in which merger accounting applies, consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the each reporting period are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognized, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognized in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Acquisition of assets and liabilities through acquisition of subsidiaries

Where an acquisition of an asset or a group of assets and liabilities that does not constitute a business, the Group will identify and recognize the individual identifiable assets acquired and liabilities assumed by allocating purchase price first to financial assets/financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to other individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

Variable payments for acquisition of an asset or a group of assets and liabilities is recognized and included as part of the consideration transferred, when it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation. Variable payments for acquisition of an asset or a group of assets and liabilities is remeasured at subsequent reporting dates in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and changes in the measurement is added to or deducted from the cost of the related assets.

When an acquisition of an asset or a group of assets and liabilities that does not constitute a business is achieved in stages, each exchange transaction is treated separately, using the cost of the transaction at respective acquisition dates. Non-controlling interests are measured at the non-controlling interests' proportionate share of fair value of the assets acquired and liabilities assumed at the date of initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates and joint ventures

An associate is an entity over which the Group has 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 joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate or a joint venture is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. Changes in net assets of the associate/joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate or joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognized immediately in profit or loss in the period in which the investment is acquired.

The requirements of IAS 39 are applied to determine whether it is necessary to recognize any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates and joint ventures (continued)

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognized in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

Interests in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

When a group entity undertakes its activities under joint operations, the Group as a joint operator recognizes in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with IFRSs applicable to the particular assets, liabilities, revenues and expenses.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a sale or contribution of assets), the Group is considered to be conducting the transaction with the other parties to the joint operation, and gains and losses resulting from the transactions are recognized in the Group's consolidated financial statements only to the extent of other parties' interests in the joint operation.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a purchase of assets), the Group does not recognize its share of the gains and losses until it resells those assets to a third party.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

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

Sales of properties

Revenue from the sale of properties in the ordinary course of business is recognized when all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the properties, which is when the construction of relevant properties has been completed, upon delivery, and collectability of related receivables is reasonably assured;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the properties sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Deposits received from purchasers prior to meeting the above criteria for revenue recognition are included in the consolidated statement of financial position under current liabilities.

Revenue from construction contract

Revenue from construction contract is recognized by reference to the recoverable costs incurred during the period plus the fee earned, measured by the proportion that costs incurred to date bear to the estimated total costs of the contract.

Rental income

The Group's accounting policy for recognition of revenue from operating leases is described in "Leasing" section below.

Service income

Service income is recognized when the services are provided.

Interest income

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Construction contract

When the outcome of a construction contract can be estimated reliably, revenue from fixed price contracts and cost plus contracts is recognized by reference to the recoverable costs incurred during the period plus the fee earned, measured by the proportion that costs incurred to date bear to the estimated total costs of the contract.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognized as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately.

Where contract costs incurred to date plus recognized profits less recognized losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognized profits less recognized losses, the surplus is shown as amounts due to customers for contract work. Amounts received before the related work is performed are included in the consolidated statement of financial position, as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the consolidated statement of financial position under trade receivables.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognized in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Operating lease payments are recognized as an expense on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognized as liabilities and as a reduction of rental expense over the lease term on a straight-line basis.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leasing (continued)

Leasehold land for own use

When the Group makes payments for a property interest which includes both leasehold land and building elements, the Group assesses the classification of each element as a finance lease or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases, in which case the entire property is accounted as an operating lease. Specifically, the entire consideration (including any lump-sum upfront payments) are allocated between the leasehold land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as “prepaid lease payments” in the consolidated statement of financial position and is released over the lease term on a straight-line basis except for those that are classified and accounted for as investment properties under the fair value model. When the lease payments cannot be allocated reliably between the leasehold land and building elements, the entire property is generally classified as if the leasehold land is under finance lease.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than that entity’s functional currency (foreign currencies) are recorded in the respective functional currency at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are re-translated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognized in profit or loss in the period in which they arise.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Short-term and other long-term employee benefit

A liability is recognized for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognized in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date.

Equity-settled share-based payment transactions

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of fair value of equity-settled share-based transactions are set out in Note 41 to the Group's consolidated financial statements.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity-settled share-based payment reserve.

At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity-settled share-based payment reserve.

For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognized in equity-settled share-based payment reserve will be transferred to share premium. When share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognized in equity-settled share-based payment reserve will be transferred to retained earnings.

When the awarded shares are vested, the amount previously recognized in equity-settled share-based payment reserve and the amount of the relevant treasury shares is reversed and the differences arising from the reversal is adjusted to retained earnings.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties

Investment properties are properties held to earn rentals or/and for capital appreciation.

Investment properties are measured initially at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

Construction costs incurred for investment properties under construction are capitalized as part of the carrying amount of the investment properties under construction.

A property is transferred to investment properties when, and only when, there is a change in use, as evidenced by the change of use has occurred.

If an investment property becomes owner-occupied as evidenced by commencement of owner-occupation, it is reclassified as property, plant and equipment, and its fair value at the date of transfer becomes its deemed cost for accounting purposes.

If an item of property, plant and equipment becomes an investment property because its use has been changed as evidenced by end of owner-occupation, any differences between the carrying amount and the fair value of this item at the date of transfer is recognized in equity as a revaluation of property, plant and equipment in accordance with IAS 16 *Property, Plant and Equipment*. However, to the extent that a fair value gain reverses a previous impairment loss for that property, the gain is recognized in profit or loss.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment

Property, plant and equipment, including land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalized in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognized so as to write off the cost of assets (other than properties under construction) less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Intangible assets

Intangible assets acquired separately and with finite useful lives are carried at costs less accumulated amortization and any accumulated impairment losses. Amortization for intangible assets with finite useful lives is recognized on a straight-line basis over their estimated useful lives. Amortization begins when the intangible asset is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by the management. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

An intangible asset is derecognized upon disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured at the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is calculated using the weighted average method.

Properties under development

Properties under development for sale which are intended to be sold in the ordinary course of business upon completion of development are classified as current assets, and are carried at the lower of cost and net realizable value. Cost comprises the related land cost, development expenditure incurred and, where appropriate, borrowing costs capitalized. Net realizable value represents the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale. Properties under development for sale are transferred to completed properties for sale upon completion of development.

Properties held for sale

Properties held for sale are stated at the lower of cost and net realizable value. Cost comprises the costs of land, development expenditure incurred and, where appropriate, borrowing costs capitalized. Net realizable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

Impairment of tangible and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belong. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of tangible and intangible assets (continued)

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Financial instruments

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets

The Group's financial assets are classified into financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets at fair value through profit or loss

A financial asset is classified as held-for-trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets at fair value through profit or loss (continued)

A financial asset other than a financial asset held for trading may be designated as at fair value through profit or loss upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract (asset or liability) to be designated as at fair value through profit or loss.

Financial assets at fair value through profit or loss are measured at fair value, with changes in fair value arising from re-measurement recognized directly in profit or loss in the period in which they arise. The net gain or loss recognized in profit or loss excludes any dividend or interest earned on the financial assets and is included in the "other gains and losses" line item in the consolidated statement of profit or loss and other comprehensive income.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, amounts due from related parties, restricted bank deposits and bank balances and cash) are carried at amortized cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over each reporting period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to net carrying amount on initial recognition.

Interest income is recognized on an effective interest basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment loss at the end of the reporting period (see accounting policy on impairment of financial assets below).

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty; or
- Default or delinquency in interest and principal payments; or
- It becoming probable that the borrower will enter bankruptcy or financial reorganization.

For financial assets measured at amortized cost, an impairment loss is recognized in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss. When a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Treasury shares contributed by the ultimate holding company for share award scheme are initially recognized at the fair value and recorded in treasury share reserve prior to vesting.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the each reporting period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognized on an effective interest basis.

Financial liabilities

Financial liabilities including trade and other payables, amounts due to related parties, bank and other borrowings, corporate bonds and senior notes are subsequently measured at amortized cost, using effective interest method.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by the Group and not designated as at fair value through profit or loss is recognized initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the obligation under the contract, as determined in accordance with IAS 37; and (ii) the amount initially recognized less, where appropriate, cumulative amortization recognized over the guarantee period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Derecognition

A financial asset is derecognized only when the contractual rights to the cash flows from the asset expire.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

Financial liabilities are derecognized when, and only when the Group's obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Taxation

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

The tax currently payable is based on taxable profit for the period. Taxable profit differs from profit before tax because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the liability is settled or the asset realized, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflect the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model in accordance with IAS 40 *Investment Property*, the carrying amounts of such properties are presumed to be recovered through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model of the Group whose business objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax for such investment properties are measured using the tax rate applicable for recovery through use.

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

4. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies, which are described in Note 3, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

Construction costs estimation for revenue recognition

Certain projects of the Group are divided into several phases according to the development and delivery plans. The Group recognizes sales upon delivery of properties and collectability of related receivables is reasonably assured. Cost of sales including construction cost specific to the phases and common costs allocated to the phases are calculated based on management's best estimation of the total development costs for the whole project and the allocation to each phase at the time when the properties are delivered. When the actual common costs incurred are significantly more or less than expected, or changes in circumstances which result in revision of the management's estimates, the effect of such change is recognized prospectively in the profit or loss in the period of the change.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

4. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Key sources of estimation uncertainty (continued)

Primary land construction and development contracts

The Group carried out primary land construction and development projects for the Beijing Municipal People's Government. The Group recognized contract revenue on the primary land construction and development projects by reference to the recoverable costs incurred plus the expected fee earned in accordance with relevant rules and regulations issued by the Beijing Municipal People's Government and other relevant agreements. Construction and development costs mainly comprise resettlement compensation, sub-contracting charges and costs of construction materials and are estimated by the management by reference to quotations provided by contractors and vendors and the past experience of the management. Estimation of the contract revenue and recoverable costs is subject to final approval from the Beijing Municipal People's Government. The directors of the Company estimate contract revenue and recoverable costs based on latest available budgets of each primary land construction and development projects and current market conditions. The final amounts approved by the Beijing Municipal People's Government may not be the same as the amounts estimated by the Group. These differences will affect contract revenue and contract profit in the period in which the approval has been obtained from the Beijing Municipal People's Government.

Investment properties

Independent external valuer was engaged to carry out an independent valuation of the Group's investment property portfolio as at December 31, 2017. The fair value of each investment property is individually determined at the end of the reporting period based on market value assessment. The valuer has relied on the income capitalization approach and the direct comparison method. These methodologies are based on an estimation of future results, a set of assumptions and a determination of relevant key inputs specific to each property to reflect its tenancy and cashflow profile. Changes to these estimation, assumptions and key inputs would result in changes in the fair values of the Group's investment properties and the corresponding adjustments to the amount of gain or loss would be recognized in profit or loss.

Income tax expense

Deferred tax assets of RMB404,235,000 (2016: RMB290,533,000) were recognized as at December 31, 2017, after offsetting certain deferred tax liabilities as set out in Note 23. No deferred tax assets were recognized on the tax losses of RMB217,419,000 (2016: RMB137,935,000) due to the unpredictability of future profit streams. The recognition of the deferred tax assets mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. The directors of the Company determine the deferred tax assets based on the enacted or substantially enacted tax rates and profit forecasts of the Group for coming years during which the deferred taxation assets are expected to be utilized. The directors of the Company reviewed the assumptions and profit forecasts at the end of each reporting period. In cases where the actual future profits generated are more or less than expected, or changes in facts and circumstances, an additional recognition or a reversal of deferred tax assets may arise, which would be recognized in the profit or loss for the period in which such a recognition or reversal takes place.

4. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Key sources of estimation uncertainty (continued)

Land appreciation tax (“LAT”)

The Group has provided LAT in the PRC amounted to RMB1,489,095,000 (2016: RMB900,312,000) as at December 31, 2017. However, the implementation and settlement of the tax varies amongst different tax jurisdictions in various cities of the PRC and certain property development projects of the Group have not yet finalized their LAT calculations and payments with local tax authorities in the PRC. Accordingly, significant estimation is required in determining the amount of LAT and its related enterprise income tax. The Group recognized the LAT based on the management’s best estimates. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the income tax expense in the period in which such tax is finalized with local tax authorities.

Critical judgment in applying accounting policies

The following are the critical judgments, apart from those involving estimations (see above), that the directors of the Company have made in the process of applying the Group’s accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements.

Deferred taxation on investment properties

For the purposes of measuring deferred tax arising from investment properties that are measured using the fair value model under IAS 40 amounted to RMB18,308,269,000 (2016: RMB16,674,500,000), as at December 31, 2017, the directors of the Company concluded that the Group’s investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time.

Therefore, in determining the Group’s deferred tax on investment properties, the directors of the Company have determined the presumption that investment properties measured using the fair value model are recovered through sale is rebutted and the Group estimated the deferred tax on the basis of recovering through use.

Revenue recognition of property sales

As part of the Group’s marketing strategy, some properties were delivered to buyers before the full consideration was received. In assessing whether such contract meets the revenue recognition criteria in accordance with the Group’s accounting policies, the management of the Group considered various factors such as the level of purchase consideration received, the collectability of the remaining outstanding consideration and the potential decrease in fair value of the underlying property relative to the relevant selling price. In the cases where the directors of the Company considered the contract does not meet the Group’s revenue recognition criteria, the consideration received is accounted for as “deposit received from sale of properties” in current liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

5. REVENUE AND SEGMENT INFORMATION

The Group is organized into business units based on their types of activities. These business units are the basis of information that is prepared and reported to the Group's chief operating decision maker (i.e. the executive directors of the Company) for the purposes of resource allocation and assessment of performance. The Group's operating segments under IFRS 8 *Operating Segments* are identified as the following four business units:

Property development: This segment develops and sells commercial and residential properties. All of the Group's activities are carried out in the PRC.

Primary land construction and development services: This segment derives revenue from primary land development, including services for resettlement, construction of land infrastructure and ancillary public facilities on land owned by the local governments. All of the Group's activities are carried out in the PRC.

Property investment: This segment derives rental income from investment properties developed by the Group. Currently the Group's investment property portfolio mainly comprises commercial properties located in the PRC.

Property management and related services: This segment derives income from property management and related services. Currently the Group's activities are carried out in the PRC.

The accounting policies applied in determining segment revenue and segment results of the operating segments are the same as the Group's accounting policies described in Note 3. Segment profit represents the profit earned by each segment without allocation of unallocated other gains and losses (excluding reversal of allowance for doubtful receivables), other income, other expenses, share of result of associates, share of result of a joint venture, gain on fair value change of investment properties, finance costs and unallocated administrative expenses, including auditor's remuneration and directors' emoluments. This is the measure reported to the Group's chief operating decision maker for the purpose of resource allocation and performance assessment.

Inter-segment sales are priced with reference to prices charged to external parties for similar products and services.

No segment assets and liabilities are presented as they were not regularly provided to the chief operating decision maker for the purpose of resource allocation and performance assessment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

5. REVENUE AND SEGMENT INFORMATION (continued)

(a) Segment revenue and results

The following is the analysis of the Group's revenue and results by reportable and operating segment.

	Property development RMB'000	Primary land construction and development services RMB'000	Property investment RMB'000	Property management and related services RMB'000	Total RMB'000
Year ended December 31, 2017					
Revenue from external customers	6,381,746	75,095	310,293	20,281	6,787,415
Inter-segment revenue	—	—	—	—	—
Segment revenue	6,381,746	75,095	310,293	20,281	6,787,415
Segment profit	2,452,311	1,164	180,073	9,544	2,643,092
Year ended December 31, 2016					
Revenue from external customers	7,513,208	137,616	292,679	91,078	8,034,581
Inter-segment revenue	—	—	—	20,986	20,986
Segment revenue	7,513,208	137,616	292,679	112,064	8,055,567
Segment profit	2,353,161	3,077	188,707	10,747	2,555,692

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

5. REVENUE AND SEGMENT INFORMATION (continued)

(b) Reconciliations of segment revenues, profit or loss

	Year ended December 31,	
	2017 RMB'000	2016 RMB'000
Revenue		
Segment revenue	6,787,415	8,055,567
Elimination of inter-segment revenue	—	(20,986)
Consolidated revenue	6,787,415	8,034,581
Profit		
Segment profit	2,643,092	2,555,692
Unallocated other gains and losses	161,185	(24,295)
Other income	88,241	20,227
Other expenses	(45,676)	(18,656)
Share of result of associates	(6,014)	(727)
Share of result of a joint venture	(936)	—
Gain on fair value change of investment properties	955,743	851,934
Finance costs	(198,683)	(126,824)
Unallocated administrative expenses	(29,819)	(26,924)
Consolidated profit before tax	3,567,133	3,230,427

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

5. REVENUE AND SEGMENT INFORMATION (continued)

(c) Other segment information

Amounts included in the measurement of segment profit or loss:

	Property development RMB'000	Primary land construction and development service RMB'000	Property investment RMB'000	Property management and related services RMB'000	Unallocated amount RMB'000	Total RMB'000
Year ended December 31, 2017						
Depreciation and amortization	16,164	—	5,254	7,905	3,884	33,207
Release of prepaid lease payment	—	—	81	26	5,928	6,035
Year ended December 31, 2016						
Depreciation and amortization	11,664	—	5,245	12,262	3,884	33,055
Release of prepaid lease payment	—	—	81	26	5,928	6,035
Reversal of allowance for doubtful receivables	—	—	(624)	—	—	(624)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

5. REVENUE AND SEGMENT INFORMATION (continued)

(d) Revenue from major products and services

The following is the analysis of the Group's revenue from external customers:

	Year ended December 31,	
	2017 RMB'000	2016 RMB'000
Sales of properties	6,381,746	7,513,208
Primary land construction and development services	75,095	137,616
Rental income	310,293	292,679
Property management and related services	20,281	91,078
	6,787,415	8,034,581

(e) Geographical information

All the revenue and operating results of the Group is derived from the PRC based on location of the operations. All the Group's non-current assets (other than financial instruments, and deferred tax assets of the Group) amounting to RMB22,314,638,000 (2016: RMB17,954,540,000) at December 31, 2017 are located in the PRC based on geographical location of the assets or the associates' and joint venture's operation, as appropriate.

(f) Revenue from major customers

No revenue from transactions with a single external customer amounted to 10% or more of the Group's revenue during the years ended December 31, 2017 and 2016.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

6. OTHER GAINS AND LOSSES

Other gains and losses comprise:

Net foreign exchange gains (losses)

Losses on disposal of property, plant and equipment

Reversal of allowance for doubtful receivables

Year ended December 31,

2017 RMB'000	2016 RMB'000
161,278	(24,292)
(93)	(3)
—	624
161,185	(23,671)

7. OTHER INCOME

Interest income

Compensation received

Others

Year ended December 31,

2017 RMB'000	2016 RMB'000
79,965	6,588
2,437	5,763
5,839	7,876
88,241	20,227

8. OTHER EXPENSES

Donations

Compensation paid

Others

Year ended December 31,

2017 RMB'000	2016 RMB'000
27,896	9,730
13,159	5,273
4,621	3,653
45,676	18,656

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

9. FINANCE COSTS

	Year ended December 31,	
	2017 RMB'000	2016 RMB'000
Interest on bank loans	1,102,090	860,458
Interest on corporate bonds	282,137	241,011
Interest on senior notes	121,210	—
Interest on other loans	210,589	63,364
Total interest expenses	1,716,026	1,164,833
Less: Amounts capitalized to properties under development and investment properties	(1,517,343)	(1,038,009)
	198,683	126,824

Interests capitalized arose from borrowings made specifically for the purpose of constructing the qualifying assets, which bore annual interest at rates from 4.75% to 9.80% (2016: 4.75% to 12.20%) and general borrowings pool calculated by applying a capitalization rate of 7.01% (2016: 6.40%) per annum on expenditure on the qualifying assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

10. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging (crediting):

	Year ended December 31,	
	2017 RMB'000	2016 RMB'000
Directors' emoluments (Note 11)	12,083	11,032
Other staff costs:		
– Salaries and other benefits	306,153	302,504
– Retirement benefit contributions	24,146	21,351
– Equity-settled share-based payments	4,831	18,028
Total staff costs	347,213	352,915
Less: Amounts capitalized to properties under development and investment properties (note)	(190,764)	(150,063)
	156,449	202,852
Cost of properties sold recognized as expense	3,471,511	4,641,964
Auditor's remuneration	4,186	3,945
Depreciation of property, plant and equipment	31,715	31,892
Amortization of intangible assets (included in administrative expenses)	1,492	1,163
Release of prepaid lease payments (included in administrative expense)	6,035	6,035
Operating lease rental expenses	1,793	3,787
Rental income from investment properties	(310,293)	(292,679)
Less: direct operating expense	117,204	94,227
	(193,089)	(198,452)

Note: The amount capitalized mainly represents costs of certain staff of the project management department and the design department, who were assigned to construction sites and engaged in specific construction projects directly.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

11. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

Details of the emoluments paid or payable to the directors are as follows:

	Fees RMB'000	Salaries and other benefits RMB'000	Performance bonuses RMB'000	Retirement benefit contributions RMB'000	Equity-settled share-based payment RMB'000	Total RMB'000
For the year ended December 31, 2017						
Executive Directors						
Mr. Zhang Zhangsun	—	2,600	400	—	—	3,000
Ms. Ruan Wenjuan	—	2,919	450	51	125	3,545
Ms. Zhang Jin	—	2,082	179	32	125	2,418
Mr. Ge Weiguang	—	1,994	170	51	125	2,340
Independent Non-Executive Directors						
Mr. Luo Zhenbang	260	—	—	—	—	260
Mr. Lai Siming	260	—	—	—	—	260
Ms. Chen Jingru	260	—	—	—	—	260
	780	9,595	1,199	134	375	12,083
For the year ended December 31, 2016						
Executive Directors						
Mr. Zhang Zhangsun	—	2,603	400	5	—	3,008
Ms. Ruan Wenjuan	—	1,850	300	46	475	2,671
Ms. Zhang Jin	—	1,697	200	34	475	2,406
Mr. Ge Weiguang	—	1,705	97	46	475	2,323
Independent Non-Executive Directors						
Mr. Luo Zhenbang	208	—	—	—	—	208
Mr. Lai Siming	208	—	—	—	—	208
Ms. Chen Jingru	208	—	—	—	—	208
	624	7,855	997	131	1,425	11,032

Notes:

- Mr. Zhang Zhangsun is the chief executive of the Company and his emoluments disclosed above include those for services rendered by him as the chief executive.
- Ms. Ruan Wenjuan, Ms. Zhang Jin and Mr. Ge Weiguang are the executive directors and vice presidents of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

11. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (continued)

Performances bonuses were determined by the management having regard to the performance of the directors and the Group's operating results.

The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Group.

The independent non-executive directors' emoluments shown above were mainly for their services as directors of the Company.

No directors of the Company waived any emoluments during both years.

Of the five individuals with the highest emoluments in the Group, four (2016: four) are directors of the Company whose emoluments are disclosed above. The emolument of the remaining one (2016: one) individual is as follows:

	Year ended December 31,	
	2017 RMB'000	2016 RMB'000
Salaries and other benefits	1,782	1,303
Performance bonuses	267	200
Retirement benefit contributions	5	5
Equity-settled share-based payment	1,982	7,325
	4,036	8,833

The number of the highest paid employees who are not directors of the Company whose remuneration fell within the following bands is as follow:

	2017 No.of employees	2016 No.of employees
Hong Kong dollars ("HK\$")		
HK\$4,500,001 to HK\$5,000,000	1	—
HK\$9,500,001 to HK\$10,000,000	—	1
	1	1

During the year, no emoluments were paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

12. INCOME TAX EXPENSES

	Year ended December 31,	
	2017 RMB'000	2016 RMB'000
Current tax		
PRC enterprise income tax	611,243	647,054
Under provision in prior year	—	7,349
LAT	797,135	542,306
	1,408,378	1,196,709
Deferred tax (Note 23)	119,244	78,030
Income tax expenses	1,527,622	1,274,739

Pursuant to the PRC Enterprise Income Tax Law promulgated on March 16, 2007 the PRC enterprise income tax for both domestic and foreign-invested enterprises has been unified at the income tax rate of 25% effective from January 1, 2008 onwards.

The provision of LAT is estimated according to the requirements set forth in the relevant PRC tax laws and regulations. LAT has been provided at ranges of progressive rates of the appreciation value, with certain allowable exemptions and deductions.

In accordance with the PRC tax circular (Guoshuihan [2008] 112) effective from January 1, 2008, the PRC withholding income tax at the rate of 10% is applicable to dividends to “non-resident” investors who do not have an establishment or business in the PRC. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to the undistributed profits earned by the PRC subsidiaries since January 2008 amounting to RMB4,911,676,000 (2016: RMB4,085,279,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

12. INCOME TAX EXPENSES (continued)

No provision for Hong Kong Profits Tax has been made as the income of the companies comprising the Group neither arises in, nor is derived from Hong Kong during both years.

The tax charge for the year can be reconciled to the profit before tax per consolidated statement of profit or loss and other comprehensive income as follows:

	Year ended December 31,	
	2017 RMB'000	2016 RMB'000
Profit before tax	3,567,133	3,230,427
Tax at PRC enterprise income tax rate of 25% (2016:25%)	891,783	807,607
LAT	797,135	542,306
Tax effect of LAT	(199,284)	(135,577)
Tax effect of expenses not deductible for tax purpose	15,348	41,861
Tax effect of share of result of associates	1,504	182
Tax effect of share of result of a joint venture	234	—
Effect of tax losses not recognized as deferred tax assets	20,105	10,359
Reversal of tax losses previously recognized as deferred tax assets	806	652
Utilization of tax loss previously not recognized	(9)	—
Under provision in prior year	—	7,349
Tax charge	1,527,622	1,274,739

13. OTHER COMPREHENSIVE INCOME

Other comprehensive income includes:

	Year ended December 31, 2017		
	Before-tax amount RMB'000	Tax expense RMB'000	Net-of- income tax amount RMB'000
Item that will not be reclassified to profit or loss:			
Gains on revaluation of properties	324,949	(81,237)	243,712

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

14. EARNINGS PER SHARE

	Year ended December 31,	
	2017 RMB'000	2016 RMB'000
Earnings:		
Profit for the year attributable to the owners of the Company for the purposes of basic and diluted earnings per share	1,749,841	1,562,956
	Year ended December 31,	
	2017 '000	2016 '000
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	4,434,150	4,417,841
Effect of dilutive potential ordinary shares:		
Share options issued by the Company	23,492	28,186
Share awards issued by the Company	5,772	14,968
Weighted average number of ordinary shares for the purpose of diluted earnings per share	4,463,414	4,460,995

The number of shares adopted in the calculation of the basic earnings per share has been arrived at after eliminating the unvested shares of the Company held under the Company's share award scheme.

15. DIVIDENDS

Dividends recognized as distribution by the Company during the current year amounted to HK\$267,994,000 (equivalent to RMB240,000,000) in respect of final dividend for the year ended December 31, 2016 and HK\$333,849,000 (equivalent to RMB300,000,000) in respect of interim dividend for the year ended December 31, 2017 in aggregate, representing HK6.04 cents per share and HK7.52 cents per share declared. Part of the dividends amounting to HK\$127,134,000 (equivalent to RMB108,966,000) was paid during the current year.

Dividend recognized as distribution by the Company during the year ended December 31, 2016 amounted to HK\$245,882,000 (equivalent to RMB206,000,000) in aggregate, representing HK5.55 cents per share declared. Part of the dividend amounting to HK\$45,390,000 (equivalent to RMB38,348,000) was paid during 2016.

Subsequent to the end of the reporting period, a final dividend in respect of the year ended December 31, 2017 of HK8.07 cents per share, totalling HK\$358,578,000 (equivalent to RMB300,000,000) has been proposed by the board of directors and is subject to approval by the shareholders of the Company at the forthcoming annual general meeting.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

16. INVESTMENT PROPERTIES

	Completed investment properties RMB'000	Investment properties under construction RMB'000	Total RMB'000
Fair value			
At January 1, 2016	9,568,850	5,497,000	15,065,850
Additions	8,258	778,252	786,510
Net increase in fair value recognized in profit or loss	297,186	554,748	851,934
Disposals	(29,794)	—	(29,794)
At December 31, 2016	9,844,500	6,830,000	16,674,500
Additions	122,250	792,707	914,957
Reclassification	5,329,818	(5,329,818)	—
Net increase in fair value recognized in profit or loss	887,633	68,110	955,743
Transfers to property, plant and equipment	(597,931)	—	(597,931)
Transfers from property, plant and equipment	361,000	—	361,000
At December 31, 2017	15,947,269	2,361,000	18,308,269
Unrealized gain on property revaluation included in profit or loss in the current year	887,633	68,110	955,743
Unrealized gain on property revaluation included in other comprehensive income in the current year	324,949	—	324,949

The investment properties are all situated in the PRC. The fair value of the Group's investment properties, including the Group's property interests held under operating leases classified and accounted for as investment properties as at December 31, 2017 and 2016 have been arrived at on the basis of valuations carried out on those dates by Colliers International (Hong Kong) Ltd ("Colliers"), a firm of independent qualified professional valuers not connected with the Group, who have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations.

The valuations of completed investment properties are arrived at with adoption of direct comparison approach assuming sale of each of these properties in its existing state by making reference to comparable sales transactions as available in the relevant market and also consider income method-direct capitalization approach by capitalization of the net rental income derived from the existing tenancy agreements with due allowance for the reversionary income potential of the properties.

Fair values of the investment properties under development are generally derived using the residual method. This valuation method is essentially a means of valuing the land and building by reference to its development potential by deducting development costs together with developer's profit and risk from the estimated capital value of the proposed development assuming completed in accordance with the existing development plans as at the date of valuation, which duly reflected the risks associated with the development.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

16. INVESTMENT PROPERTIES (continued)

The following table gives information about how the fair values of these investment properties are determined (in particular, the valuation techniques and inputs used), as well as the fair value hierarchy into which the fair value measurements are categorised (level 1 to 3) based on the degree to which the inputs to the fair value measurements is observable. The Group considered multiple valuation techniques to the extent appropriate. A fair value measurement is usually the point within that range that is most representative of fair value in the circumstances.

Investment properties of the Group	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Beijing Glory City Complex	Level 3	Multiple valuation techniques: income and direct comparison approaches	Capitalization rate, taking into account of the capitalization of rental income potential, nature of the property, prevailing market condition, of 4.5% to 5% on NOI basis (2016: 5.2% to 5.7%) for shopping mall, and 4.25% to 4.5% on NOI basis (2016: 4.7% to 5.2%) for office.	A slight increase in the capitalization rate used would result in a significant decrease in the fair value measurement of the investment properties, and vice versa.
		The key inputs of income method are: (1) Capitalization rate; and (2) Market monthly rent	Market monthly rent, using direct market comparable and taking into account of time, location and individual factors such as road frontage, size of property and facilities, of RMB654/sq.m./month on NLA (2016: RMB574/sq.m./month on NFA) for shopping mall and RMB265/sq.m./month (2016: RMB246/sq.m./month) on GFA for office.	A slight increase in the market monthly rent used would result in a significant increase in the fair value measurement of the investment properties, and vice versa.
		The key input of Direct Comparison Approach is: Unit sale rate	Unit sale rate, taking into account the time, location, and individual factors, such as frontage and size, between the comparable and the property, of RMB84,200/sq.m. (2016: RMB84,600/sq.m) for shopping mall and RMB47,500/sq.m. (2016: RMB44,200/sq.m) for office.	An increase in the unit sale rate used would result in an increase in the fair value measurement of the investment properties by the same percentage increase, and vice versa.
Lotte Mart Shopping Centre	Level 3	Multiple valuation techniques: income and direct comparison approaches	Capitalization rate, taking into account of the capitalization of rental income potential, nature of the property, prevailing market condition, of 4.5% to 5% on NOI basis (2016: 5.2% to 5.7%).	A slight increase in the capitalization rate used would result in a significant decrease in the fair value measurement of the investment properties, and vice versa.
		The key inputs of income method are: (1) Capitalization rate; and (2) Market monthly rent	Market monthly rent, using direct market comparable and taking into account of time, location and individual factors such as road frontage, size of property and facilities, of RMB322/sq.m./month (2016: RMB213/sq.m./month) on GFA.	A slight increase in the market monthly rent used would result in a significant increase in the fair value measurement of the investment properties, and vice versa.
		The key input of Direct Comparison Approach is: Unit sale rate	Unit sale rate, taking into account the time, location, and individual factors, such as frontage and size, between the comparable and the property, of RMB28,464/sq.m (2016: RMB29,400/sq.m).	An increase in the unit sale rate used would result in an increase in the fair value measurement of the investment properties by the same percentage increase, and vice versa.

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16. INVESTMENT PROPERTIES (continued)

Investment properties of the Group	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Beijing Fugui Garden Shopping Mall	Level 3	Multiple valuation techniques: income and direct comparison approaches The key inputs of income method are: (1) Capitalization rate; and (2) Market monthly rent The key input of Direct Comparison Approach is: Unit sale rate	Capitalization rate, taking into account of the capitalization of rental income potential, nature of the property, prevailing market condition, of 4.7% to 5.2% on NOI basis (2016: 5.2% to 5.7%). Market monthly rent, using direct market comparable and taking into account of time, location and individual factors such as road frontage, size of property and facilities, of RMB256/sq.m./month (2016: RMB235/sq.m./month) on GFA. Unit sale rate, taking into account the time, location, and individual factors, such as frontage and size, between the comparable and the property, of RMB67,900/sq.m (2016: RMB66,500/sq.m).	A slight increase in the capitalization rate used would result in a significant decrease in the fair value measurement of the investment properties, and vice versa. A slight increase in the market monthly rent used would result in a significant increase in the fair value measurement of the investment properties, and vice versa. An increase in the unit sale rate used would result in an increase in the fair value measurement of the investment properties by the same percentage increase, and vice versa.
Shantou Glory City Phase I	Level 3	Multiple valuation techniques: income and direct comparison approaches The key inputs of income method are: (1) Capitalization rate; and (2) Market monthly rent The key input of Direct Comparison Approach is: Unit sale rate	Capitalization rate, taking into account of the capitalization of rental income potential, nature of the property, prevailing market condition, of 6.5% to 6.75% on NOI basis. (2016: 7.4% to 8.1%). Market monthly rent, using direct market comparable and taking into account of time, location and individual factors such as road frontage, size of property and facilities, of RMB71/sq.m./month (2016: RMB65/sq.m./month) on GFA. A unit sale rate, taking into account the time, location, and individual factors, such as frontage and size, between the comparable and the property, of RMB12,250/sq.m (2016: RMB12,200/sq.m).	A slight increase in the capitalization rate used would result in a significant decrease in the fair value measurement of the investment properties, and vice versa. A slight increase in the market monthly rent used would result in a significant increase in the fair value measurement of the investment properties, and vice versa. An increase in the unit sale rate used would result in an increase in the fair value measurement of the investment properties by the same percentage increase, and vice versa.
Shenyang Glory City Phase I, Big Box	Level 3	Multiple valuation techniques: income and direct comparison approaches The key inputs of income method are: (1) Capitalization rate; and (2) Market monthly rent The key input of Direct Comparison Approach is: Unit sale rate	Capitalization rate, taking into account of the capitalization of rental income potential, nature of the property, prevailing market condition, of 4.5 to 5% on NOI basis (2016: 5.25% to 5.7%). Market monthly rent, using direct market comparables and taking into account of time, location and individual factors such as road frontage, size of property and facilities, of RMB62/sq.m./month (2016: RMB40/sq.m./month) on GFA. Unit sale rate, taking into account the time, location, and individual factors, such as frontage and size, between the comparable and the property, of RMB10,030/sq.m (2016: RMB7,100/sq.m).	A slight increase in the capitalization rate used would result in a significant decrease in the fair value measurement of the investment properties, and vice versa. A slight increase in the market monthly rent used would result in a significant increase in the fair value measurement of the investment properties, and vice versa. An increase in the unit sale rate used would result in an increase in the fair value measurement of the investment properties by the same percentage increase, and vice versa.

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16. INVESTMENT PROPERTIES (continued)

Investment properties of the Group	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Siheyuan Beijing Glory City	Level 3	Multiple valuation techniques: income and direct comparison approaches	Capitalization rate, taking into account of the capitalization of rental income potential, nature of the property, prevailing market condition, of 2% to 2.5% on NOI basis (2016: 2.3% to 2.8%).	A slight increase in the capitalization rate used would result in a significant decrease in the fair value measurement of the investment properties, and vice versa.
		The key inputs of income method are: (1) Capitalization rate; and (2) Market monthly rent	Market monthly rent, using direct market comparables and taking into account of time, location and individual factors such as road frontage, size of property and facilities, of RMB296/sq.m./month (2016: RMB285/sq.m./month) on GFA.	A slight increase in the market monthly rent used would result in a significant increase in the fair value measurement of the investment properties, and vice versa.
		The key input of Direct Comparison Approach is: Unit sale rate	Unit sale rate, taking into account the time, location, and individual factors, such as frontage and size, between the comparable and the property, of RMB105, 800/sq.m (2016: RMB101, 800/sq.m).	An increase in the unit sale rate used would result in an increase in the fair value measurement of the investment properties by the same percentage increase, and vice versa.
Shenyang Glory City Block C and E	Level 3	Multiple valuation techniques: income and direct comparison approaches	Capitalization rate, taking into account of the capitalization of rental income potential, nature of the property, prevailing market condition, of 4.5% to 5% on NOI basis(2016: 5.2% to 5.7%).	A slight increase in the capitalization rate used would result in a significant decrease in the fair value measurement of the investment properties, and vice versa.
		The key inputs of income method are: (1) Capitalization rate; and (2) Market monthly rent	Market monthly rent, using direct market comparables and taking into account of time, location and individual factors such as road frontage, size of property and facilities, of RMB40/sq.m./month (2016: RMB34/sq.m./month) on GFA.	A slight increase in the market monthly rent used would result in a significant increase in the fair value measurement of the investment properties, and vice versa.
		The key input of Direct Comparison Approach is: Unit sale rate	Unit sale rate, taking into account the time, location, and individual factors, such as frontage and size, between the comparable and the property, of RMB6,600/sq.m (2016: RMB6, 050/sq.m.).	An increase in the unit sale rate used would result in an increase in the fair value measurement of the investment properties by the same percentage increase, and vice versa.
Eudemonia Palace underground car parking spaces	Level 3	Multiple valuation techniques: income and direct comparison approaches	Capitalization rate, taking into account of the capitalization of rental income potential, nature of the property, prevailing market condition, of 3.25% to 3.75% on NOI basis (2016: 3.8% to 4.3%).	A slight increase in the capitalization rate used would result in a significant decrease in the fair value measurement of the investment properties, and vice versa.
		The key inputs of income method are: (1) Capitalization rate; and (2) Market monthly rent	Market monthly rent, using direct market comparables and taking into account of time, location and individual factors such as road frontage, size of property and facilities, of RMB1,035/sq.m./month (2016: RMB1,035/sq.m./month) on lot.	A slight increase in the market monthly rent used would result in a significant increase in the fair value measurement of the investment properties, and vice versa.
		The key input of Direct Comparison Approach is: Unit sale rate	Unit sale rate, taking into account the time, location, and individual factors, such as frontage and size, between the comparable and the property, of RMB310,100/lot. (2016: RMB306, 500/lot).	An increase in the unit sale rate used would result in an increase in the fair value measurement of the investment properties by the same percentage increase, and vice versa.

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16. INVESTMENT PROPERTIES (continued)

Investment properties of the Group	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Beijing Glory Center	Level 3	Multiple valuation techniques: income and direct comparison approaches	Capitalization rate, taking into account of the capitalization of rental income potential, nature of the property, prevailing market condition, of 5% on NOI basis (2016: 5.7%) for retail, and 4.25% on NOI basis (2016: 5.2%) for office.	A slight increase in the capitalization rate used would result in a significant decrease in the fair value measurement of the investment properties, and vice versa.
		The key inputs of income method are: (1) Capitalization rate; and (2) Market monthly rent	Market monthly rent, using direct market comparables and taking into account of time, location and individual factors such as road frontage, size of property and facilities, of RMB447/sq.m./month on NLA (2016: RMB554/sq.m./month on GFA) for retail, RMB350/sq.m./month (2016: RMB319/sq.m./month) on GFA for office, RMB900/lot/month on lot for CPS.	A slight increase in the market monthly rent used would result in a significant increase in the fair value measurement of the investment properties, and vice versa.
		The key input of Direct Comparison Approach is: Unit sale rate	Unit sale rate, taking into account the time, location, and individual factors, such as frontage and size, between the comparable and the property, of RMB69,500/sq.m (2016: RMB61,400/sq.m) for retail, and RMB75,400/sq.m (2016: RMB75,300/sq.m) for office, RMB250,000/lot for CPS.	An increase in the unit sale rate used would result in an increase in the fair value measurement of the investment properties by the same percentage increase, and vice versa.
Foshan Glory Shengping Commercial Centre*	Level 3	Multiple valuation techniques: residual method	Capitalization rate, taking into account of the capitalization of rental income potential, nature of the property, prevailing market condition, of 6.25% on NOI basis (2016: 7.1%) for retail, and 4% to 6.25% on NOI basis (2016: 4.75% - 6.6%) for car parking spaces.	A slight increase in the capitalization rate used would result in a significant decrease in the fair value measurement of the investment properties, and vice versa.
		The key inputs of residual method are: (1) Capitalization rate; and (2) Market monthly rent; and	Market monthly rent, using direct market comparables and taking into account of time, location and individual factors such as road frontage, size of property and facilities, of RMB304/sq.m./month on NLA (2016: RMB329/sq.m./month on GFA) for retail, RMB 555/sq.m./month (2016: RMB 560/sq m./month) on lot for car parking spaces.	A slight increase in the market monthly rent used would result in a significant increase in the fair value measurement of the investment properties, and vice versa.
		(3) Unit sale rate; and	Unit sale rate, taking into account the time, location, and individual factors, such as frontage and size, between the comparable and the property, of RMB32,800/sq.m (2016: RMB34,000/sq.m) for retail, and RMB120,120/lot (2016: RMB125,000/lot) for car parking spaces.	An increase in the unit sale rate used would result in an increase in the fair value measurement of the investment properties by the same percentage increase, and vice versa.
		(4) Expected develop profit margin; and	Expected develop profit margin at 15% (2016:15%)	A significant increase in the expected profit would result in a significant decrease in fair value, and vice versa.
		(5) Total development costs to completion	Estimated total construction cost to complete amounted to RMB2,280,000,000 (2016: RMB2,280,000,000).	Increases in the development costs would result in a decrease in the fair value measurement of the investment properties by the same percentage increase, and vice versa.

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16. INVESTMENT PROPERTIES (continued)

Investment properties of the Group	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Glory City retail podiums	Level 3	Multiple valuation techniques: income and direct comparison approaches	Capitalization rate, taking into account of the capitalization of rental income potential, nature of the property, prevailing market condition, of 4.25% to 5.2% on NOI basis (2016: 4.75% to 5.7%).	A slight increase in the capitalization rate used would result in a significant decrease in the fair value measurement of the investment properties, and vice versa.
		The key inputs of income method are: (1) Capitalization rate; and (2) Market monthly rent	Market monthly rent, using direct market comparables and taking into account of time, location and individual factors such as road frontage, size of property and facilities, of RMB229/sq.m./month (2016: RMB227/sq.m./month) on GFA.	A slight increase in the market monthly rent used would result in a significant increase in the fair value measurement of the investment properties, and vice versa.
		The key input of Direct Comparison Approach is: Unit sale rate	Unit sale rate, taking into account the time, location, and individual factors, such as frontage and size, between the comparable and the property, of RMB41,000/sq.m (2016: RMB39, 800/sq.m).	An increase in the unit sale rate used would result in an increase in the fair value measurement of the investment properties by the same percentage increase, and vice versa.
Fuguiyuan retail podiums	Level 3	Multiple valuation techniques: income and direct comparison approaches	Capitalization rate, taking into account of the capitalization of rental income potential, nature of the property, prevailing market condition, of 4.25% to 5.2% on NOI basis (2016: 4.75% to 5.7%).	A slight increase in the capitalization rate used would result in a significant decrease in the fair value measurement of the investment properties, and vice versa.
		The key inputs of income method are: (1) Capitalization rate; and (2) Market monthly rent	Market monthly rent, using direct market comparables and taking into account of time, location and individual factors such as road frontage, size of property and facilities, of RMB196/sq.m./month (2016: RMB196/sq.m./month) on GFA.	A slight increase in the market monthly rent used would result in a significant increase in the fair value measurement of the investment properties, and vice versa.
		The key input of Direct Comparison Approach is: Unit sale rate	Unit sale rate, taking into account the time, location, and individual factors, such as frontage and size, between the comparable and the property, of RMB36,400/sq.m (2016: RMB35, 300/sq.m).	An increase in the unit sale rate used would result in an increase in the fair value measurement of the investment properties by the same percentage increase, and vice versa.
Fugui Complementary Building	Level 3	Multiple valuation techniques: income and direct comparison approaches	Capitalization rate, taking into account of the capitalization of rental income potential, nature of the property, prevailing market condition, of 4.7% to 5.2% on NOI basis (2016: 5.2% to 5.7%).	A slight increase in the capitalization rate used would result in a significant decrease in the fair value measurement of the investment properties, and vice versa.
		The key inputs of income method are: (1) Capitalization rate; and (2) Market monthly rent	Market monthly rent, using direct market comparables and taking into account of time, location and individual factors such as road frontage, size of property and facilities, of RMB148/sq.m./month (2016: RMB145/sq.m./month) on GFA.	A slight increase in the market monthly rent used would result in a significant increase in the fair value measurement of the investment properties, and vice versa.
		The key input of Direct Comparison Approach is: Unit sale rate	Unit sale rate, taking into account the time, location, and individual factors, such as frontage and size, between the comparable and the property, of RMB28, 600/sq.m (2016: RMB27, 800/sq.m).	An increase in the unit sale rate used would result in an increase in the fair value measurement of the investment properties by the same percentage increase, and vice versa.

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16. INVESTMENT PROPERTIES (continued)

Investment properties of the Group	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Shenzhen Wanji Business Park*	Level 3	Multiple valuation techniques: residual method	Capitalization rate, taking into account of the capitalization of rental income potential, nature of the property, prevailing market condition, of 4.75% on NOI basis (2016: 5.45%) for industrial.	A slight increase in the capitalization rate used would result in a significant decrease in the fair value measurement of the investment properties, and vice versa.
		The key inputs of residual method are: (1) Capitalization rate; and (2) Market monthly rent; and	Market monthly rent, using direct market comparables and taking into account of time, location and individual factors such as road frontage, size of property and facilities, of RMB146/sq.m./month (2016: RMB145/sq.m./month) on GFA.	A slight increase in the market monthly rent used would result in a significant increase in the fair value measurement of the investment properties, and vice versa.
		(3) Expected develop profit margin; and	Expected develop profit margin at 2.5%.	A significant increase in the expected profit would result in a significant decrease in fair value, and vice versa.
		(4) Total development costs to completion	Estimated total construction cost to complete amounted to RMB76,769,070.	Increases in the development costs would result in a decrease in the fair value measurement of the investment properties by the same percentage increase, and vice versa.
Glory Bei Wu Lou^	Level 3	Multiple valuation techniques: income and direct comparison approaches	Capitalization rate, taking into account of the capitalization of rental income potential, nature of the property, prevailing market condition, of 4.5% on NOI basis.	A slight increase in the capitalization rate used would result in a significant decrease in the fair value measurement of the investment properties, and vice versa.
		The key inputs of income method are: (1) Capitalization rate; and (2) Market monthly rent	Market monthly rent, using direct market comparables and taking into account of time, location and individual factors such as road frontage, size of property and facilities, of RMB170/sq.m./month on GFA.	A slight increase in the market monthly rent used would result in a significant increase in the fair value measurement of the investment properties, and vice versa.
		The key input of Direct Comparison Approach is: Unit sale rate	Unit sale rate, taking into account the time, location, and individual factors, such as frontage and size, between the comparable and the property, of RMB34,800/sq.m.	An increase in the unit sale rate used would result in an increase in the fair value measurement of the investment properties by the same percentage increase, and vice versa.

* These investment properties are under development as of December 31, 2017 and 2016.

^ The property is transferred from property, plant and equipment in the current year upon end of owner-occupation.

In estimating the fair value of the investment properties, the Group uses market observable data to the extent it is available. The management of the Group works closely with the valuers to establish the appropriate valuation techniques and inputs to the model.

The unrealized gain on property revaluation amounting to RMB955,743,000 (2016: RMB876,425,000) was recognized in profit or loss during the year ended December 31, 2017.

The Group had pledged investment properties of approximately RMB16,769,654,000 (2016: RMB14,824,090,000) at December 31, 2017 to secure bank and other borrowing granted to the Group as set out in Note 44.

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17. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings RMB'000	Construction in progress RMB'000	Leasehold improvement RMB'000	Motor vehicles RMB'000	Electronic equipment & furniture RMB'000	Total RMB'000
Cost						
At January 1, 2016	152,480	—	42,057	49,481	23,194	267,212
Additions	—	56,885	25,065	13,247	6,989	102,186
Acquisition of subsidiaries (note 42)	—	2,414	—	1,178	133	3,725
Disposals	—	—	—	(453)	(363)	(816)
Disposal of subsidiaries (note 43)	(3,950)	—	—	(323)	(4,326)	(8,599)
At December 31, 2016	148,530	59,299	67,122	63,130	25,627	363,708
Additions	6,594	80,376	22,503	7,949	4,487	121,909
Transfer from investment properties	597,931	—	—	—	—	597,931
Disposals	—	—	—	(2,594)	(1,171)	(3,765)
Transfer to investment properties	(98,991)	—	—	—	—	(98,991)
At December 31, 2017	654,064	139,675	89,625	68,485	28,943	980,792
Accumulated depreciation						
At January 1, 2016	63,847	—	31,472	31,353	10,292	136,964
Charge for the year	8,948	—	11,968	6,726	4,250	31,892
Eliminated on disposals	—	—	—	(439)	(323)	(762)
Disposal of subsidiaries (note 43)	(525)	—	—	(183)	(2,146)	(2,854)
At December 31, 2016	72,270	—	43,440	37,457	12,073	165,240
Charge for the year	9,107	—	10,019	8,046	4,543	31,715
Eliminated on disposals	—	—	—	(2,405)	(1,076)	(3,481)
Transfer to investment properties	(62,940)	—	—	—	—	(62,940)
At December 31, 2017	18,437	—	53,459	43,098	15,540	130,534
Carrying amount						
At December 31, 2017	635,627	139,675	36,166	25,387	13,403	850,258
At December 31, 2016	76,260	59,299	23,682	25,673	13,554	198,468

17. PROPERTY, PLANT AND EQUIPMENT (continued)

As at December 31, 2017, leasehold land and buildings with carrying amount of approximately RMB617,349,000 (2016: RMB63,245,000) were pledged to banks to secure bank and other borrowings granted to the Group as set out in Note 44.

The above items of property, plant and equipment, other than construction in progress, are depreciated using the straight-line method after taking into account of their estimated residual values over the following estimated useful lives:

Leasehold land and buildings	Over the shorter of the term of the lease or 20 years
Leasehold improvement	Over the shorter of the term of the lease or 5 years
Motor vehicles	5 years
Electronic equipment & furniture	5 years

18. OTHER NON-CURRENT ASSETS

Other non-current assets of the Group comprise software licenses and payments for an urban redevelopment project.

The software licenses have finite useful lives and are amortized on a straight-line basis over 6 years. As at December 31, 2017, the carrying amount of software licenses is RMB14,330,000 (2016: RMB4,651,000), which are made up of cost of RMB21,284,000 (2016: RMB10,113,000) and accumulated amortization of RMB6,954,000 (2016: RMB5,462,000).

The remaining balance of other non-current assets relates to payments and costs for an urban redevelopment project acquired by the Group in 2016 through the acquisition of a subsidiary, Shenzhen Dachaoshan, which entered into an agreement with an entity established by the local authority for an urban redevelopment project in Shenzhen. Details of the acquisition of Shenzhen Dachaoshan are disclosed in Note 42(c). As at the acquisition date, Shenzhen Dachaoshan has made payments to acquire certain non-agricultural ratio and has the exclusive right to seek government approval for the commencement of the urban redevelopment project after achieving the minimal threshold of the non-agricultural ratio stipulated in the agreement. The urban redevelopment project includes several units and is intended to be developed in different phases. As at December 31, 2017, Shenzhen Dachaoshan has met the minimal threshold of the non-agricultural ratio for the first unit in that region and has initiated the procedures for the approvals from the relevant government authorities in relation to the redevelopment of that area. The directors of the Company are confident that Shenzhen Dachaoshan will be able to meet the non-agricultural ratio requirement for the rest of the units in the region and approvals from the relevant authorities will ultimately be obtained in the future. The recovery of the carrying amount will be through the returns to be generated from this urban redevelopment project of which the redevelopment right will be granted exclusively to Shenzhen Dachaoshan upon approval. As at December 31, 2017, the carrying amount of this non-current asset is RMB1,039,448,000 (2016: RMB789,448,000).

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For the year ended December 31, 2017

19. INTEREST IN A JOINT VENTURE

	At December 31,	
	2017 RMB'000	2016 RMB'000
Cost of investment in a joint venture	10,000	—
Share of post-acquisition losses	(936)	—
	9,064	—

Name of entity	Place of establishment and operation	Proportion of ownership interest held by the Group 2017	Proportion of voting rights held by the Group 2017	Principal activity
Beijing Maorui Properties Co.,Ltd. ("Maorui Zhiye") 北京茂瑞置業有限公司	PRC	20%	20%	Property development

Note: The Group holds 20% of the registered capital of Maorui Zhiye, and the relevant activities of the investee require the unanimous consent of the parties sharing control. Accordingly, the entity is classified as a joint venture of the Group.

Summarised financial information in respect of Maorui Zhiye is set out below:

	At December 31, 2017 RMB'000
Current assets	8,382,721
Non-current assets	102
Current liabilities	(4,137,606)
Non-current liabilities	(4,199,900)
The above amounts of assets and liabilities include the following:	
Cash and cash equivalents	18,064
Current financial liabilities (excluding trade and other payables and provisions)	—
Non-current financial liabilities (excluding trade and other payables and provisions)	(4,199,900)

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19. INTEREST IN A JOINT VENTURE (continued)

	Period from August 7, 2017 to December 31, 2017 RMB'000
Loss and total comprehensive expense for the period	(4,682)
Dividends received from the joint venture during the period	—

20. INTEREST IN ASSOCIATES

	At December 31,	
	2017 RMB'000	2016 RMB'000
Cost of investment in associates	275,260	—
Share of post-acquisition losses	(6,014)	—
	269,246	—

Details of the Group's associates at the end of reporting period are as follow:

Name of entity	Place of establishment and operation	Proportion of ownership interest by the Group		Proportion of voting rights held by the Group		Principal activity
		2017	2016	2017	2016	
Jiangmen Yinghuiwan Estate Co., Ltd. ("Jiangmen Yinghuiwan") (note) 江門映輝灣房地產有限公司	PRC	10%	—	20%	—	Property development
Guangdong Hongtaiguotong Estate Co., Ltd. ("Guangdong Hongtaiguotong") (note) 廣東宏泰國通地產有限公司	PRC	10%	—	33%	—	Property development
Guangdong Guosha Estate Co., Ltd. ("Guangdong Guosha") (note) 廣東國廈地產有限公司	PRC	10%	—	33%	—	Property development
Tianjin Tianfurongsheng Real Estate Development Co., Ltd. ("Tianjin Tianfurongsheng") (note) 天津天富融盛房地產開發有限公司	PRC	10%	—	33%	—	Property development

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

20. INTEREST IN ASSOCIATES (continued)

Name of entity	Place of establishment and operation	Proportion of ownership interest by the Group		Proportion of voting rights held by the Group		Principal activity
		2017	2016	2017	2016	
Sanya Jingheng Properties Co., Ltd. ("Sanya Jingheng") (note) 三亞景恒置業有限公司	PRC	10%	—	33%	—	Property development
Handan Guoxia Real Estate Development Co., Ltd. ("Handan Guoxia") (note) 邯鄲市國夏房地產開發有限公司	PRC	10%	—	33%	—	Property development
Chongqing Guosha Estate Development Co., Ltd. ("Chongqing Guosha") (note) 重慶國廈房地產開發有限公司	PRC	10%	—	33%	—	Property development
Beijing Ruida Properties Co., Ltd. ("Ruida Zhiye") 北京銳達置業有限公司	PRC	35%	—	35%	—	Property development

Note: The board of directors of Jiangmen Yinghuiwan compose of five directors, among which the Group has the right to appoint one out of five directors in it. Other than Jiangmen Yinghuiwan, the board of directors of each entity compose of three directors, among which the Group has the right to appoint one director in the board. Resolutions in the board of directors meetings of these entities are passed by majority votes. Thus in the opinion of the directors, the Group has significant influence in these entities and accounted for as associates in the consolidated financial statements.

Aggregate information of associates that are not individually material

	Period from August 31, 2017 to December 31, 2017 RMB'000
The Group's share of loss and total comprehensive expense	(6,014)
Aggregate carrying amount of the Group's interests in these associates	269,246

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

21. AVAILABLE-FOR-SALE INVESTMENTS

	At December 31,	
	2017 RMB'000	2016 RMB'000
Unlisted equity investments, at cost:		
Equity securities (note)	165,192	165,192

Note:

The available-for-sale investments comprises 1.23% equity interest in Bohai Life Ltd (渤海人壽保險股份有限公司), a private entity established in the PRC which is engaged in insurance business, and 10% equity interest in Yongqing Jiyin Rural Bank Co., Ltd (永清吉銀村鎮銀行股份有限公司), a private entity established in the PRC which is engaged in banking operation.

The available-for-sale investments are subsequently measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

22. PREPAID LEASE PAYMENTS

	At December 31,	
	2017 RMB'000	2016 RMB'000
Prepaid lease payments	287,473	293,508
Analysed for reporting purposes as:		
Non-current	281,438	287,473
Current (included in trade and other receivables, deposits and prepayments)	6,035	6,035
	287,473	293,508

Prepaid lease payment represents land use right in the PRC.

As at December 31, 2017, the Group had pledged the land use rights of approximately RMB286,638,000 (2016: RMB2,121,000) to secure bank and other borrowings granted to the Group as set out in Note 44.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

23. DEFERRED TAXATION

The following are the major deferred tax assets (liabilities) recognized and movements thereon during the reporting period:

	Tax losses RMB'000	Temporary differences on sale deposits received RMB'000	LAT RMB'000	Fair value gain on properties RMB'000	Others RMB'000 (note)	Total RMB'000
At January 1, 2016	50,295	55,330	151,293	(2,000,749)	916	(1,742,915)
Credited (charged) to profit or loss	15,011	67,103	58,325	(218,929)	460	(78,030)
Acquisition of a subsidiary	—	—	—	—	236	236
At December 31, 2016	65,306	122,433	209,618	(2,219,678)	1,612	(1,820,709)
Credited (charged) to profit or loss	24,855	(39,674)	152,060	(258,313)	1,828	(119,244)
Charged to other comprehensive income	—	—	—	(81,237)	—	(81,237)
At December 31, 2017	90,161	82,759	361,678	(2,559,228)	3,440	(2,021,190)

Note: The "others" mainly relates to temporary differences on allowance for doubtful debts on trade receivables and exceeding advertising fee.

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for the financial reporting purpose:

	At December 31,	
	2017 RMB'000	2016 RMB'000
Deferred tax assets	404,235	290,533
Deferred tax liabilities	(2,425,425)	(2,111,242)
	(2,021,190)	(1,820,709)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

23. DEFERRED TAXATION (continued)

No deferred taxation asset has been recognized in respect of the following unutilized tax losses due to the unpredictability of future profit streams, estimated at the end of the reporting period. The unrecognized tax losses will expire in the following years:

At December 31,	
2017 RMB'000	2016 RMB'000
To be expired on:	
December 31, 2017	899
December 31, 2018	2,179
December 31, 2019	55,594
December 31, 2020	37,827
December 31, 2021	41,436
December 31, 2022	—
Total unused tax losses not recognized as deferred tax assets	137,935

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

24. DEPOSITS PAID FOR LAND ACQUISITION

The amounts represent deposits paid for public tenders, auctions or listing-for-bidding of land use rights in the PRC for the purpose of development for sale.

25. PROPERTIES UNDER DEVELOPMENT

The properties under development are located in the PRC.

As at December 31, 2017, certain of the Group's properties under development with a carrying amount of approximately RMB14,215,345,000 (2016: RMB12,318,147,000) was pledged to secure bank and other borrowings granted to the Group as set out in Note 44.

In the opinion of the directors of the Company, properties under development with carrying amount of approximately RMB11,080,121,000 (2016: RMB15,263,371,000) as at December 31, 2017 are expected to be completed and realized after twelve months from the end of the reporting period.

As at December 31, 2017, the Group was in the process of obtaining the certificates of land use rights of RMB1,625,970,000 (2016: RMB287,164,000) from the relevant authorities.

26. JOINT OPERATION

On September 1, 2009, Glory Xingye (Beijing) Real Estate Co., Ltd 北京國瑞興業地產股份有限公司 ("Original Beijing Glory") entered into an agreement with an independent third party (the "Project Partner") in respect of a joint development project of Qinian Street Rebuild Primary Land Development Project in the PRC (the "Qinian Street Project").

Pursuant to the agreement, Original Beijing Glory and the Project Partner set up an operation committee to exercise joint control and manage the project together. The two parties contribute the funding, share revenue and bear costs equally.

The amount included in the consolidated financial statements arising from the joint operation is as follows:

	Year ended December 31,	
	2017 RMB'000	2016 RMB'000
Analysis of profit or loss		
Revenue	75,095	137,616
Cost of sales and services	(73,931)	(134,539)
Profit before tax	1,164	3,077

The details of the assets and liabilities arising from the joint operation are set out in Notes 29 and 36 respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

27. PROPERTIES HELD FOR SALE

The Group's properties held for sale are stated at the lower of cost and net realizable value and situated in the PRC. In the opinion of the directors of the Company, properties held for sale of approximately RMB254,594,000 (2016: RMB23,057,000) as at December 31, 2017 are expected to be sold after twelve months from the end of the reporting period.

As at December 31, 2017, properties held for sale of approximately RMB1,203,340,000 (2016: RMB1,880,084,000) were pledged to secure bank and other borrowings granted to the Group as set out in Note 44.

28. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Trade receivables mainly comprise of rental receivables and receivables for sales of properties. Pursuant to the lease agreements, rental payment is required to be settled in advance with no credit period being granted to the tenants. In respect of sales of properties, a credit period of six to twelve months may be granted to specific customers on a case-by-case basis.

	At December 31,	
	2017 RMB'000	2016 RMB'000
Trade receivables, net of allowance	480,394	185,849
Advances to contractors and suppliers	274,537	376,959
Other receivables from independent third parties (note)	17,261	17,261
Other receivables and prepayment, net of allowance	183,746	152,430
Prepaid lease payment - current portion	6,035	6,035
Deposits	120,973	64,943
	1,082,946	803,477

Note: Other receivables from independent third parties are of non-trade nature, unsecured, interest free and repayable on demand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

28. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (continued)

The following is an aging analysis of trade receivables based on the date of recognition of revenue at the end of the reporting period:

	At December 31,	
	2017 RMB'000	2016 RMB'000
0 to 60 days	281,666	28,168
61 to 180 days	66,121	12,623
181 to 365 days	59,737	26,890
1-2 years	21,715	94,541
Over 2 years	51,155	23,627
	480,394	185,849

Trade receivables with an amount of approximately RMB59,743,000 (2016: RMB102,184,000) as at December 31, 2017, were overdue receivables but not impaired at the end of each of the reporting period. The Group does not hold any collateral over these balances. The following is an aging analysis of overdue receivables based on due date.

	At December 31,	
	2017 RMB'000	2016 RMB'000
Less than 1 year	25,756	94,065
1-2 years	27,669	2,864
Over 2 years	6,318	5,255
	59,743	102,184

In determining the recoverability of trade receivables, the Group considers any change in the credit quality of the trade receivables from the date credit was initially granted up to the end of the reporting period.

All the receivables that are neither past due nor impaired are due from customers with good settlement history.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

28. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (continued)

Movements in the allowance for doubtful debts on trade receivables are set out as follows:

	Year ended December 31,	
	2017 RMB'000	2016 RMB'000
Balance at the beginning of the year	3,027	3,651
Reversed during the year	—	(624)
Balance at the end of the year	3,027	3,027

Included in allowance for doubtful debts are trade receivables individually impaired which are due from debtors under financial difficulties. In addition, the Group assessed impairment on a collective basis. No further allowance for doubtful debts was recognized.

29. AMOUNTS DUE FROM CUSTOMERS FOR CONTRACT WORK

	At December 31,	
	2017 RMB'000	2016 RMB'000
Contract in progress		
Construction costs incurred plus recognized profits	1,991,139	1,913,512
Less: progress billings	(800,000)	(550,000)
	1,191,139	1,363,512

Contract in progress represents the Group's interest in the Qinian Street Project, which is recognized through a joint operation. Details are set out in Note 26.

In the opinion of the directors of the Company, amounts due from customers for contract work amounting to RMB1,191,139,000 as at December 31, 2017 (2016: RMB1,363,512,000) are expected to be settled after twelve months from the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

30. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	At December 31,	
	2017 RMB'000	2016 RMB'000
Funds	97	97
	97	97

31. RESTRICTED BANK DEPOSITS

	At December 31,	
	2017 RMB'000	2016 RMB'000
Deposits pledged for banking facilities (note a)	224,995	10,146
Restricted bank deposits (note b)	303,312	104,559
Deposits pledged for mortgage loans granted to customers (note c)	198,174	171,961
	726,481	286,666
Analysed for reporting purposes as:		
Non-current (note d)	105,720	135,167
Current	620,761	151,499
	726,481	286,666

Notes:

- (a) The amounts represent bank deposits denominated in RMB pledged to banks as security for certain banking facilities granted to the Group and disclosed in Note 44.
- (b) The amounts include bank deposits, subject to the banks' approval, that are restricted for payments of construction works of the specified development projects as set out in the relevant loan agreements.
- (c) The amounts represent bank deposits pledged to banks as security for certain mortgage loans granted by the banks to the Group's customers. The pledged bank deposits will be released upon receiving the building ownership certificate of the respective properties by the banks from the customers as security of the mortgage loans granted.
- (d) Deposits pledged as security for mortgage loans of the Group's customers that are not expected to be released within twelve months after the end of the reporting period are classified as non-current assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

31. RESTRICTED BANK DEPOSITS (continued)

The bank deposits carry prevailing market interest rates as follows:

	At December 31,	
	2017	2016
Range of interest rate per annum	0.30%	0.30%~0.42%

32. CASH AND BANK BALANCES

	At December 31,	
	2017 RMB'000	2016 RMB'000
Cash and bank balances	1,591,506	1,234,250

Cash and cash equivalents comprise cash and bank balances held by the Group.

The bank balances carry interest rates as follows:

	At December 31,	
	2017	2016
Range of interest rate per annum	0.30%~0.38%	0.30%~0.46%

Cash and bank balances as at December 31, 2017 were denominated in RMB and HK\$, and RMB is not a freely convertible currency in the international market. The exchange rate of RMB is determined by the government of the PRC and the remittance of these funds out of the PRC is subject to exchange restrictions imposed by the government of the PRC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

33. TRADE AND OTHER PAYABLES

	At December 31,	
	2017 RMB'000	2016 RMB'000
Trade payable	4,099,193	3,943,878
Deposits received	431,967	622,806
Rental received in advance	49,361	26,696
Payable for acquisition of subsidiaries (note a)	—	786,868
Accrued payroll	56,076	45,833
Business and other tax payable	386,111	243,709
Other payables and accruals	637,398	437,317
Dividends	15,000	—
	5,675,106	6,107,107
Analyzed for reporting purposes as:		
Non-current (note b)	89,393	77,794
Current	5,585,713	6,029,313
	5,675,106	6,107,107

Notes:

- (a) The remaining balance as at December 31, 2016 comprised the outstanding balance of consideration amounted to RMB750,868,000 for the acquisition of equity interests in Qidong Yujiangwan during 2016 and the outstanding balance of consideration amounted RMB36,000,000 in relation to the equity interests in Shaanxi Huawei Shida Industrial Co., Ltd. 陝西華威世達實業有限公司 ("Shaanxi Huawei") acquired in 2013. These amounts were unsecured, interest free and repayable on demand.

During 2017, consideration amounted to RMB36,000,000 for the acquisition of Shaanxi Huawei and consideration amounted to RMB563,150,000 for the acquisition of Qidong Yujiangwan was paid and the remaining consideration payable amounted to RMB187,718,000 in respect of acquisition of Qidong Yujiangwan was settled as detailed in Note 42.

- (b) Pursuant to the relevant agreements, rental deposits of approximately RMB89,393,000 (2016: RMB77,794,000) as at December 31, 2017 are to be settled after twelve months from the end of the reporting period and is therefore classified as non-current liability.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

33. TRADE AND OTHER PAYABLES (continued)

Trade payables comprise construction costs payable and other project-related expenses payable. The average credit period of trade payable is 180 days.

The following is an aging analysis of trade payables based on invoice date at the end of the reporting period:

	At December 31,	
	2017 RMB'000	2016 RMB'000
0 to 60 days	2,196,999	2,551,084
61-365 days	458,745	478,604
1-2 years	975,541	772,986
Over 2 years	467,908	141,204
	4,099,193	3,943,878

34. DEPOSITS RECEIVED FROM SALE OF PROPERTIES

In the opinion of the directors of the Company, no deposits received from sale of properties as at December 31, 2017 (2016: Nil) are expected to be recognized as revenue after twelve months from the end of the reporting period.

35. TAXATION PAYABLE

	At December 31,	
	2017 RMB'000	2016 RMB'000
LAT payable	1,489,095	900,312
Income tax payable	1,003,091	994,163
	2,492,186	1,894,475

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36. BANK AND OTHER BORROWINGS

	At December 31,	
	2017 RMB'000	2016 RMB'000
Bank loans, secured	19,517,064	15,607,867
Other loans, secured	4,710,000	300,000
	24,227,064	15,907,867
The borrowings are due to be repayable:		
On demand	100,000	1,071,200
Within one year	11,525,399	1,806,289
More than one year, but not exceeding two years	6,427,891	11,071,080
More than two years, but not exceeding five years	3,185,080	1,521,298
More than five years	2,988,694	438,000
	24,227,064	15,907,867
Less: Amount due within one year shown under current liabilities	(11,625,399)	(2,877,489)
Amount shown under non-current liabilities	12,601,665	13,030,378

The Group's bank and other borrowings are all denominated in RMB. Details of assets that have been pledged to secure bank and other borrowings are set out in Note 44.

The directors of the Company consider that the carrying amounts of borrowings and related interest payable amounting to RMB48,915,000 (December 31, 2016: RMB32,166,000) as at December 31, 2017 recognized in the consolidated financial statements approximate to their fair value.

Bank loans

Borrowings include approximately RMB8,399,086,000 (2016: RMB6,878,889,000) variable rate borrowings which carry effective interest ranging from 2.58% to 6.50% (2016: 2.46% to 6.65%) per annum during the year ended December 31, 2017 and exposed the Group to cash flow interest rate risk. The remaining borrowings are arranged at fixed rate, the effective interest rate was 5.90% to 8.75% (2016: 5.90% to 10.00%) per annum during the year ended December 31, 2017, and exposed the Group to fair value interest rate risk.

As at December 31, 2017, bank borrowings amounting to RMB364,000,000 (2016: RMB388,000,000) are specific borrowings for the Qinian Street Project as set out in Note 26.

36. BANK AND OTHER BORROWINGS (continued)

Bank loans (continued)

As at December 31, 2016, in respect of several bank loans with an aggregate carrying amount of RMB1,071,200,000, the Group breached certain covenants of the bank loans, which are primarily related to the debt-equity ratio. On discovery of the breaches, the directors of the Company informed the lenders and commenced a renegotiation of the terms of the loans with the relevant bankers. Among these bank loans that breached loan covenants, bank borrowings amounting to RMB756,200,000 were early repaid by the Group in the current year. During the year ended December 31, 2017, loans amounting to RMB100,000,000 breached certain loan covenants and were also under renegotiation between the Group and relevant bankers. As at December 31, 2017, these negotiations have not been concluded and waivers from the lenders for their rights to demand immediate payment have not been obtained as at the end of the reporting period. Accordingly, the loans are repayable on demand and have been classified as current liabilities as at December 31, 2017. Up to the date of approval for issuance of these consolidated financial statements, the negotiations are still in progress. The directors of the Company are confident that their negotiations with the lenders will ultimately reach a successful conclusion. In any event, should the lenders call for immediate repayment of the loans, the directors of the Company believe that adequate alternative sources of finance are available to ensure that there is no threat to the continuing operations of the Group.

Included in the bank loans, the following loans were borrowed through the entrusted bank loans:

(i) Original Beijing Glory

On October 27, 2016, Original Beijing Glory borrowed a loan of RMB1,400,000,000 with a fixed interest rate at 7% per annum from Shanghai Haitong Securities Management Co., Ltd through the entrusted loan of Ziyang Minsheng Rural Banking. The loan is guaranteed by Shantou Garden Group Co., Ltd. 汕頭花園集團有限公司 (“Garden Group”) and secured by the investment property held by Original Beijing Glory. The loan will be due for repayment on October 19, 2018.

On October 27, 2017, Original Beijing Glory borrowed a loan of RMB1,200,000,000 with a fixed interest rate at 6.05% per annum from Bank of Beijing Co., Ltd through the entrusted loan of Beijing Branch of Bank of Beijing Co., Ltd. The loan is guaranteed by Guorui Properties Limited, Garden Group, Mr. Zhang Zhangsun and secured by the investment properties held by Original Beijing Glory. The loan will be due for repayment every half year from April 2019 to October 2032.

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For the year ended December 31, 2017

36. BANK AND OTHER BORROWINGS (continued)

Bank loans (continued)

(ii) Glory Xingye (Beijing) Investment Co., Ltd 國瑞興業(北京)投資有限公司 (“Glory Investment”) and Beijing Wenhushengda Real Estate Development Co., Ltd 北京文華盛達房地產開發有限公司 (“Beijing Wenhushengda”)

In December 2015, Glory Investment and Beijing Wenhushengda borrowed loans of RMB1,072,002,000 and RMB837,522,000 respectively from Bosera Capital Management Co., Ltd through the entrusted loan of China Bohai Bank Beijing Branch. The loans are secured by 100% equity interest of Glory Investment and Beijing Wenhushengda, and are guaranteed by Original Beijing Glory, Garden Group, Mr. Zhang Zhangsun and Ms. Ruan Wenjuan. Both loans carried a fixed interest at 6.5% per annum. The loan of RMB1,072,002,000 will be due for repayment on December 21, 2018. Part of the loan borrowed by Beijing Wenhushengda amounted to RMB37,522,000 was repaid in 2015, and the remaining balance of RMB800,000,000 will be due for repayment on December 21, 2018.

In 2016, Glory Investment and Beijing Wenhushengda further borrowed loans of RMB627,998,000 and RMB550,478,000 respectively from Bosera Capital Management Co., Ltd through the entrusted loan of China Bohai Bank Beijing Branch. Both loans carried a fixed interest at 6.5% per annum. For Glory Investment, loan amount of RMB400,000,000 will be due for repayment on January 4, 2018, and remaining balance of RMB227,998,000 will be due for repayment on January 4, 2019. For Beijing Wenhushengda, loan amount of RMB462,478,000 will be due for repayment on January 4, 2018, and the remaining balance of RMB88,000,000 will be due for repayment on December 21, 2018.

In 2017, Glory Investment further borrowed loans of RMB180,000,000 with a fixed interest rate at 6.5% per annum from Bosera Capital Management Co., Ltd through the entrusted loan of China Bohai Bank Beijing Branch. The total balance will be due for repayment on January 11, 2019.

(iii) Shenzhen Glory Read Estate Co. Ltd. 深圳國瑞興業房地產有限公司 (“Shenzhen Glory Xingye”)

In November 2015, Shenzhen Glory Xingye borrowed a loan of RMB300,000,000 from Great Wall Capital Co., Ltd through the entrusted loan of Guangdong Huaxing Bank Shenzhen Branch. The loan carried a fixed interest at 10% per annum, and was secured by 75% of equity interest as well as investment properties of Shenzhen Wanji, a subsidiary of Shenzhen Glory Xingye. Besides the security, the loan was also guaranteed by Garden Group and Mr. Zhang Zhangsun and Ms. Ruan Wenjuan. The loan was repaid during the current year.

36. BANK AND OTHER BORROWINGS (continued)**Bank loans (continued)****(iv) Foshan Glory Southern Real Estate Development Co., Ltd 佛山市國瑞南方地產開發有限公司 (“Foshan Glory Southern”)**

On July 28, 2016, Foshan Glory Southern borrowed a loan of RMB670,000,000 from Shanghai Zhihua Investment Center (Limited Partnership) through the entrusted loan of Bank of China Foshan Branch. The loan carries a fixed interest at 5.9% per annum, and is secured by 100% equity interest and properties under development of Foshan Glory Southern. Besides the security, the loan is also guaranteed by Garden Group, Foshan Glory Xingye Real Estate Co., Ltd 佛山市國瑞興業地產有限公司 (“Foshan Glory”) and Mr. Zhang Zhangsun. The loan will be due for repayment on July 27, 2018.

(v) Suzhou Glory Real Estate Co., Ltd. 蘇州國瑞地產有限公司 (“Suzhou Glory”)

In May 16, 2016, Suzhou Glory borrowed a loan of RMB2,500,000,000 from Southern Capital Management Co., Ltd through the entrusted loan of Bank of Jiangsu Suzhou Wuzhong Branch. The loan carries a fixed interest at 8.0% per annum, and is secured 100% equity interest of Suzhou Glory as well as properties under development of Suzhou Glory. Besides the security, the loan is also guaranteed by New Beijing Glory, Garden Group, Mr. Zhang Zhangsun and Ms. Ruan Wenjuan. Part of the loan amounted to RMB250,000,000 was repaid during the current year, and the remaining balance will be due for repayment on May 15, 2018.

(vi) Foshan Guohua Properties Co., Ltd. 佛山國華置業有限公司 (“Foshan Guohua”)

On May 26, 2017, Foshan Guohua borrowed a loan of RMB1,650,000,000 from Essence securities Co., Ltd through the entrusted loan of Bank of Tianjin Beijing Branch. The loan carries a fixed interest at 7.15% per annum, and is secured by 100% equity interest of Foshan Guohua. Besides the security, the loan is also guaranteed by Garden Group, Guorui Properties Limited, Mr. Zhang Zhangsun, and Mrs Ruan Wenjuan. Part of the loan amounted to RMB400,000,000 will be due for repayment on May 25, 2019, and the remaining balance will be due for repayment on May 25, 2020.

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36. BANK AND OTHER BORROWINGS (continued)

Other loans

(i) Shenyang Dadongfang Properties Co., Ltd. 瀋陽大東方置業有限公司 (“Shenyang Dadongfang”)

In December 2015, a trust loan of RMB300,000,000 was borrowed from SDIC Taikang Trust Co., Ltd. by Shenyang Dadongfang. The loan is secured by certain properties under development and properties held for sale of the Group. The loan carries fixed interests at 8.3% per annum in the first year and 9.8% per annum in the second year, respectively. The loan was fully repaid on December 29, 2017.

(ii) New Beijing Glory

In February 2017, New Beijing Glory entered into a trust loan agreement with China Minsheng Trust Co., Ltd. in which the total credit facility granted is RMB1,000,000,000. The loan is secured by certain land use rights and properties under development of Shenyang Dadongfang, Qidong Yujiangwan and Yao Ji (Nantong) Industrial Co., Ltd. (姚記(南通)實業有限公司) (“Yaoji Nantong”), and secured by 100% equity interest of Qidong Yujiangwan Co., Ltd. Besides the security, the loan is also guaranteed by Garden Group and Mr. Zhang Zhangsun. The loan carries fixed interest at 7% per annum. Part of the loan amounted to RMB300,000,000 will be due for repayment in February 2018, and part of the loan amounted to RMB200,000,000 will be due for repayment in August 2018, and the remaining balance will be due for repayment in February 2019.

(iii) Suzhou Glory

In April 2017, Suzhou Glory entered into a trust loan agreement with Jiangsu International Trust Co., Ltd. in which the total credit facility granted is RMB800,000,000. The loan is secured by land use rights in properties under development of Suzhou Glory. The loan is also guaranteed by Garden Group, Mr. Zhang Zhangsun and Ms. Ruan Wenjuan. Suzhou Glory has drawn down the loan amounts of RMB400,000,000 during 2017. The loan carries the higher of variable interest at 36.84% above benchmark loan rate quoted by the People’s Bank of China or 6.5% per annum. Part of the loan amounted to RMB50,000,000 was repaid during the current year, and the loan will be due for repayment in October, 2019.

(iv) Beijing Deheng Real Estate Development Co., Ltd 北京國瑞德恒房地產開發有限公司 (“Beijing Deheng”)

In July 2017, Beijing Deheng entered into a trust loan agreement with Chongqing International Trust Inc. in which the total credit facility granted is RMB2,280,000,000. The loan is secured by land use rights in properties under development and 100% equity interest of Beijing Deheng. Besides the security, the loan is also guaranteed by Garden Group and Beijing Deheng. The loan carries fixed interest at 8% per annum. The Company has drawn down the full amount of the loan during the current year, and the total balance will be due for repayment in July, 2019.

36. BANK AND OTHER BORROWINGS (continued)

Other loans (continued)

(v) **Langfang Guoxing Real Estate Development Co., Ltd 廊坊國興房地產開發有限公司 (“Langfang Guoxing”)**

In August 2017, Langfang Guoxing entered into a trust loan agreement with China Credit Trust Co., Ltd. in which the total credit facility granted is RMB2,340,000,000. The loan is secured by land use rights in properties under development and 100% equity interest of Langfang Glory Real Estate Development Co., Ltd. 廊坊國瑞房地產開發有限公司 (“Langfang Glory”). Besides the security, the loan is also guaranteed by Garden Group and Langfang Glory. The first loan of RMB1,080,000,000 was drawn down during the current year, and will be due for repayment within 24 months. Pursuant to the terms in the trust loan agreement, the loans carry fixed interest at 8.25% or 8.75% per annum, depend on the drawn down dates of the loans.

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37. CORPORATE BONDS

Corporate bonds

On November 11, 2015, Garden Group has issued its first tranche of domestic corporate bonds to the public in the PRC ("First Tranche Issue") with a principal amount of RMB2,000,000,000, bearing interest at the coupon rate of 7.25% per annum paid annually, and has a term of 5 years. On December 22, 2015, Garden Group has issued the second tranche of domestic corporate bonds to the public in the PRC ("Second Tranche Issue") with a principal amount of RMB1,000,000,000, bearing interest at the coupon rate of 7.47% per annum, paid annually, and has a term of 5 years. The Group is entitled to adjust or not adjust the coupon rate at the end of the third year with the right of redemption exercisable by the holders. The corporate bonds of First Tranche Issue and Second Tranche Issue are collectively referred as "2015 Corporate Bonds".

On September 22, 2016, Garden Group has issued its first tranche of domestic corporate bonds through non-public offering in the PRC ("First Tranche Non-public Issue") with a principal amount of RMB1,000,000,000, bearing interest at the coupon rate of 5.3% per annum paid annually, and has a term of 5 years. The Group is entitled to adjust the coupon rate at the end of the third year with the right of redemption exercisable by the holders. The non-public offering corporate bonds of 2016 are referred as "2016 Corporate Bonds". The 2016 Corporate Bonds are secured by certain investment properties of the Group.

According to the terms and conditions of the 2015 and 2016 Corporate Bonds, Garden Group has the right to adjust and not adjust the coupon rate for the fourth and fifth year at the end of the third year, by giving a 30-day notice to the bondholder before November 10 and December 21, 2018 and September 21, 2019 for the First Tranche Issue and the Second Tranche Issue of 2015 Corporate Bonds and the First Tranche Non-public Issue of 2016 Corporate Bonds, respectively. At the same time, the bondholder may at its option require Garden Group to redeem the bond at a redemption price equal to 100% of the principal plus accrued and unpaid interest to such redemption date. The remaining bond will be subject to the adjusted interest rate until the maturity date. The effective interest rate of the First Tranche Issue and Second Tranche Issue of 2015 Corporate Bonds is approximately 7.61% and 7.64% per annum, and the effective interest rate of the First Tranche Non-public Issue of 2016 Corporate Bonds is approximately 5.47% per annum after the adjustment for transaction costs.

2015 Corporate Bonds are subject to the redemption at the option of the bondholders in 2018 and they have been classified as current liabilities as at December 31, 2017.

The directors of the Company consider that the carrying amounts of corporate bonds and related interest payable amounting to RMB35,402,000 (December 31, 2016: RMB35,401,000) as at December 31, 2017 recognized in the consolidated financial statements approximate to their fair value.

38. SENIOR NOTES

On March 21, 2017, the Company issued senior notes with an aggregate nominal value of United States dollars ("US\$") 300,000,000 ("2017 Senior Notes") at face value. The 2017 Senior Notes bear interest from March 21, 2017 at 7.00% per annum payable semi-annually in arrears on March 21 and September 21 of each year, commencing September 21, 2017. The 2017 Senior Notes will mature on March 21, 2020. The effective interest rate is approximately 7.82% per annum after the adjustment for transaction costs. The 2017 Senior Notes are listed on the Hong Kong Exchange Securities Trading Limited.

According to the terms and conditions of the 2017 Senior Notes, the Company may at its option to redeem the 2017 Senior Notes in the following circumstances: (1) On 21 March, 2019, the Company may redeem the 2017 Senior Notes, in whole and not in part, at the redemption price equal to 100% of the principal amount of the 2017 Senior Notes redeemed plus accrued and unpaid interest, if any, on the 2017 Senior Notes redeemed, to (but not including) the date of redemption. (2) At any time prior to March 21, 2019, the Company may redeem the 2017 Senior Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the redeemed 2017 Senior Notes plus the applicable premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date. Applicable premium means with respect to 2017 Senior Notes at any redemption date, the greater of (i) 1.00% of the principal amount of such notes and (ii) the excess of (A) the present value at such redemption date of the principal amount of such notes on March 21, 2019, plus all required remaining scheduled interest payments due on such notes through March 21, 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 notes on such redemption date. (3) At any time and from time to time prior to March 21, 2020, the Company may redeem up to 35% of the aggregate principal amount of the 2017 Senior 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 107.00% of the principal amount of the 2017 Senior 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 2017 Senior Notes originally issued on the original issue date remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related equity offering.

The holders of 2017 Senior Notes have the right, at their option, to require the Company to repurchase for cash all of their 2017 Senior Notes, or any portion of the principal thereof that is equal to US\$200,000 or an integral multiple of US\$1,000 in excess thereof, on March 21, 2019 at the repurchase price equal to 100% of the principal amount of 2017 Senior Notes to be repurchased, plus accrued and unpaid interest to, but excluding, March 21, 2019.

The directors of the Company consider that the fair value of the above early redemption options was insignificant on initial recognition and at December 31, 2017.

The carrying amount of 2017 Senior Notes is amounting to RMB1,940,948,000 and related interest payable is amounting to RMB37,660,000 as at December 31, 2017. The fair value of 2017 Senior Notes at December 31, 2017 is approximately RMB1,941,461,000 based on quoted market price and classified as level 1 of fair value hierarchy.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

39. SHARE CAPITAL

	Number of shares	Share capital HK\$	Equivalent to RMB'000
Ordinary shares of HK\$0.001 each			
Authorised:			
At January 1, 2016, December 31, 2016 and 2017	10,000,000,000	10,000,000	
Issued and fully paid:			
At January 1, 2016	4,433,814,997	4,433,815	3,511
Exercise of share options (Note 41)	3,179,318	3,179	2
At December 31, 2016	4,436,994,315	4,436,994	3,513
Exercise of share options (Note 41)	6,352,671	6,353	6
At December 31, 2017	4,443,346,986	4,443,347	3,519

During the year ended December 31, 2017, share options to subscribe for 6,352,671 (2016: 3,179,318) ordinary shares with par value of HK\$0.001 each were exercised at HK\$1.428 (2016: HK\$1.428) per share.

40. RETIREMENT BENEFIT PLANS

According to the relevant laws and regulations in the PRC, the Company's PRC subsidiaries are required to participate in a defined contribution retirement scheme administrated by the local municipal government. The group entities in the PRC contribute funds which are calculated on a certain percentage range from 12% to 20% of the average employee salary as agreed by local municipal government to the scheme to fund the retirement benefits of the employees. The principal obligation of the Group with respect to the retirement benefit scheme is to make the required contributions under the scheme. The total cost charged to profit or loss for the year ended December 31, 2017 amounted to RMB24,280,000 (2016: RMB21,482,000), represent contributions paid or payable to the scheme by the Group.

41. SHARE-BASED PAYMENT TRANSACTIONS

i. Share award scheme

Pursuant to the share award scheme adopted by the Company on June 5, 2014 (the “Share Award Scheme”), a total of four employees were awarded in aggregate 33,617,700 shares of the Company on June 16, 2014. The awarded shares will vest in three equal tranches on the first, second and third anniversary of the date on which the Company’s shares are listed on the Stock Exchange (the “Listing Date”), respectively. 33.33% of the Awarded Shares were vested during the year ended December 31, 2017 (2016: 33.33%).

The weighted average fair value of the shares granted under the Share Award Scheme at June 16, 2014 was RMB56,242,000, which was determined using Monte Carlo simulation model. The significant inputs into the model were estimated fair value of these unlisted shares at the grant date, expected dividend pay-out rate, annual risk-free rate and volatility rate. The volatility is measured based on past year’s historical price volatility of similar companies.

The Group recognized an expense of RMB2,841,000 (2016: RMB10,500,000) for the year ended December 31, 2017 in relation to shares awarded by the Company.

The shares awarded by the Company will be settled with the existing shares held by a trust company on behalf of the Company. During the year ended December 31, 2017, 11,205,908 (2016: 11,205,896) shares had been vested to the employees.

The following table discloses movements of the awarded shares during both years:

	Outstanding at January 1, 2017	Vested during the year	Outstanding at December 31, 2017
Awarded shares	11,205,908	(11,205,908)	—
	Outstanding at January 1, 2016	Vested during the year	Outstanding at December 31, 2016
Awarded shares	22,411,804	(11,205,896)	11,205,908

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

41. SHARE-BASED PAYMENT TRANSACTIONS (continued)

ii. Share Option Scheme

Pre-IPO Share Option Scheme

Pursuant to the pre-IPO share option scheme adopted by the Company on June 5, 2014 (the “Pre-IPO Share Option Scheme”), the Company granted to 54 employees options to subscribe for an aggregate of 67,076,800 shares of the Company on June 16, 2014 (the “Pre-IPO Share Option”).

All options under the Pre-IPO Share Option Scheme were granted on June 16, 2014 and no further options will be granted under the Pre-IPO Share Option Scheme prior to the Listing Date. No additional performance target or condition applies to the outstanding options granted under the Pre-IPO Share Option Scheme. The exercise price for any option granted under the Pre-IPO Share Option Scheme shall be 60% of the offer price. The share options granted will vest in three equal tranches on the first, second and third anniversary of the Listing Date, respectively. All share options will be expired after 7 years since the grant date.

The vesting period of the Pre-IPO Share Options is as follows:

33.33%: from the date of grant to July 7, 2015

33.33%: from the date of grant to July 7, 2016

33.34%: from the date of grant to July 7, 2017

Post-IPO Share Option Scheme

The Company adopted the post-IPO share option scheme on June 5, 2014 (the “Post-IPO Share Option Scheme”) to enable the Company to grant options to any director (including the independent non-executive directors), full-time employee and consultant of the Group or any other eligible person who, in the Board’s sole discretion, has contributed or will contribute to the Group (the “Eligible Participants”). The purpose of the Post-IPO Share Option Scheme is to encourage the Eligible Participants to contribute to the Group for the long-term benefits of the Company and its shareholders as a whole.

Pursuant to the Post-IPO Share Option Scheme, the Company offered to 137 employees options to subscribe for an aggregate of 98,000,000 shares of the Company. The first tranche of 49,000,000 shares options were granted on October 27, 2015 and were forfeited during the year ended December 31, 2015 because of failure to satisfy the performance conditions. The second tranche of 49,000,000 share options were granted on March 23, 2016 (“Share Option 2016”) and were forfeited during the year ended December 31, 2016 because of failure to satisfy the performance conditions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

41. SHARE-BASED PAYMENT TRANSACTIONS (continued)

ii. Share Option Scheme (continued)

The following table discloses movements of the Company's share options held by employees and directors during the year ended December 31, 2017:

	Outstanding at January 1, 2017	Granted during the year	Exercised during the year	Forfeited during the year (Note)	Outstanding at December 31, 2017
Pre-IPO Share Option					
– Directors	10,500,000	—	—	—	10,500,000
– Other staff	50,416,483	—	(6,352,671)	(249,998)	43,813,814
	60,916,483	—	(6,352,671)	(249,998)	54,313,814
Exercisable at the end of the year					54,313,814
Weighted average exercise price (HK\$)	1.428	—	1.428	1.428	1.428

Note: The share options granted under Pre-IPO Share Option were forfeited during the year ended December 31, 2017 because the employees failed to exercise vested share options within six months after termination of employment.

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For the year ended December 31, 2017

41. SHARE-BASED PAYMENT TRANSACTIONS (continued)

ii. Share Option Scheme (continued)

	Outstanding at January 1, 2016	Granted during the year	Exercised during the year	Forfeited during the year (Note)	Outstanding at December 31, 2016
Pre-IPO Share Option					
– Directors	10,500,000	—	—	—	10,500,000
– Other staff	54,395,803	—	(3,179,318)	(800,002)	50,416,483
Share Option 2016					
– Directors	—	2,900,000	—	(2,900,000)	—
– Other staff	—	46,100,000	—	(46,100,000)	—
	64,895,803	49,000,000	(3,179,318)	(49,800,002)	60,916,483
Exercisable at the end of the year					38,957,509
Weighted average exercise price (HK\$)	1.428	3.75	1.428	3.71	1.428

Note: The share options granted under Pre-IPO Share Option were forfeited during the year ended December 31, 2016 because of resignation of the employees before vesting of the share options. Share Option 2016 were forfeited during the year ended December 31, 2016 because of failure to satisfy the performance conditions.

In respect of the share options exercised during the year, the weighted average share price at the dates of exercise is HK\$2.54 per share.

41. SHARE-BASED PAYMENT TRANSACTIONS (continued)**ii. Share Option Scheme (continued)**

The fair values of the share options granted were calculated using the binominal model. The inputs into the model were as follows:

	Share Option 2016	Pre-IPO Share Option
Date of grant	March 23, 2016	June 16, 2014
Share price at the date of grant	HK\$3.02	HK\$2.38
Exercise price of the options	HK\$3.75	HK\$1.428
Expected volatility	39.41%	42.10%
Expected life	9.6 years	7 years
Risk-free rate	1.086%	1.32%
Expected dividend yield	1.417%	4.88%
Fair value	RMB 0.6605	RMB 0.720

Expected volatility was determined by using the historical volatility of the similar companies and the Company. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. Changes in variables and assumptions may result in changes in the fair value of the options.

The Group recognized the total expense of RMB2,365,000 (2016: RMB8,953,000) for the year ended December 31, 2017 in relation to share options granted by the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

42. ACQUISITION OF SUBSIDIARIES

- (a) In November 2017, State Wealth Holdings Limited (國豐控股有限公司) ("State Wealth") a subsidiary of the Company, entered into an agreement with Chaotuan International Investment Limited (潮團國際投資有限公司) ("Chaotuan International Investment"), an independent third party, with respect to equity interests transfer of Chaotuan International Limited (潮團國際有限公司) ("Chaotuan International") and its wholly owned subsidiary Chaotuan International Trade Co., Ltd. (潮團國際商貿有限公司). According to the agreement, State Wealth will subscribe for 611,111,111 shares of Chaotuan International at a consideration of RMB610,238,000. Upon completion of the Subscription, the shares held by State Wealth and Chaotuan International Investment will be 55% and 45%, respectively. During the year ended December 31, 2017, the Group has paid subscription amounting to RMB90,000,000 and obtains control of Chaotuan International. Chaotuan International and its subsidiary have not carried on any business or operations other than holding one parcel of land. This acquisition is accounted for as an acquisition of assets and the associated liabilities.
- (b) On January 8, 2016, the Group entered into an agreement with Shantou Jinming Wujin Material Co., Ltd. (汕頭金明五金材料有限公司) ("Jinming Wujin"), a company controlled by Mr. Zhang Zhangsun, for the acquisition of 100% equity interest in Shantou Guorui Hospital Co., Ltd. (汕頭市國瑞醫院有限公司) ("Guorui Hospital") for a total cash consideration of RMB306,000,000. Guorui Hospital currently owns the land use right of a parcel of land in Shantou. Guorui Hospital has not carried on any business or operations other than holding this parcel of land. This acquisition is accounted for as an acquisition of assets and the associated liabilities.
- (c) On March 5, 2014, Shenzhen Glory Xingye, a subsidiary of the Company, entered into an equity interest transfer agreement to acquire 30% of the equity interest in Shenzhen Dachaoashan from Mr. Ma Pengfa and Shenzhen Dachao Capital Management Co., Ltd (深圳大潮資本管理有限公司) ("Shenzhen Dachao"), of which the former party transfers 10% of the equity interest while the latter party transfers 20% of the equity interest to Shenzhen Glory Xingye, for a total consideration of RMB12,000,000. Both Mr. Ma Pengfa and Shenzhen Dachao are not related to the Group. According to a share capital resolution passed on March 16, 2014, Shenzhen Glory Xingye increased its capital contribution in Shenzhen Dachaoashan by RMB24,000,000, and the equity interest ratio remains unchanged.

On July 20, 2016, Shenzhen Glory Xingye entered into agreements with Ruili Yefeng Commercial Co., Ltd (瑞麗市業豐貿易有限公司), Shenzhen Junpengxin Real Estate Co., Ltd (深圳市駿鵬鑫房地產有限公司), Shenzhen Dachao and Mr. Ma Pengfa in relation to the acquisition of the additional 45% equity interest of Shenzhen Dachaoashan. Upon completion of this equity transaction, the Group made a total payment of RMB534,596,800 and obtained control over Shenzhen Dachaoashan. This acquisition is accounted for as an acquisition of assets and the associated liabilities.

42. ACQUISITION OF SUBSIDIARIES (continued)

- (d) On September 19, 2016, New Beijing Glory entered into an agreement with the independent third parties, namely Ms. Yao Xiaoli (姚曉麗), Mr. Yao Shuobin (姚朔斌) and Mr. Yao Wenchen (姚文琛) (collectively referred as the “Vendors”) with respect to equity interests transfer of Qidong Yujiangwan and its subsidiary, Yaoji Nantong. According to the agreement, 100% equity interest in Qidong Yujiangwan and Yaoji Nantong and equity holder’s loan of approximately RMB818,639,000 were transferred to New Beijing Glory for a total cash consideration of RMB1,877,170,000. The consideration was paid by instalments. As of the end of 2016, the Group had paid 60% of the total consideration and respective 60% equity interest of Qidong Yujiangwan was transferred to the Group. The remaining 30% and 10% of the total consideration would be paid and respective equity interest would be transferred accordingly before March 31, 2017 and October 1, 2017 respectively. As the Group was obliged to settle the outstanding consideration payable and the Group was exposed to any risk or entitled to any rewards relating to 100% equity interest as equity holder of Qidong Yujiangwan and Yaoji Nantong, the acquisition was considered as a single acquisition or a linked transaction in 2016. The Group accounted for Qidong Yujiangwan and Yaoji Nantong at 100% effective interest in 2016. This acquisition was accounted for as an acquisition of assets and the associated liabilities.

During 2017, New Beijing Glory has further paid 30% of the total consideration to the Vendors. On December 21, 2017, New Beijing Glory has renegotiated and entered into a supplementary agreement with the Vendors. According to the supplementary agreement, New Beijing Glory disposed of the 10% equity interest in Qidong Yujiangwan at a consideration of RMB187,718,000 which was settled through the consideration payable to the Vendors of same amount. As at the end of the reporting period, New Beijing Glory holds 90% equity interest of Qidong Yujiangwan.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

42. ACQUISITION OF SUBSIDIARIES (continued)

The net assets of subsidiaries at the date of acquisition are as follows:

	2017 Chaotuan International RMB'000	Year ended December 31,		
		2016 Shenzhen Dachaoshan RMB'000	2016 Qidong Yujiangwan RMB'000	2016 Guorui Hospital RMB'000
Assets acquired and liabilities recognized at the date of acquisition:				
Property, plant and equipment	—	1,000	—	2,725
Properties under development	164,433	—	1,871,882	—
Prepaid lease payments	—	—	—	290,495
Deferred tax assets	—	—	—	236
Trade and other receivables	—	—	5,283	5,933
Cash and bank balances	90,015	312	5	9,821
Trade and other payables	(90,802)	(233)	—	(3,210)
Other non-current assets	—	789,448	—	—
Net assets acquired	163,646	790,527	1,877,170	306,000
Less: Non-controlling interests	(73,646)	(224,461)	—	—
Total consideration	90,000	566,066	1,877,170	306,000
Satisfied by:				
Cash	90,000	534,597	1,126,302	236,000
Deposit paid in prior year	—	—	—	70,000
Consideration payable	—	—	750,868	—
Interest in Shenzhen Dachaoshan	—	31,469	—	—
	90,000	566,066	1,877,170	306,000
Net cash inflow (outflow) arising on acquisition:				
Cash consideration	(90,000)	(534,597)	(1,126,302)	(236,000)
Bank balances and cash acquired	90,015	312	5	9,821
	15	(534,285)	(1,126,297)	(226,179)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

43. DISPOSAL OF SUBSIDIARIES

During 2016, New Beijing Glory, an 80% owned subsidiary of the Company, disposed of the entire 100% equity interest in Glory Services and its subsidiary to Shenzhen Glory Industrial, a related party controlled by Mr. Zhang Zhangsun. The gain on disposal of the subsidiary amounted to RMB283,000 were recognized as a deemed contribution from equity holder recognized directly in equity.

	Year ended December 31, 2016 RMB'000
Consideration	5,000
Analysis of assets and liabilities over which control were lost:	
Property, plant and equipment	5,745
Intangible assets	296
Trade and other receivables	18,523
Inventories	16
Cash and bank balances	17,816
Trade and other payables	(35,304)
Amounts due to related parties	(2,446)
Net assets disposed of	4,646
Gain on disposal of a subsidiary recognized in equity:	
Other receivables (note)	5,000
Net assets disposed of	(4,646)
Non-controlling interests	(71)
	283
Net cash outflow arising on disposal:	
Cash consideration	—
Less: bank balances and cash disposed of	17,816
	(17,816)

Note: The consideration receivable of RMB5,000,000 is unsecured, interest free and repayable on demand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

44. PLEDGE OF ASSETS

The following assets were pledged to secure certain bank and other borrowings granted to the Group at the end of each reporting period:

	At December 31,	
	2017 RMB'000	2016 RMB'000
Investment properties	16,769,654	14,824,090
Property, plant and equipment	617,349	63,245
Prepaid lease payments	286,638	2,121
Properties under development	14,215,345	12,318,147
Properties held for sale	1,203,340	1,880,084
Restricted bank deposits	224,995	10,146
	33,317,321	29,097,833

As at December 31, 2017, bank deposits of RMB198,174,000 (2016: RMB171,961,000) were pledged as security for mortgage loans of the Group's customers.

As at December 31, 2017 and 2016, 100% equity interest in Foshan Glory Southern, Glory Investment, Beijing Wenhushengda, Foshan Guohua, Shantou Glory Real Estate Development Co., Ltd. 汕頭市國瑞房地產開發有限公司 ("Shantou Glory"), Suzhou Glory, 51% equity interest in Hainan Junhe Industrial Co., Ltd. 海南駿和實業有限公司 ("Hainan Junhe"), 75% equity interest in Shenzhen Wanji and 90% equity interest in Qidong Yujiangwan were pledged to certain banks and other borrowings in the PRC.

As at December 31, 2017, 100% equity interest in Guorui Hospital, Beijing Deheng and Langfang Glory were pledged to certain banks and other borrowings in the PRC.

In addition, the Group pledged 100% equity interest in Hainan Glory Investment & Development Co., Ltd. 海南國瑞投資開發有限公司 ("Hainan Glory Investment") to Hai Kou New City Construction & Development Co., Ltd. (海口新城區開發建設有限公司) ("Hai Kou New City") in order to secure the performance obligation as at December 31, 2017 and 2016. Upon the completion of the construction contract, the pledge shall be released within 10 days.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

45. COMMITMENTS

	At December 31,	
	2017 RMB'000	2016 RMB'000
Contracted but not provided for in the consolidated financial statements:		
– Expenditure in respect of investment properties under development	258,097	310,802
– Property, plant and equipment	337,764	25,576
– Expenditure in respect of investment in a subsidiary	520,238	—
	1,116,099	336,378

In addition to the above capital commitments, the Group had contracted expenditure in respect of properties under development of RMB3,557,378,000 (2016: RMB3,569,079,000) as at December 31, 2017, which have not provided for in the consolidated financial statements.

46. CONTINGENT LIABILITIES

	At December 31,	
	2017 RMB'000	2016 RMB'000
Guarantees provided by the Group in respect of loan facilities utilized by		
– individual property buyers (note)	7,607,905	6,563,622
– corporate property buyers (note)	54,640	45,420
	7,662,545	6,609,042

Note: The Group has pledged certain bank deposits (details set out in Note 44) and provided guarantees to banks in favor of its customers in respect of the mortgage loans provided by the banks to those customers for the purchase of the Group's developed properties and under development properties. These guarantees provided by the Group to the banks will be released upon receiving the building ownership certificate of the respective properties by the banks from the customers as security of the mortgage loans granted.

In the opinion of the directors of the Company, the fair value of the financial guarantee contracts at initial recognition and subsequently at the end of each reporting period is not significant as the default rate is low.

Pursuant to the construction contract signed between Hainan Glory Real Estate Development Co., Ltd. 海南國瑞房地產開發有限公司("Hainan Glory") and Hai Kou New City on July 5, 2009, Hainan Glory pledged its 100% equity interest in Hainan Glory Investment to Hai Kou New City, the details of the pledge are disclosed in Note 44.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

47. FINANCIAL INSTRUMENTS

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to equity holders through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debts, which includes the bank and other borrowings as disclosed in Note 36, and corporate bonds and senior notes as disclosed in Notes 37 and 38, net of cash and cash equivalents, and equity attributable to owners of the Company, comprising issued share capital, retained earnings and other reserves.

The management of the Group reviews the capital structure regularly. The Group considers the cost of capital and the risks associated with each class of capital, and will balance its overall capital structure through issuance of new shares, the payment of dividends, as well as raising of bank and other loans and redemption of bank and other loans.

Categories of financial instruments

	At December 31,	
	2017 RMB'000	2016 RMB'000
<i>Financial assets</i>		
Loans and receivables (including cash and bank balances)	5,993,142	1,900,382
Available-for-sale investments	165,192	165,192
Financial assets at fair value through profit or loss	97	97
	6,158,431	2,065,671
<i>Financial liabilities</i>		
Liabilities measured at amortized cost	35,918,453	25,424,985
Rental deposits received	123,424	99,236
	36,041,877	25,524,221

47. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies

The Group's financial instruments include financial assets at fair value through profit or loss, available-for-sale investments, trade and other receivables, amounts due from related parties, restricted bank deposits, bank balances and cash, trade and other payables, amounts due to related parties, bank and other borrowings, corporate bonds and senior notes. Details of these financial instruments are set out in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

The Group's activities expose primarily to the market risks of changes in interest rates and foreign currency exchange rates.

There has been no significant change to the Group's exposure to market risks or the manner in which it manages and measures the risk over each of the reporting period.

(1) Interest rate risk

The Group is exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank balances, restricted bank deposits and bank and other borrowings which carry at prevailing deposit interest rates or variable rate based on the interest rates quoted by the People's Bank of China.

The Group's fair value interest rate risk relates primarily to its fixed rate bank and other borrowings, corporate bonds and senior notes. The Group currently does not use any derivative contracts to hedge its exposure to interest rate risk. However, the management will consider hedging significant interest rate exposure should the need arise.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

47. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Market risk (continued)

(1) Interest rate risk (continued)

Interest rate sensitivity

The sensitivity analysis below has been prepared based on the exposure to interest rates on variable rate bank and other borrowings at the end of the reporting period. No sensitivity analysis has been presented for bank balances and restricted bank deposits as the management considers that the fluctuation in interest rates on bank balances and restricted bank deposits is minimal. For variable rate bank and other borrowings, the analysis is prepared assuming the stipulated change taking place at the beginning of the financial year and held constant throughout the year. A 50 basis points (2016: 50 basis points) increase or decrease for variable rate bank and other borrowings are used when reporting interest rate risk internally to key management personnel and represent management's assessment of the reasonably possible change in interest rate in respect of bank and other borrowings.

If interest rates had been increased/decreased by 50 basis points (2016: 50 basis points) in respect of variable rate bank and other borrowings and all other variables were held constant, the Group's post-tax profit for the year ended December 31, 2017 (net of interest capitalization effect) would be decreased/increased by approximately RMB3,647,000 (2016: RMB2,809,000).

(2) Foreign currency risk

The Group collects all of its revenue in RMB and incurs most of its expenditures in RMB.

The Group has certain bank deposits, bank loans and senior notes in foreign currencies; hence exposure to exchange rate fluctuations arises. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

47. FINANCIAL INSTRUMENTS (continued)**Financial risk management objectives and policies (continued)****Market risk (continued)****(2) Foreign currency risk (continued)**

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Liabilities		Assets	
	At December 31,		At December 31,	
	2017	2016	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000
HK\$	138,110	147,654	10,540	5,610
US\$	2,012,824	—	8,459	6,235
	2,150,934	147,654	18,999	11,845

The sensitivity analysis below has been determined based on a 5% (2016: 5%) possible appreciation or depreciation in other currencies against Renminbi. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjust its translation at the end of the reporting period for a 5% change in the foreign currency rates. The sensitivity rate used is the rate when reporting foreign currency risk internally to key management personnel and represents the management's assessment of the reasonably possible change in foreign exchange rates.

For financial assets, if the foreign currencies appreciates 5% against RMB and all other variables were held constant, the Group's profit for the year ended December 31, 2017 would be increased by RMB950,000 (2016: RMB592,000). There would be an equal and opposite impact on post-tax profit for the year if the foreign currencies depreciates 5% against Renminbi.

For financial liabilities, if the foreign currencies appreciates 5% against RMB and all other variables were held constant, the Group's post-tax profit for the year ended December 31, 2017 would be decreased by RMB107,547,000 (2016: RMB7,383,000). There would be an equal and opposite impact on post-tax profit for the year if the foreign currencies depreciates 5% against Renminbi.

In the opinion of the directors of the Company, the sensitivity analysis is unrepresentative of the inherent currency risk as the exposure at the end of the reporting period does not reflect the exposure during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

47. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Credit risk

At the end of each of the reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees issued by the Group is arising from the carrying amount of the respective recognized financial assets as stated in the consolidated statement of financial position and the amount of contingent liabilities disclosed in Note 46. In order to minimize the credit risk, monitoring procedures are carried out to ensure that follow up action is taken to recover overdue debts. In addition, the Group reviews regularly the recoverable amount of each individual trade and other receivables at the end of each of the reporting period. The amounts presented in the consolidated statement of financial position are net of allowances for bad and doubtful debts, estimated by the Group's management based on prior experience and their assessment of the current economic environment.

For properties that are presold but development has not been completed, the Group typically provides guarantees to banks in connection with the customers' borrowing of mortgage loans to finance their purchase of the properties for an amount up to 70% of the purchase price of the individual property. If a purchaser defaults on the payment of its mortgage during the period of guarantee, the bank holding the mortgage may demand the Group to repay the outstanding loan and any interest accrued thereon. Under such circumstances, the Group is able to forfeit the sales deposit received and resell the reprocessed properties. Therefore, the management considers it would likely recover any loss incurred arising from the guarantee provided by the Group. The management considers the credit risk exposure to financial guarantees provided to property purchasers is limited because the facilities are secured by the properties and the market price of the properties is higher than the guaranteed amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

For properties that are sold in which consideration not fully received, the management considers the credit risk is limited because the Group is entitled to retain the legal title and take over possession of the underlying properties for re-sale.

Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, the Group does not have any other significant concentration of credit risk with exposure spread over a number of counterparties and customers.

The credit risk on liquid funds is limited because the counterparties are mainly state-owned banks and with high credit ratings in the PRC.

47. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Liquidity risk management

The Group's objective is to maintain a balance between continuity of funding and the flexibility through the use of borrowings and its available credit facilities. The directors of the Company closely monitor the liquidity position and ensure it has adequate sources of funding to finance the Group's projects and operations.

The management performs cash flow forecasts for the Group's operations and monitors the forecasts of the Group's liquidity requirements from time to time to ensure the Group has sufficient cash to meet its operational needs and settle liabilities when they fall due. The management takes into account the following considerations in projecting their cash flows forecasts: (a) estimated cash inflows from property sales; (b) further loans of RMB8,600 million under provisional approvals of certain banks which are subject to application by the Group; and (c) senior loan notes for issue up to the amount of US\$1,000 million (equivalent to approximately RMB6,534 million), the endorsement of which from the National Development and Reform Commission (國家發展和改革委員會) (that valid for the period till June 30, 2018) has been obtained. The directors consider that the Group will be able to maintain sufficient financial resources to meet its operational needs. However, the current economic conditions continue to create uncertainty particularly over the level of demand for the Group's properties for sale and the availability of bank finances for the foreseeable future. Any delay or unavailability of any of the above measure or sources of finance would impact the Group's liquidity position. The management will closely monitor the liquidity position and set out alternative measures which include adjusting the construction progress as appropriate, reducing the Group's spending on land investments, accelerating sales with more flexible pricing and obtaining other external financing through security market.

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are variable rate, the undiscounted amount is derived from interest rate at the end of the reporting period. The amounts included below for variable rate financial liabilities is subject to change if change in interest rates differ to those estimates of interest rates determined at the end of the reporting period.

	Interest rate	Undiscounted cash flows					Total undiscounted cash flows RMB'000	Carrying amount RMB'000
		On demand RMB'000	Less than 1 year RMB'000	1-2 years RMB'000	2-5 years RMB'000	Over 5 years RMB'000		
At December 31, 2017								
Trade and other payables	—	893,229	4,867,561	—	—	—	5,760,790	5,760,790
Rental deposits received	—	—	34,031	20,815	68,578	—	123,424	123,424
Bank and other borrowings								
– Fixed interest rate borrowings	5.90%-8.75%	—	9,091,478	5,178,416	2,004,391	1,069,366	17,343,651	15,827,978
– Variable interest rate borrowings	2.58%-6.50%	100,000	3,662,693	1,818,625	1,825,867	2,077,438	9,484,623	8,399,086
Corporate bonds	5.47%-7.64%	—	3,272,700	1,053,000	—	—	4,325,700	3,989,651
Senior notes	7.82%	—	211,700	2,086,762	—	—	2,298,462	1,940,948
		993,229	21,140,163	10,157,618	3,898,836	3,146,804	39,336,650	36,041,877
Financial guarantee contracts	—	7,662,545	—	—	—	—	7,662,545	—
		8,655,774	21,140,163	10,157,618	3,898,836	3,146,804	46,999,195	36,041,877

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For the year ended December 31, 2017

47. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Liquidity risk management (continued)

		Undiscounted cash flows						
	Interest rate	On demand RMB'000	Less than 1 year RMB'000	1-2 years RMB'000	2-5 years RMB'000	Over 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
At December 31, 2016								
Trade and other payables	—	1,012,381	4,524,523	—	—	—	5,536,904	5,536,904
Rental deposits received	—	—	21,442	18,689	59,105	—	99,236	99,236
Bank and other borrowings								
– Fixed interest rate borrowings	5.90%-10.00%	—	1,292,582	8,495,427	228,163	—	10,016,172	9,028,978
– Variable interest rate borrowings	2.46%-6.65%	1,071,200	1,428,495	3,112,012	1,454,322	463,192	7,529,221	6,878,889
Corporate bonds	5.47%-7.64%	—	272,700	3,272,700	1,053,000	—	4,598,400	3,980,214
		2,083,581	7,539,742	14,898,828	2,794,590	463,192	27,779,933	25,524,221
Financial guarantee contracts	—	6,609,042	—	—	—	—	6,609,042	—
		8,692,623	7,539,742	14,898,828	2,794,590	463,192	34,388,975	25,524,221

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

47. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Liquidity risk management (continued)

Bank loans included in the “on demand” time band in the above maturity analysis are loans which the Group breached certain covenants of those loans as detailed in Note 36. As at December 31, 2017 and December 31, 2016, the aggregate undiscounted principal amounts of these bank loans amounted to RMB100,000,000 and RMB1,071,200,000 respectively. Taking into account the Group’s financial position, the directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors believe that such bank loans will be repaid after the end of the reporting period in accordance with the scheduled repayment dates set out in the loan agreements, details of which are set out in the table below:

	Undiscounted cash flows					Carrying amount RMB'000
	Less than 1 year RMB'000	1-2 years RMB'000	2-5 years RMB'000	Over 5 years RMB'000	Total undiscounted cash flows RMB'000	
At December 31, 2017						
Bank and other borrowings	4,750	4,750	102,388	—	111,888	100,000
	4,750	4,750	102,388	—	111,888	100,000
At December 31, 2016						
Bank and other borrowings	287,839	517,128	351,581	—	1,156,548	1,071,200
	287,839	517,128	351,581	—	1,156,548	1,071,200

The amounts included above for financial guarantee contracts are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

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47. FINANCIAL INSTRUMENTS (continued)

Fair value

The Group's investment in funds of RMB97,000 (2016: RMB97,000) as at December 31, 2017 is measured subsequent to initial recognition at fair value, are grouped into Level 2 and determined by reference to a discounted cash flows model based on expected interest rates.

Except as disclosed in Notes 36, 37 and 38, the directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortized cost in the consolidated financial statements approximate their fair values.

48. OPERATING LEASE ARRANGEMENT

(a) The Group as lessor

The properties held by the Group for rental purpose have committed tenants from six months to twenty years in which majority are fixed rental.

At the end of the reporting period, the Group has contracted with tenants for the following future minimum lease payments under non-cancellable operating leases:

	At December 31,	
	2017 RMB'000	2016 RMB'000
Within one year	332,710	314,171
In the second to the fifth year inclusive	550,211	550,769
After the fifth year	208,410	213,743
	1,091,331	1,078,683

(b) The Group as lessee

The Group leases various office buildings under non-cancellable operating lease agreements. The lease terms are between 1 and 3 years, and the majority of lease agreements are renewable at the end of the lease period at market rate.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	At December 31,	
	2017 RMB'000	2016 RMB'000
No later than 1 year	1,750	1,492
In the second to fifth year inclusive	340	—
After the fifth year	210	—
	2,300	1,492

49. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the consolidated financial statements, the Group has the following related party balances and transactions.

A. During the years ended December 31, 2017 and 2016, the following parties are identified as related parties to the Group and the respective relationships are set out below:

Name of related party	Relationship
Mr. Zhang Zhangsun	Executive Director and controlling shareholder of the Group
Ms. Ruan Wenjuan	Executive Director and spouse of Mr. Zhang Zhangsun
Ms. Zhang Jin	Executive Director and daughter of Mr. Zhang Zhangsun
Beijing Glory Commercial Management Co., Ltd.* ("Glory Commercial Management") 北京國瑞興業商業管理有限公司	Controlled by Ms. Zhang Jin, daughter of Mr. Zhang Zhangsun
Jinming Wujin	Controlled by Mr. Zhang Zhangsun
Foshan Yinhe Ruixing Commercial Management Co., Ltd.* ("Foshan Yinhe") 佛山市銀和瑞興商業管理有限公司	Controlled by Ms. Zhang Jin, daughter of Mr. Zhang Zhangsun
Shenyang Glory Xingda Management Co., Ltd.* ("Shenyang Xingda") 瀋陽國瑞興達企業管理有限公司	Controlled by Ms. Zhang Jin, daughter of Mr. Zhang Zhangsun
Longhu Huamu Market Co., Ltd.* ("Longhu Huamu") 汕頭市龍湖花木市場有限公司	Controlled by Ms. Zhang Youxi, sister of Mr. Zhang Zhangsun
Tonghe Leasing Co., Ltd.* ("Tonghe Leasing") 通和租賃股份有限公司	Controlled by Ms. Zhang Youxi, sister of Mr. Zhang Zhangsun
Shantou Garden Hotel Management Co., Ltd.* ("Shantou Garden Hotel") 汕頭市花園賓館管理有限公司	Controlled by Mr. Zhang Zhangsun
Glory Services	Controlled by Mr. Zhang Zhangsun
Alltogether Land	Parent and ultimate holding company controlled by Mr. Zhang Zhangsun
Shenzhen Glory Industrial	Controlled by Mr. Zhang Zhangsun
Heshan Tengyue Property Development Co., Ltd.* ("Heshan Tengyue") 鶴山市騰悅房地產開發有限公司	Controlled by Mr. Zhang Zhangqiao, brother of Mr. Zhang Zhangsun

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

49. RELATED PARTY TRANSACTIONS (continued)

- A. During the years ended December 31, 2017 and 2016, the following parties are identified as related parties to the Group and the respective relationships are set out below:**
(continued)

Name of related party	Relationship
Guangdong Hongtaiguotong	Associate
Guangdong Guosha	Associate
Tianjin Tianfurongsheng	Associate
Sanya Jingheng	Associate
Handan Guoxia	Associate
Chongqing Guosha	Associate
Ruida Zhiye	Associate
Maorui Zhiye	Joint venture

* The English name of the companies established in the PRC are for reference only and have not been registered.

- B. At the end of the reporting period, the Group has deposit paid to or amounts receivable from the following related parties and the details are set out below:**

Name of related party	At December 31,	
	2017 RMB'000	2016 RMB'000
Trade nature:		
Foshan Yinhe	16,792	—
Glory Services	3,823	—
Shenyang Xingda	662	—
	21,277	—
Non-trade nature:		
Alltogether Land	140	—
Shenzhen Glory Industrial	5,000	5,000
Maorui Zhiye	827,914	—
Ruida Zhiye	2,073,866	—
	2,906,920	5,000
Total	2,928,197	5,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

49. RELATED PARTY TRANSACTIONS (continued)

- B. At the end of the reporting period, the Group has deposit paid to or amounts receivable from the following related parties and the details are set out below: (continued)

Maximum amount outstanding for non-trade receivables	Year ended December 31,	
	2017 RMB'000	2016 RMB'000
Alltogether Land	140	—
Shenzhen Glory Industrial	5,000	5,000
Maorui Zhiye	827,914	—
Ruida Zhiye	2,073,866	—
Total	2,906,920	5,000

- C. At the end of the reporting period, the Group has amounts due to the following related parties and the details are set out below:

Name of related party	At December 31,	
	2017 RMB'000	2016 RMB'000
Trade nature		
Glory Commercial Management	2,417	3,431
Glory Services	9,847	—
	12,264	3,431
Non-trade nature		
Alltogether Land	605,521	219,444
Jinming Wujin	181	192
Glory Services	—	2,446
Shantou Garden Hotel	3	—
Ruida Zhiye	7,000	—
Guangdong Hongtaiguotong	67,020	—
Guangdong Guosha	11,370	—
Tianjin Tianfurongsheng	44,890	—
Sanya Jingheng	67,130	—
Handan Guoxia	31,430	—
Chongqing Guosha	12,080	—
Heshan Tengyue	34,340	—
	880,965	222,082
Total	893,229	225,513

The balances of non-trade nature are unsecured, interest free and repayable on demand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

49. RELATED PARTY TRANSACTIONS (continued)

- D. During the reporting period, the Group entered into the following transactions with its related parties:**

Name of related party	Nature of transaction	Year ended December 31,	
		2017 RMB'000	2016 RMB'000
Trade nature			
Glory Commercial Management	Property management services fee	42,978	6,508
Foshan Yinhe	Property management services fee*	24,502	—
Shenyang Xingda	Property management services fee	3,838	—
Glory Services	Property management services fee	11,944	—

* Included in the amount of RMB24,502,000, approximately RMB7,642,000 was the management services fee payable by the Group to Foshan Yinhe in the first half of 2017, in respect of the services rendered as stated in the management service agreement entered into in 2016. In the opinion of the directors of the Company, as the applicable highest percentage ratio with respect to the actual transaction amount incurred in the first half of 2017 was lower than 0.1% of revenue of 2016, thus this amount was exempted from the disclosure of the continuing connected transactions for the year as required under the Listing Rules 14.07.

- E.** Mr. Zhang Zhangsun and Ms. Ruan Wenjuan have provided guarantees for certain bank loans and other loans granted to the Group for nil consideration. At December 31, 2017, the Group has bank loans and other loans guaranteed by Mr. Zhang Zhangsun and Ms. Ruan Wenjuan amounting to RMB12,221,178,000 (2016: RMB7,293,132,000).

Longhu Huamu has provided guarantees for certain bank loans and other loans granted to the Group for nil consideration. At December 31, 2017, the Group has bank loans and other loans guaranteed by Longhu Huamu amounting to RMB134,000,000 (2016: RMB218,000,000).

At December 31, 2016, the Group had certain bank loans and other loans amounting to RMB147,654,000, of which guaranteed by Jinming Wujin at nil consideration. During the current year, those loans guaranteed by Jinming Wujin were fully repaid and respective guarantees were released.

F. Key management personnel emoluments

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including directors and other key management of the Group. The key management personnel compensation is as follows:

	At December 31,	
	2017 RMB'000	2016 RMB'000
Short-term employee benefits	26,010	20,497
Retirement benefit contributions	499	465
Equity-settled share-based payments	3,003	11,195
	29,512	32,157

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50. SUBSIDIARIES

Details of the Company's subsidiaries at the end of the reporting period are set out below.

Name of subsidiaries	Place of incorporation/ establishment	Issued and fully paid share capital/ paid up capital	Attributable equity interest of the Group		Principal activities
			At December 31, 2017	2016	
Well Ample Holdings Limited ("Well Ample")	British Virgin Islands ("BVI")	Issued and fully paid US\$1	100%	100%	Intermediate holding
Well Ample (HK)	Hong Kong	Issued and fully paid HK\$100,000	100%	100%	Investment holding
State Wealth	BVI	Issued and fully paid US\$1	100%	100%	Intermediate holding
State Wealth Holdings (HK) Limited ("State Wealth (HK)")	Hong Kong	Issued and fully paid HK\$100,000	100%	100%	Investment holding
All Affluent Holdings Limited ("All Affluent")	BVI	Issued and fully paid US\$1	100%	100%	Intermediate holding
All Affluent Holdings (HK) Limited ("All Affluent (HK)")	Hong Kong	Issued and fully paid HK\$100,000	100%	100%	Investment holding
Glory Real Estate (HK) Investment Limited ("Glory Real Estate (HK)")	Hong Kong	Issued and fully paid HK\$10,000	100%	100%	Investment holding
Shantou Glory Management Limited * ^ 汕頭國瑞企業管理有限公司	PRC	Paid up capital RMB40,000,000	100%	100%	Investment holding and hotel operation
Shantou Glory Trading Co., Ltd.* ^ 汕頭國瑞貿易有限公司	PRC	Paid up capital —	100%	100%	Not yet commence business
Garden Group* ^	PRC	Paid up capital RMB48,000,000	100%	100%	Investment holding
Glory Xingye (Beijing) Industrial Co., Ltd.* ("Glory Industrial") 國瑞興業（北京）實業股份有限公司	PRC	Paid up capital RMB458,224,110	91%	91%	Property development
Shantou Glory Construction Materials and Household Exhibition Center Co., Ltd* 汕頭國瑞建材家居博覽中心有限公司	PRC	Paid up capital RMB200,000,000	90%	90%	Property development

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50. SUBSIDIARIES (continued)

Name of subsidiaries	Place of incorporation/ establishment	Issued and fully paid share capital/ paid up capital	Attributable equity interest of the Group At December 31,		Principal activities
			2017	2016	
Original Beijing Glory*	PRC	Paid up capital RMB1,166,000,000	80%	80%	Property development and investment holding
New Beijing Glory*	PRC	Paid up capital RMB52,000,000	80%	80%	Investment holding
Glory Investment*	PRC	Paid up capital RMB10,000,000	80%	80%	Investment holding
Hainan Glory*	PRC	Paid up capital RMB100,000,000	80%	80%	Property development
Wanning Glory Real Estate Development Co., Ltd.* 萬寧國瑞房地產開發有限公司	PRC	Paid up capital RMB30,000,000	80%	80%	Property development
Hainan Tongcheng Industrial Co., Ltd.* 海南同城實業有限公司	PRC	Paid up capital RMB74,270,000	80%	80%	Property development
Hainan Nanduijiang Industrial Development Co., Ltd.* 海南南渡江實業發展有限公司	PRC	Paid up capital RMB20,030,000	80%	80%	Property development
Haikou Hangrui Development Industrial Co., Ltd.* ("Haikou Hangrui") 海口航瑞實業發展有限公司	PRC	Paid up capital RMB110,104,100	80%	80%	Property development
Hainan Glory Investment *	PRC	Paid up capital RMB466,869,243	80%	80%	Property development
Xinzheng Glory Real Estate Development Co., Ltd. *	PRC	Paid up capital RMB100,000,000	80%	80%	Property development
Foshan Glory*	PRC	Paid up capital RMB10,000,000	80%	80%	Property development
Foshan Guohua* (note (c))	PRC	Paid up capital RMB100,000,000	44%	44%	Property development

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

50. SUBSIDIARIES (continued)

Name of subsidiaries	Place of incorporation/ establishment	Issued and fully paid share capital/ paid up capital	Attributable equity interest of the Group		Principal activities
			At December 31, 2017	2016	
Langfang Glory Investment Co., Ltd.* 廊坊國瑞投資有限公司	PRC	Paid up capital RMB100,000,000	80%	80%	Investment holding
Langfang Guosheng Real Estate Development Co., Ltd.* 廊坊國盛房地產開發有限公司	PRC	Paid up capital RMB30,000,000	80%	80%	Property development
Langfang Glory*	PRC	Paid up capital RMB150,000,000	80%	80%	Property development
Langfang Guoxing * ^	PRC	Paid up capital RMB2,011,667,394	100%	100%	Property development
Yongqing County Orchard Sport Services Co., Ltd.* 永清縣果園體育服務有限公司	PRC	Paid up capital RMB1,000,000	80%	80%	Not yet commence business
Shenzhen Glory Xingye *	PRC	Paid up capital RMB100,000,000	100%	100%	Not yet commence business
Shantou Guohua Properties Real Estate Development Co., Ltd.* 汕頭市國華置業地產開發有限公司	PRC	Paid up capital RMB20,000,000	60%	60%	Property development
Shantou Glory Zhoucuowen Real Estate Development Co., Ltd. * 汕頭市國瑞周厝塢房地產開發有限公司	PRC	Paid up capital RMB20,000,000	68%	68%	Property development
Shenyang Dadongfang *	PRC	Paid up capital RMB186,362,194	80%	80%	Property development
Shenyang Glory Industrial Commerce Co., Ltd.* 瀋陽國瑞興業商務有限公司	PRC	Paid up capital RMB1,000,000	80%	80%	Properties management services

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

50. SUBSIDIARIES (continued)

Name of subsidiaries	Place of incorporation/ establishment	Issued and fully paid share capital/ paid up capital	Attributable equity interest of the Group		Principal activities
			At December 31, 2017	2016	
Chaoan County Meilin Lake Development & Construction Co., Ltd.* ("Chaoan Meilin") (note (c)) 潮州市潮安區梅林湖開發建設有限公司	PRC	Paid up capital RMB10,000,000	48%	48%	Property development
Shaanxi Huawei*	PRC	Paid up capital RMB200,000,000	80%	80%	Property development
Hainan Junhe*	PRC	Paid up capital RMB50,000,000	80%	80%	Property development
Beijing Wenhushengda*	PRC	Paid up capital RMB50,000,000	80%	80%	Property development
Foshan Glory Southern*	PRC	Paid up capital RMB33,330,000	80%	80%	Property development
Langfang Guohua Real Estate Development Co., Ltd.* 廊坊市國華房地產開發有限公司	PRC	Paid up capital RMB100,000,000	80%	80%	Property development
Shenzhen Wanji*	PRC	Paid up capital RMB130,000,000	80%	80%	Not yet commence business
Shenzhen Glory Jingang Estate Development Co., Ltd.* 深圳國瑞金港地產開發有限公司	PRC	Paid up capital —	100%	100%	Not yet commence business
Shenzhen Glory Sichuang Estate Development Co., Ltd.* 深圳國瑞思創地產開發有限公司	PRC	Paid up capital —	100%	100%	Not yet commence business
Shenyang Guoyi Business Management Co., Ltd.* 瀋陽國益商業管理有限公司	PRC	Paid up capital RMB20,000,000	80%	80%	Property development

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

50. SUBSIDIARIES (continued)

Name of subsidiaries	Place of incorporation/ establishment	Issued and fully paid share capital/ paid up capital	Attributable equity interest of the Group		Principal activities
			At December 31, 2017	2016	
Shenyang Guorui Business Management Co., Ltd.* 瀋陽國瑞商業管理有限公司	PRC	Paid up capital RMB50,000,000	80%	80%	Property development
Shenyang Guosheng Business Management Co., Ltd.* 瀋陽國盛商業管理有限公司	PRC	Paid up capital RMB30,000,000	80%	80%	Property development
Shantou Glory Properties Co. Ltd. * ^ 汕頭市國瑞置業有限公司	PRC	Paid up capital RMB920,100,000	100%	100%	Property development
Shantou Glory*	PRC	Paid up capital RMB200,000,000	80%	80%	Property development
Suzhou Glory*	PRC	Paid up capital RMB50,000,000	80%	80%	Property development
Qidong Yujiangwan*	PRC	Paid up capital RMB50,000,000	72%	80%	Property development and investment holding
Yaoji Nantong*	PRC	Paid up capital RMB102,500,000	72%	80%	Property development
Zhengzhou Guorui Tourism Development Co., Ltd.* 鄭州國瑞旅遊發展有限公司	PRC	Paid up capital RMB2,100,000	80%	80%	Property development
Shenzhen Dachaoshan*	PRC	Paid up capital RMB180,093,000	75%	75%	Property development
Guorui Hospital*	PRC	Paid up capital RMB100,000,000	100%	100%	Hospital operation (under construction)

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For the year ended December 31, 2017

50. SUBSIDIARIES (continued)

Name of subsidiaries	Place of incorporation/ establishment	Issued and fully paid share capital/ paid up capital	Attributable equity interest of the Group		Principal activities
			At December 31, 2017	2016	
Beijing Deheng*	PRC	Paid up capital RMB50,000,000	80% (note (b))	—	Property development
Guangzhou Glory Properties Co., Ltd.* 廣州國瑞置業有限公司	PRC	Paid up capital RMB22,000,000	100% (note (b))	—	Property development
Beijing Glory Xingye Architectural Engineering Design Co. Ltd. * 北京國瑞興業建築工程設計 有限責任公司	PRC	Paid up capital RMB3,000,000	80%	—	Not yet commence business
Beijing Glory Hengxiang Properties Co., Ltd. * 北京國瑞恒祥置業有限公司	PRC	Paid up capital —	80% (note (b))	—	Not yet commence business
Beijing Glory Xiangheng Properties Co., Ltd. * 北京國瑞祥恒置業有限公司	PRC	Paid up capital —	80% (note (b))	—	Not yet commence business
Chaotuan International	PRC	Paid up capital —	55% (note (d))	—	Investment holding
Chaotuan International Trade Co., Ltd. * 潮團國際商貿有限公司	PRC	Paid up capital —	55% (note (d))	—	Property development
Wuxi Glory Real Estate Development Co., Ltd. * 無錫國瑞房地產開發有限公司	PRC	Paid up capital —	80% (note (b))	—	Not yet commence business
Qidong Glory Hotel Management Co., Ltd. * 啟東國瑞酒店管理有限公司	PRC	Paid up capital —	100% (note (b))	—	Not yet commence business

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

50. SUBSIDIARIES (continued)

Name of subsidiaries	Place of incorporation/ establishment	Issued and fully paid share capital/ paid up capital	Attributable equity interest of the Group		Principal activities
			At December 31, 2017	2016	
Foshan Guofeng Estate Development Co., Ltd. *	PRC	Paid up capital RMB10,000,000	80% (note (b))	—	Property development
佛山市國豐地產開發有限公司					
Huizhou Glory Cultural Industry Investment Co., Ltd. *	PRC	Paid up capital RMB10,000,000	100% (note (b))	—	Property development
惠州國瑞文化產業投資有限公司					
Qidong Glory Properties Co., Ltd. *	PRC	Paid up capital RMB68,845,000	100% (note (b))	—	Property development
啟東國瑞置業有限公司					
Shenzhen Yuanshan Property Development Co., Ltd. *	PRC	Paid up capital —	75% (note (b))	—	Not yet commence business
深圳市園山物業發展有限公司					
Guangzhou Glory Industrial Development Co. Ltd. *	PRC	Paid up capital —	100% (note (b))	—	Not yet commence business
廣州國瑞實業發展有限公司					
Hebei Guochen Science and Technology Development Co. Ltd. *	PRC	Paid up capital —	80% (note (b))	—	Not yet commence business
河北國晨科技發展有限公司					
Shenzhen Glory Xingye Decoration Co. Ltd. *	PRC	Paid up capital —	100% (note (b))	—	Not yet commence business
深圳國瑞興業裝飾有限公司					

* The English name of the companies which were established in the PRC are for reference only and have not been registered.

^ These companies are wholly foreign owned enterprises established in the PRC. All other entities established in the PRC are limited liability companies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

50. SUBSIDIARIES (continued)

Notes:

- (a) Except Garden Group, none of other subsidiaries had issued any debt securities at the end of each reporting period or at any time during the reporting period.
- (b) These subsidiaries were newly established during the year ended December 31, 2017.
- (c) Garden Group held 80% equity interest in New Beijing Glory, which held 55% and 60% equity interest in Foshan Guohua and Chaoan Meilin respectively. Therefore, the Company indirectly held 44% and 48% equity interest in Foshan Guohua and Chaoan Meilin respectively.
- (d) These subsidiaries were acquired during the year ended December 31, 2017. Details are set out in note 42.
- (e) Other than Glory Real Estate (HK), Well Ample, Well Ample (HK), State Wealth, State Wealth (HK), All Affluent and All Affluent (HK) which are investment holding companies in Hong Kong, all subsidiaries operate in the PRC.
- (f) Glory Real Estate (HK), Well Ample, State Wealth and All Affluent are directly held by the Company. Other subsidiaries are indirectly held by the Company.

Majority of these subsidiaries operate in the PRC. The principal activities of these subsidiaries are summarised as follows:

Principal activities	Principal place of business	Number of subsidiaries	
		December 31, 2017	December 31, 2016
Property development	PRC	40	34
Primary land construction and development services	PRC	1	1
Rental business	PRC	4	4
Property management and related service	PRC	1	1
		46	40

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

50. SUBSIDIARIES (continued)

The table below shows details of non-wholly owned subsidiaries of the Company that have material non-controlling interests:

Name of subsidiaries	Place of establishment and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests	Profit (loss) allocated to non-controlling interests RMB'000	Accumulated non-controlling interests RMB'000
At December 31, 2017				
Glory Industrial	PRC	9%	3,123	159,365
Original Beijing Glory (note)	PRC	20%	157,616	1,295,295
Shenzhen Dachao Shan	PRC	25%	(778)	238,683
New Beijing Glory (excluding non-controlling interests of New Beijing Glory's subsidiaries)	PRC	20%	93,813	347,065
Non-wholly owned subsidiaries of New Beijing Glory				
– Foshan Guohua	PRC	45%	79,665	132,463
– Qidong Yujiangwan	PRC	10%	—	187,147
– Individual immaterial subsidiaries with non-controlling interests	PRC		(121)	9,955
Total			333,318	2,369,973
At December 31, 2016				
Glory Industrial	PRC	9%	2,735	156,242
Original Beijing Glory (note)	PRC	20%	98,257	1,137,679
Shenzhen Dachao Shan	PRC	25%	—	239,461
New Beijing Glory (excluding non-controlling interests of New Beijing Glory's subsidiaries)	PRC	20%	213,443	444,109
Non-wholly owned subsidiaries of New Beijing Glory				
– Foshan Guohua	PRC	45%	67,035	97,798
– Individual immaterial subsidiaries with non-controlling interests	PRC		(147)	10,219
Total			381,323	2,085,508

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

50. SUBSIDIARIES (continued)

The table below shows details of non-wholly owned subsidiaries of the Company that have material non-controlling interests: (continued)

Note: The summarised financial information disclosed below comprised of the financial information of Original Beijing Glory and its wholly owned subsidiaries (the “Original Beijing Glory”).

Summarised financial information in respect of Glory Industrial, Original Beijing Glory, Shenzhen Dachao Shan, New Beijing Glory and subsidiaries, Foshan Guohua, Qidong Yujiangwan is set out below. The summarised financial information below represents amounts before intragroup eliminations.

Glory Industrial

	At December 31,	
	2017 RMB'000	2016 RMB'000
Current assets	3,923,170	2,603,310
Non-current assets	1,183,943	1,145,465
Current liabilities	(2,983,141)	(1,584,443)
Non-current liabilities	(353,249)	(428,309)
Equity attributable to owners of the Company	1,611,358	1,579,781
Non-controlling interests of Glory Industrial	159,365	156,242

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

50. SUBSIDIARIES (continued)

Glory Industrial (continued)

	Year ended December 31,	
	2017 RMB'000	2016 RMB'000
Revenue	34,343	41,966
Gain on fair value change of investment properties	38,700	24,500
Cost of sales and service and expenses	(38,343)	(36,076)
Profit and total comprehensive income for the year	34,700	30,390
Profit and total comprehensive income attributable to:		
– the owners of the Company	31,577	27,655
– non-controlling interests of Glory Industrial	3,123	2,735
	34,700	30,390
Net cash inflow from operating activities	27,536	25,786
Net cash outflow from investing activities	(1,885)	(4,286)
Net cash outflow from financing activities	(30,020)	(72,222)
Net cash outflow from the above activities	(4,369)	(50,722)

Original Beijing Glory

	At December 31,	
	2017 RMB'000	2016 RMB'000
Current assets	19,073,403	13,714,835
Non-current assets	13,957,624	12,250,132
Current liabilities	(20,793,292)	(10,760,414)
Non-current liabilities	(5,761,260)	(9,516,160)
Equity attributable to owners of the Company	5,181,180	4,550,714
Non-controlling interests of Original Beijing Glory	1,295,295	1,137,679

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

50. SUBSIDIARIES (continued)

Original Beijing Glory (continued)

	Year ended December 31,	
	2017 RMB'000	2016 RMB'000
Revenue	262,210	457,979
Gain on fair value change of investment properties	768,882	615,633
Cost of sales and expenses	(486,724)	(582,329)
Profit for the year	544,368	491,283
Other comprehensive income for the year	243,712	—
Total comprehensive income for the year	788,080	491,283
Total comprehensive income attributable to:		
– the owners of the Company	630,464	393,026
– non-controlling interests of Original Beijing Glory	157,616	98,257
	788,080	491,283
Dividend paid to non-controlling interests	—	62,000
Net cash inflow (outflow) from operating activities	1,880,089	(1,828,975)
Net cash outflow from investing activities	(779,090)	(317,875)
Net cash(outflow) inflow from financing activities	(848,251)	1,519,415
Net cash inflow (outflow) from the above activities	252,748	(627,435)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

50. SUBSIDIARIES (continued)

Shenzhen Dachaoshan

	At December 31,	
	2017 RMB'000	2016 RMB'000
Current assets	71,901	52,773
Non-current assets	1,040,896	790,451
Current liabilities	(265,290)	(695)
Non-current liabilities	—	—
Equity attributable to owners of the Company	608,824	603,068
Non-controlling interests of Shenzhen Dachaoshan	238,683	239,461

	Year ended December 31,	
	2017 RMB'000	2016 RMB'000
Revenue	(6)	—
Gain on fair value change of investment properties	—	—
Cost of sales and expenses	(3,107)	—
Profit and total comprehensive income for the year	(3,113)	—
Total comprehensive income attributable to:		
– the owners of the Company	(2,335)	—
– non-controlling interests of Shenzhen Dachaoshan	(778)	—
	(3,113)	—
Net cash outflow from operating activities	(283,412)	(32,772)
Net cash inflow (outflow) from investing activities	4	(65)
Net cash inflow from financing activities	263,926	52,337
Net cash (outflow) inflow from the above activities	(19,482)	19,500

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

50. SUBSIDIARIES (continued)

New Beijing Glory and subsidiaries

	At December 31,	
	2017 RMB'000	2016 RMB'000
Current assets	33,327,759	21,273,728
Non-current assets	2,858,521	2,322,064
Current liabilities	(28,309,617)	(16,947,170)
Non-current liabilities	(5,811,773)	(4,320,058)
Equity attributable to owners of the Company	1,388,260	1,776,438
Non-controlling interests of New Beijing Glory	347,065	444,109
Non-controlling interests of New Beijing Glory's subsidiaries	329,565	108,017

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

50. SUBSIDIARIES (continued)

New Beijing Glory and subsidiaries (continued)

	Year ended December 31,	
	2017 RMB'000	2016 RMB'000
Revenue	3,447,468	6,112,638
Gain on fair value change of investment properties	112,060	84,201
Cost of sales and expense	(3,010,919)	(5,062,734)
Profit and total comprehensive income for the year	548,609	1,134,105
Profit and total comprehensive income attributable to:		
– the owners of the Company	375,252	853,774
– non-controlling interests of New Beijing Glory	93,813	213,443
– non-controlling interests of New Beijing Glory's subsidiaries	79,544	66,888
	548,609	1,134,105
Dividend paid to non-controlling interests of New Beijing Glory	191,000	118,000
Net cash outflow from operating activities	(5,079,552)	(1,794,084)
Net cash outflow from investing activities	(891,026)	(1,325,996)
Net cash inflow from financing activities	6,174,656	2,944,867
Net cash inflow (outflow) from the above activities	204,078	(175,213)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

50. SUBSIDIARIES (continued)

Foshan Guohua (non-wholly owned subsidiary of New Beijing Glory)

	At December 31,	
	2017 RMB'000	2016 RMB'000
Current assets	4,634,061	2,510,280
Non-current assets	9,569	3,820
Current liabilities	(2,699,268)	(2,296,771)
Non-current liabilities	(1,650,000)	—
Equity attributable to owners of New Beijing Glory	161,899	119,531
Non-controlling interests of Foshan Guohua	132,463	97,798

	Year ended December 31,	
	2017 RMB'000	2016 RMB'000
Revenue	773,956	975,643
Cost of sales and service and expenses	(596,923)	(826,676)
Profit and total comprehensive income for the year	177,033	148,967
Profit and total comprehensive income attributable to:		
– the owners of New Beijing Glory	97,368	81,932
– non-controlling interests of Foshan Guohua	79,665	67,035
	177,033	148,967
Dividend paid to non-controlling interests of Foshan Guohua	(45,000)	—
Net cash inflow from operating activities	106,263	383,425
Net cash inflow from investing activities	606	291
Net cash outflow from financing activities	(157,255)	(435,632)
Net cash outflow from the above activities	(50,386)	(51,916)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

50. SUBSIDIARIES (continued)

Qidong Yujiangwan (non-wholly owned subsidiary of New Beijing Glory)

	At December 31,	
	2017 RMB'000	2016 RMB'000
Current assets	2,109,172	906,742
Non-current assets	10,132	443
Current liabilities	(1,088,950)	(867,531)
Non-current liabilities	—	—
Equity attributable to owners of New Beijing Glory	843,207	39,654
Non-controlling interests of Qidong Yujiangwan	187,147	—

51. MAJOR NON-CASH TRANSACTIONS

On December 21, 2017, New Beijing Glory has renegotiated and entered into a supplementary agreement with the Vendors. According to the supplementary agreement, New Beijing Glory disposed of the 10% equity interest in Qidong Yujiangwan at a consideration of RMB187,718,000 which was settled through the consideration payable to the Vendors of same amount. Further details of the transaction are set out in Note 42.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

52. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details major changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Borrowings (Note 36)	Corporate bonds (Note 37)	Senior notes (Note 38)	Amounts due to related parties (Note 49)	Others (Note)	Total
At January 1, 2017	15,907,867	3,980,214	—	222,082	45,636	20,155,799
Financing activities	8,319,197	—	2,041,048	(112,023)	(1,876,266)	8,371,956
Acquisition of associates	—	—	—	275,260	—	275,260
Interest expenses	—	9,437	14,595	—	1,691,994	1,716,026
Exchange difference	—	—	(114,695)	(44,354)	—	(159,049)
Dividend declared to the owners of the Company	—	—	—	540,000	—	540,000
Dividend declared to the non-controlling interest	—	—	—	—	236,000	236,000
At December 31, 2017	24,227,064	3,989,651	1,940,948	880,965	97,364	31,135,992

Note: Others mainly include interest payables and dividend payable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

53. EVENT AFTER THE REPORTING PERIOD

On March 2, 2018, the Company has completed the issuance of senior loan notes (the “Notes”) at par value in an aggregate principal amount of US\$250,000,000. The Notes bear interest at 10.2% per annum payable semi-annually in arrears on September 2, 2018 and March 1, 2019. The Notes will mature on March 1, 2019.

54. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	At December 31,	
	2017 RMB'000	2016 RMB'000
Non-current assets		
Unlisted investments in subsidiaries	454,218	268,771
Amounts due from subsidiaries	3,106,831	1,171,423
	3,561,049	1,440,194
Current assets		
Trade and other receivables, deposits and prepayments	583	548
Cash and bank balances	17,550	4,304
	18,133	4,852
Current liabilities		
Trade and other payables	37,823	1,054
Bank and other borrowings - due within one year	209,986	147,654
Amounts due to subsidiaries	797,543	351,667
	1,045,352	500,375
Net current liabilities	(1,027,219)	(495,523)
Total assets less current liabilities	2,533,830	944,671
Non-current liability		
Senior notes	1,940,948	—
	1,940,948	—
Net assets	592,882	944,671
Capital and reserves		
Share capital	3,519	3,513
Reserves	589,363	941,158
Total equity	592,882	944,671

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

54. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (continued)

Movement in the Company's reserves

	Share premium RMB'000	Capital reserve RMB'000	Equity-settled share-based payment reserve RMB'000	Treasury shares reserve RMB'000	Retained earnings (accumulated losses) RMB'000	Total RMB'000
At January 1, 2016	1,033,470	56,242	59,368	(37,495)	(13,252)	1,098,333
Profit and total comprehensive income for the year	—	—	—	—	25,450	25,450
Dividend declared to the shareholder of the Company	(206,000)	—	—	—	—	(206,000)
Recognition of equity-settled share-based payments	—	—	19,453	—	—	19,453
Exercise of share options	6,211	—	(2,289)	—	—	3,922
Shares vested under share award scheme	—	—	(18,747)	18,747	—	—
At January 31, 2016	833,681	56,242	57,785	(18,748)	12,198	941,158
Profit and total comprehensive income for the year	—	—	—	—	175,239	175,239
Dividend declared to the shareholder of the Company	(540,000)	—	—	—	—	(540,000)
Recognition of equity-settled share-based payments	—	—	5,206	—	—	5,206
Exercise of share options	12,334	—	(4,574)	—	—	7,760
Shares vested under share award scheme	—	—	(18,748)	18,748	—	—
At December 31, 2017	306,015	56,242	39,669	—	187,437	589,363

INDEPENDENT AUDITOR'S REPORT

Deloitte.

德勤

TO THE SHAREHOLDERS OF GUORUI PROPERTIES LIMITED (INCORPORATED UNDER THE NAME OF "GLORY LAND COMPANY LIMITED (國瑞置業有限公司)" IN THE CAYMAN ISLANDS AND CARRYING ON BUSINESS IN HONG KONG AS "GUORUI PROPERTIES LIMITED")

OPINION

We have audited the consolidated financial statements of Guorui Properties Limited (Incorporated Under The Name Of "Glory Land Company Limited (國瑞置業有限公司)" In The Cayman Islands And Carrying On Business In Hong Kong As "Guorui Properties Limited") (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 268 to 389, which comprise the consolidated statement of financial position as at December 31, 2016, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter

How our audit addressed the key audit matter

Valuation of investment properties

We identified the valuation of investment properties as a key audit matter because the valuation process is based on an estimation of future results, a set of assumptions and a determination of key inputs, which are judgmental. Any changes to these inputs may have a significant impact on the fair value. Management determined the fair value of the Group's investment properties at December 31, 2016 with the assistance of an external valuer.

Details of the investment properties and the related key estimation uncertainty are set out in notes 4 and 15, to the consolidated financial statements.

Our procedures in relation to valuation of investment properties included:

- Evaluating the competence, capabilities and objectivity of the external valuer engaged by management.
- Obtaining a copy of valuation report prepared by the external valuer and discussing with the external valuer to understand the basis of determination of valuation.
- Challenging the external valuer the methodologies and judgments used in valuing the investment properties and obtaining the market evidence that the external valuer used to support the key inputs.
- Assessing the adequacy of the disclosures of the fair value measurement of investment properties including the fair value measurement hierarchy, the valuation technique and significant unobservable inputs in the consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

Key audit matter

Revenue from sales of properties

We identified the revenue from sales of properties as a key audit matter due to the significance of the amount and volume of sales transactions recognised during the year.

Details of revenue from sales of properties are set out in note 5 to the consolidated financial statements.

How our audit addressed the key audit matter

Our procedures in relation to revenue from sales of properties included:

- Testing key internal controls over revenue recognition on a sample basis.
- Selecting property sales transactions on a sample basis and:

reading the signed sales and purchase agreements to understand the relevant terms of the timing of property delivery and title transfer.

obtaining evidence regarding the property delivery and title transfer.

reconciling the monetary amounts of recorded transactions and related payments to the signed sales and purchase agreements.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

INDEPENDENT AUDITOR'S REPORT

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Mok, Sau Fan.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

March 27, 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended December 31, 2016

	NOTES	Year ended December 31,	
		2016 RMB'000	2015 RMB'000
Revenue	5	8,034,581	6,514,304
Cost of sales and services		(4,916,491)	(3,835,485)
Gross profit		3,118,090	2,678,819
Other gains and losses	6	(23,671)	(6,956)
Other income	7	20,227	13,170
Gain on fair value change of investment properties	15	851,934	783,601
Selling expenses		(260,817)	(246,156)
Administrative expenses		(329,129)	(358,709)
Other expenses	8	(18,656)	(26,388)
Finance costs	9	(126,824)	(141,095)
Share of result of associates	18	(727)	3,312
Profit before tax	10	3,230,427	2,699,598
Income tax expenses	12	(1,274,739)	(1,116,109)
Profit and total comprehensive income for the year		1,955,688	1,583,489
Profit and total comprehensive income for the year attributable to:			
Owners of the Company		1,562,956	1,260,550
Non-controlling interests		392,732	322,939
		1,955,688	1,583,489
Earnings per share, in Renminbi cents:	13		
Basic		35.38	28.62
Diluted		35.04	28.28

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At December 31, 2016

		At December 31,	
	NOTES	2016 RMB'000	2015 RMB'000
Non-current assets			
Investment properties	15	16,674,500	15,065,850
Property, plant and equipment	16	198,468	130,248
Other non-current assets	17	794,099	3,490
Interest in an associate	18	—	32,196
Available-for-sale investments	19	165,192	165,192
Prepaid lease payments	20	287,473	3,013
Deposit paid for acquisition of a subsidiary	46	—	70,000
Deferred tax assets	21	290,533	160,336
Restricted bank deposits	29	135,167	38,686
		18,545,432	15,669,011
Current assets			
Inventories		105	73
Prepayment/deposits paid for land acquisition	22	365,010	2,929,848
Properties under development	23	19,005,089	9,667,914
Properties held for sale	25	3,118,955	2,719,459
Trade and other receivables, deposits and prepayments	26	803,477	870,875
Amounts due from customers for contract work	27	1,363,512	1,222,245
Prepaid taxes		125,267	39,270
Amount due from a related party	46	5,000	1,063
Financial assets at fair value through profit or loss	28	97	70,097
Restricted bank deposits	29	151,499	80,898
Cash and bank balances	30	1,234,250	1,956,263
		26,172,261	19,558,005
Current liabilities			
Trade and other payables	31	6,029,313	4,910,116
Deposits received from sale of properties	32	2,680,425	1,611,699
Amounts due to related parties	46	225,513	55,057
Taxation payable	33	1,894,475	1,477,701
Bank and other borrowings - due within one year	34	2,877,489	3,718,997
		13,707,215	11,773,570
Net current assets		12,465,046	7,784,435
Total assets less current liabilities		31,010,478	23,453,446

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At December 31, 2016

	NOTES	At December 31,	
		2016 RMB'000	2015 RMB'000
Non-current liabilities			
Other payables	31	77,794	65,970
Bank and other borrowings - due after one year	34	13,030,378	8,579,128
Corporate bonds	35	3,980,214	2,977,127
Deferred tax liabilities	21	2,111,242	1,903,251
		19,199,628	13,525,476
Net assets		11,810,850	9,927,970
Capital and reserves			
Share capital	36	3,513	3,511
Reserves		9,480,344	8,115,985
Equity attributable to owners of the Company		9,483,857	8,119,496
Non-controlling interests		2,326,993	1,808,474
Total equity		11,810,850	9,927,970

The consolidated financial statements on pages 268 to 389 were approved and authorised for issue by the Board of Directors on 27 March, 2017 and are signed on its behalf by:

DIRECTOR
Ge Weiguang

DIRECTOR
Ruan Wenjuan

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2016

	Attributable to owners of the Company								Attributable to non-controlling interests		Total
	Share capital	Share Premium	Capital reserve	Other reserve	Equity-settled share-based payment reserve	Treasury shares reserve	Statutory surplus reserve	Retained earnings	Total	interests	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(note i)	(note 38)		(note ii)				
At January 1, 2015	3,509	1,239,244	133,379	(36,845)	24,306	(56,242)	489,869	5,219,102	7,016,322	1,520,122	8,536,444
Profit and total comprehensive income for the year	—	—	—	—	—	—	—	1,260,550	1,260,550	322,939	1,583,489
Appropriate to reserve	—	—	—	—	—	—	183,451	(183,451)	—	—	—
Dividend declared to the shareholders of the Company	—	(209,914)	—	—	—	—	—	—	(209,914)	—	(209,914)
Dividend declared to the non-controlling interests	—	—	—	—	—	—	—	—	—	(140,000)	(140,000)
Acquisition of a subsidiary (note 39)	—	—	—	—	—	—	—	—	—	100,000	100,000
Deemed acquisition of additional equity interests in subsidiary (note iii)	—	—	—	(5,413)	—	—	—	—	(5,413)	5,413	—
Recognition of equity-settled share-based payments (note 38)	—	—	—	—	55,379	—	—	—	55,379	—	55,379
Exercise of share options (note 38)	2	4,140	—	—	(1,570)	—	—	—	2,572	—	2,572
Shares vested under share award scheme (note 38)	—	—	—	—	(18,747)	18,747	—	—	—	—	—
At December 31, 2015	3,511	1,033,470	133,379	(42,258)	59,368	(37,495)	673,320	6,296,201	8,119,496	1,808,474	9,927,970

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2016

	Attributable to owners of the Company										Total RMB'000
	Share capital RMB'000	Share Premium RMB'000	Capital reserve RMB'000	Other reserve RMB'000 (note i)	Equity- settled share- based payment reserve RMB'000 (note 38)	Treasury shares reserve RMB'000	Statutory surplus reserve RMB'000 (note ii)	Retained earnings RMB'000	Total RMB'000	Attributable to non- controlling interests RMB'000	
At December 31, 2015	3,511	1,033,470	133,379	(42,258)	59,368	(37,495)	673,320	6,296,201	8,119,496	1,808,474	9,927,970
Profit and total comprehensive income for the year	—	—	—	—	—	—	—	1,562,956	1,562,956	392,732	1,955,688
Appropriate to reserve	—	—	—	—	—	—	182,673	(182,673)	—	—	—
Dividend declared to the shareholders of the Company	—	(206,000)	—	—	—	—	—	—	(206,000)	—	(206,000)
Dividend declared to the non-controlling interests	—	—	—	—	—	—	—	—	—	(180,000)	(180,000)
Acquisition of subsidiaries (note 39)	—	—	—	—	—	—	—	—	—	224,461	224,461
Recognition of equity-settled share-based payments (note 38)	—	—	—	—	19,453	—	—	—	19,453	—	19,453
Exercise of share options (note 38)	2	6,211	—	—	(2,289)	—	—	—	3,924	—	3,924
Shares vested under share award scheme (note 38)	—	—	—	—	(18,747)	18,747	—	—	—	—	—
Capital injection by non-controlling equity holders (note iv)	—	—	—	—	—	—	—	—	—	15,000	15,000
Deemed contribution from equity holder (note v)	—	—	—	283	—	—	—	—	283	71	354
Disposal of partial equity interest in a subsidiary to non-controlling interests (note vi)	—	—	—	(10,778)	—	—	—	619	(10,159)	110,159	100,000
Acquisition of non-controlling interest (note vi)	—	—	—	(5,848)	—	—	—	(248)	(6,096)	(43,904)	(50,000)
At December 31, 2016	3,513	833,681	133,379	(58,601)	57,785	(18,748)	855,993	7,676,855	9,483,857	2,326,993	11,810,850

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2016

Notes:

- (i) Other reserve mainly represents the differences between the amount by which non-controlling interests are adjusted and the fair value of consideration paid or received when the Group acquired or disposed of partial interests in existing subsidiaries and capital contribution from non-controlling interests.
- (ii) In accordance with the Articles of Association of all subsidiaries established in the People's Republic of China ("PRC"), those subsidiaries are required to transfer 10% of the profit after taxation to the statutory surplus reserve until the reserve reaches 50% of the registered capital. Transfer to this reserve must be made before distributing dividends to equity holders. The statutory surplus reserve can be used to make up for previous years' losses, expand the existing operations or convert into additional capital of the subsidiaries.
- (iii) Beijing Glory Real Estate (Holding) Co., Ltd. 北京國瑞興業房地產控股有限公司 ("New Beijing Glory") is a 80% owned subsidiary of the Company. During the year ended December 31, 2015, New Beijing Glory disposed of the entire 100% equity interest in Langfang Guoxing Real Estate Development Co., Ltd. 廊坊國興房地產開發有限公司 ("Langfang Guoxing") and Shantou Guorui properties Co., Ltd. 汕頭市國瑞置業有限公司 ("Shantou Glory properties") to Glory Real Estate (HK) Investment Limited ("Glory Real Estate (HK)") and Well Ample Holdings (HK) Limited ("Well Ample (HK)") respectively. After the disposal, Langfang Guoxing and Shantou Glory properties became 100% owned subsidiaries of the Company. The 20% non-controlling interest of New Beijing Glory shared additional net assets value after the transaction, resulting a credit of amounting to RMB5,413,000. The restructuring was recognised as a deemed acquisition of additional equity interests in subsidiaries.
- (iv) The non-controlling equity holders of Shenzhen Dachao Shan Real Estate Development Ltd. 深圳市大潮汕建設有限公司 ("Shenzhen Dachao Shan") have increased their share capital amounting to RMB15,000,000 in the current year.
- (v) Beijing Glory Property Services Co., Ltd. 北京國瑞物業服務有限公司 ("Glory Services") is a 80% indirectly owned subsidiary of the Company. During the current year, New Beijing Glory disposed of the entire 100% equity interest in Glory Services to Shenzhen Glory Industrial Development Co., Ltd. 深圳國瑞興業發展有限公司 ("Shenzhen Glory Industrial"), a related party controlled by Mr. Zhang Zhangsun. The gain on disposal of the subsidiary amounted to RMB283,000 were recognized as a deemed contribution from equity holder.
- (vi) On May 30, 2016, the Group has disposed of 12.5% equity interest in Shenzhen Wanji Pharmaceutical Co., Ltd. 深圳萬基藥業有限公司 ("Shenzhen Wanji") to an independent third party at a consideration of RMB100,000,000. In August 2016, the Group entered into an agreement with another independent third party for the acquisition of 5% equity interest in Shenzhen Wanji for a total cash consideration of RMB50,000,000. Details have been set out in Note 39.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2016

NOTES	Year ended December 31,	
	2016 RMB'000	2015 RMB'000
OPERATING ACTIVITIES		
Profit before tax	3,230,427	2,699,598
Adjustments for:		
Finance costs	126,824	141,095
Interest income	(6,588)	(6,338)
Depreciation of property, plant and equipment	31,892	26,404
Amortization of intangible assets	1,163	837
Release of prepaid lease payments	6,035	107
Changes in fair value of investment properties	(851,934)	(783,601)
Loss on disposal of property, plant and equipment	3	95
Reversal of allowance on doubtful receivables, net	(624)	(459)
Share of result of associates	727	(3,312)
Share-based payment expense	15,534	42,464
Operating cash flows before movements in working capital	2,553,459	2,116,890
(Increase) decrease in properties under development and properties held for sale	(7,526,712)	202,125
Decrease (increase) in prepayment/deposits paid for land acquisition	2,564,838	(2,869,523)
(Increase) decrease in inventories	(48)	5
Decrease (increase) in trade and other receivables	56,008	(317,586)
(Decrease) increase in amounts due to related parties	(20,676)	9,323
Increase (decrease) in trade and other payables	882,984	(194,471)
Increase (decrease) in deposits received from sale of properties	1,068,726	(77,051)
Increase in amounts due from customers for contract work	(89,621)	(44,853)
Increase in restricted bank deposits	(48,320)	(46,725)
	29(b)	
Cash used in operations	(559,362)	(1,221,866)
Income tax and land appreciation tax paid	(865,932)	(657,342)
Net cash used in operating activities	(1,425,294)	(1,879,208)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2016

		Year ended December 31,	
	NOTES	2016 RMB'000	2015 RMB'000
INVESTING ACTIVITIES			
Interest received		6,588	6,338
Proceeds on disposal of property, plant and equipment		51	18
Proceeds on disposal of investment properties		29,794	58,573
Purchase of property, plant and equipment, intangible assets		(78,127)	(15,036)
Payments for investment properties		(507,843)	(382,475)
Settlement of debts assigned in an acquisition of a subsidiary	39	—	(200,000)
Net cash outflow on acquisition of subsidiaries	39	(1,886,761)	(400,000)
Payment of consideration payable for acquisition of subsidiaries in prior year		(21,500)	(60,000)
Deposit paid for acquisition of a subsidiary	39	—	(70,000)
Net cash outflow on disposal of subsidiaries	40	(17,816)	—
Proceeds from disposal (purchase) of financial products		70,000	(70,000)
Repayment from related parties		1,063	—
Withdrawal of other restricted bank deposits		7,953	1,153,266
Placement of other restricted bank deposits		(126,715)	(38,348)
Net cash used in investing activities		(2,523,313)	(17,664)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2016

	Year ended December 31,	
	2016 RMB'000	2015 RMB'000
FINANCING ACTIVITIES		
New bank loans raised	9,117,454	5,953,860
New other loans raised	—	945,000
Repayment of bank loans	(3,698,237)	(4,141,360)
Repayment of other loans	(1,809,475)	(1,277,985)
Advance from related parties	10,417	180
Repayment to related parties	(3,000)	(1,170)
Proceeds on issue of corporate bonds	1,000,000	3,000,000
Transaction cost paid for corporate bonds	(4,720)	(23,600)
Interest paid	(1,136,421)	(824,775)
Exercise of share options	3,924	2,572
Dividends paid to shareholders of the company	(38,348)	(182,144)
Dividends paid to non-controlling interests in the subsidiaries	(180,000)	(140,000)
Acquisition of non-controlling interest	(50,000)	—
Capital injection from non-controlling shareholders in the subsidiaries	15,000	—
Net cash generated from financing activities	3,226,594	3,310,578
Net (decrease) increase in cash and cash equivalents	(722,013)	1,413,706
Cash and cash equivalents at beginning of the year	1,956,263	542,557
Cash and cash equivalents at end of the year, represented by bank balances and cash	1,234,250	1,956,263

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2016

1. GENERAL

The Company was incorporated in the Cayman Islands under the name of “Glory Land Company Limited (國瑞置業有限公司)” as an exempted company with limited liability under the Company Laws (2012 Revision) of the Cayman Islands on July 16, 2012 which carries on business in Hong Kong as “Guorui Properties Limited”. Its parent and ultimate holding company is Alltogether Land Company Limited (通和置業有限公司), a company incorporated in the British Virgin Islands. Mr. Zhang Zhangsun, who hold 100% equity interests of Alltogether Land Company Limited, is the ultimate shareholder of the Company. The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principal place of business is located at No. 15, East Zhushikou Street, Dongcheng District, Beijing, the PRC.

On July 7, 2014, the Company completed the global offering and its shares were listed on the mainboard of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Company and its subsidiaries (collectively the “Group”) are principally engaged in property development, primary land construction and development services, property investment and property management and related services.

The consolidated financial statements are presented in Renminbi (“RMB”), the currency of the primary economic environment in which the group entities operate (the functional currency of the group entities).

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”)

In the current year, the Group has applied, the following amendments to IFRSs:

Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to IAS 1	Disclosure Initiative
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to IFRSs	Annual Improvements to IFRSs 2012-2014 Cycle

Except as described below, the application of the other amendments to IFRSs in the current year has had no material impact on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2016

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”) (continued)

Amendment to IAS 1 Disclosure Initiative

The Group has applied the amendments to IAS 1 Disclosure Initiative for the first time in the current year. The amendments to IAS 1 clarify that an entity need not provide a specific disclosure required by an IFRS if the information resulting from that disclosure is not material, and give guidance on the bases of aggregating and disaggregating information. However, the amendments reiterate that an entity should consider providing additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users of financial statements to understand the impact of particular transactions, events and conditions on the entity’s financial performance.

As regards the structure of the financial statements, the amendments provide examples of systematic ordering or grouping of the notes.

The Group has applied these amendments retrospectively. To give prominence to the areas of the Group’s activities that management considers to be most relevant to an understanding of the Group’s financial performance and financial position, the ordering of certain notes have been revised, specifically, information relating to financial instruments and subsidiaries were reordered to note 44 and note 47 respectively. Other than the above presentation and disclosure changes, the application of the amendments to IAS 1 has not resulted in any impact on the financial performance or financial position of the Group in these consolidated financial statements.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”) (continued)

At the date of this report, the following new, revised IFRSs and interpretation have been issued but are not yet effective:

IFRS 9	Financial Instruments ¹
IFRS 15	Revenue from Contracts with Customers and related Amendments ¹
IFRS 16	Leases ²
IFRIC 22	Foreign Currency Transactions and Advance Consideration ¹
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions ¹
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts ¹
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to IAS 7	Disclosure Initiative ⁴
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses ⁴
Amendments to IAS 40	Transfers of Investment Property ¹
Amendments to IFRSs	Annual Improvements to IFRS Standards 2014-2016 Cycle ⁵

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 Effective for annual periods beginning on or after a date to be determined

⁴ Effective for annual periods beginning on or after January 1, 2017

⁵ Effective for annual periods beginning on or after January 1, 2017 or January 1, 2018, as appropriate

Except as disclosed below, the directors of the Company anticipate that the application of these new, revised IFRSs and interpretation will have no material impact on amounts reported in the Group's consolidated financial statements.

For the year ended December 31, 2016

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”) (continued)

IFRS 15 Revenue from Contracts with Customers

In May 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when ‘control’ of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

In 2016, the International Accounting Standards Board issued Clarification to IFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company are in the process of assessing the potential impacts of IFRS 15 on the Group’s contracts with customers in respect of sales of properties, in particular, the identification of performance obligations under IFRS 15, the allocation total consideration to the respective performance obligations based on relative fair values and whether these contracts contain significant financing components. Furthermore, revenue on sales of properties will be recognised when customers obtain control over the properties under IFRS 15 as compared to upon transfer of significant risks and rewards of ownership under IAS 18. These impacts may potentially affect the timing and amounts of revenue recognition. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until the Group performs a detailed review. The application of IFRS 15 in the future may also result in more disclosures in the consolidated financial statements.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”) (continued)

IFRS 9 Financial Instruments

IFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of IFRS 9 which are relevant to the Group are:

- All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at fair value through other comprehensive income. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39 Financial Instruments: Recognition and Measurement. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

The directors of the Company anticipate that the application of IFRS 9 in the future may have a material impact on the classification and measurement of the Group’s financial assets. The Group’s available-for-sale investments currently stated at cost less impairment, will either be measured as fair value through profit or loss or be designated as fair value through other comprehensive income (subject to fulfilment of the designation criteria). In addition, the expected credit loss model may result in early provision of credit losses which are not yet incurred in relation to the Group’s financial assets measured at amortised cost. However, it is not practicable to provide a reasonable estimate of the effect until the directors of the Company performs a detailed review.

IFRS 16 Leases

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede IAS 17 Leases and the related interpretations when it becomes effective.

IFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

For the year ended December 31, 2016

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”) (continued)

IFRS 16 Leases (continued)

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest expense and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Under the IFRS 16 lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be both presented as financing cash flows.

Under IAS 17, the Group has already recognised prepaid lease payments for leasehold lands where the Group is a lessee. The application of IFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by IFRS 16.

As at December 31, 2016, the Group has non-cancellable operating lease commitments of RMB1,492,000 as disclosed in Note 45. A preliminary assessment indicates that these arrangements will meet the definition of a lease under IFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these unless they qualify for low value or short-term lease upon the application of IFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the directors of the Company complete a detailed review.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”) (continued)

Amendments to IAS 7 Disclosure Initiative

The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities including both changes arising from cash flows and non-cash changes. Specially, the amendments require the following changes in liabilities arising from financing activities to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

The amendments apply prospectively for annual periods beginning on or after 1 January 2017 with earlier application permitted. The application of the amendments will result in additional disclosures on the Group’s financing activities, specifically reconciliation between the opening and closing balances in the consolidated statement of financial position for liabilities arising from financing activities will be provided on application.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements have been prepared in accordance with IFRSs. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) and by the Hong Kong Companies Ordinance (“CO”).

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for the investment properties and certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2016

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of preparation (continued)

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 Share-based Payment, leasing transactions that are within the scope of IAS 17 Leases, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 Inventories or value in use in IAS 36 Impairment of Assets.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

Except for common control subsidiaries in which merger accounting applies, consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the each reporting period are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity including reserves and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted after re-attribution of the relevant equity component and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39, when applicable, the cost on initial recognition of an investment in an associate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2016

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Acquisition of assets and liabilities through acquisition of subsidiaries

Where an acquisition of an asset or a group of assets and liabilities that does not constitute a business, the Group will identify and recognise the individual identifiable assets acquired and liabilities assumed by allocating purchase price first to the financial assets and financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to other individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

Variable payments for acquisition of an asset or a group of assets and liabilities is recognised and included as part of the consideration transferred, when it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation. Variable payments for acquisition of an asset or a group of assets and liabilities is remeasured at subsequent reporting dates in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets and changes in the measurement is added to or deducted from the cost of the related assets.

When an acquisition of an asset or a group assets and liabilities that does not constitute a business is achieved in stages, each exchange transaction is treated separately, using the cost of the transaction at respective acquisition dates. Non-controlling interests are measured at the non-controlling interests' proportionate share of fair value of the assets acquired and liabilities assumed at the date of initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates

An associate is an entity over which the Group has 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.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the group retains an interest in the former associate and the retained interest is a financial asset within the scope of IAS 39, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate and the fair value of any retained interest and any proceeds from disposing the relevant interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2016

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Interests in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

When a group entity undertakes its activities under joint operations, the Group as a joint operator recognises in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the IFRSs applicable to the particular assets, liabilities, revenues and expenses.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a sale or contribution of assets), the Group is considered to be conducting the transaction with the other parties to the joint operation, and gains and losses resulting from the transactions are recognised in the Group's consolidated financial statements only to the extent of other parties' interests in the joint operation.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a purchase of assets), the Group does not recognise its share of the gains and losses until it resells those assets to a third party.

Revenue recognition

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Sales of properties

Revenue from the sale of properties in the ordinary course of business is recognised when all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the properties, which is when the construction of relevant properties has been completed, upon delivery, and collectability of related receivables is reasonably assured;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the properties sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Deposits received from purchasers prior to meeting the above criteria for revenue recognition are included in the consolidated statement of financial position under current liabilities.

Revenue from construction contract

Revenue from construction contract is recognised by reference to the recoverable costs incurred during the period plus the fee earned, measured by the proportion that costs incurred to date bear to the estimated total costs of the contract.

Rental income

The Group's policy for recognition of revenue from operating leases is described in "Leasing" section below.

Service income

Service income is recognised when the services are provided.

Interest income

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2016

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Construction contract

When the outcome of a construction contract can be estimated reliably, revenue from fixed price contracts and cost plus contracts is recognised by reference to the recoverable costs incurred during the period plus the fee earned, measured by the proportion that costs incurred to date bear to the estimated total costs of the contract.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as amounts due to customers for contract work. Amounts received before the related work is performed are included in the consolidated statement of financial position, as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the consolidated statement of financial position under trade receivables.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as liabilities and as a reduction of rental expense over the lease term on a straight-line basis.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leasing (continued)

Leasehold land for own use

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance lease or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as “prepaid lease payments” in the consolidated statement of financial position and is released over the lease term on a straight-line basis except for those that are classified and accounted for as investment properties under the fair value model. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as leasehold land and buildings under property, plant and equipment.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than that entity’s functional currency (foreign currencies) are recorded in the respective functional currency at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are re-translated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2016

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Short-term and other long-term employee benefit

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date.

Equity-settled share-based payment transactions

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of fair value of equity-settled share-based transactions are set out in Note 38 to the Group's consolidated financial statements.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity.

At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity-settled share-based payment reserve.

For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognised in equity-settled share-based payment reserve will be transferred to share premium. When share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in equity-settled share-based payment reserve will be transferred to retained earnings.

When the awarded shares are vested, the amount previously recognised in equity-settled share-based payment reserve and the amount of the relevant treasury shares is reversed and the differences arising from the reversal is adjusted to retained earnings.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties

Investment properties are properties held to earn rentals or/and for capital appreciation.

Investment properties are measured initially at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

Construction costs incurred for investment properties under construction are capitalised as part of the carrying amount of the investment properties under construction.

A property is transferred to investment properties when, and only when, there is a change in use, as evidenced by the change of use has occurred, such as commencement of an operating lease. Except for transfer from owner occupied property, any difference between the carrying amount of the property transferred and the fair value at the date of transfer is recognised in the profit or loss.

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

Property, plant and equipment

Property, plant and equipment, including land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2016

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets

Intangible assets acquired separately and with finite useful lives are carried at costs less accumulated amortization and any accumulated impairment losses. Amortization for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. Amortization begins when the intangible asset is available for use, ie. when it is in the Location and condition necessary for it to be capable of operating in the manner intended by management. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

An intangible asset is derecognised upon disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured at the difference between the net disposal proceeds and the carrying amount of the asset, and are recognised in profit or loss when the asset is derecognised.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is calculated using the weighted average method.

Properties under development

Properties under development for sale which are intended to be sold in the ordinary course of business upon completion of development are classified as current assets, and are carried at the lower of cost and net realizable value. Cost comprises the related land cost, development expenditure incurred and, where appropriate, borrowing costs capitalised. Net realizable value represents the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale. Properties under development for sale are transferred to completed properties for sale upon completion of development.

Properties held for sale

Properties held for sale are stated at the lower of cost and net realizable value. Cost comprises the costs of land, development expenditure incurred and, where appropriate, borrowing costs capitalised. Net realizable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of tangible and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belong. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2016

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets

The Group's financial assets are classified into financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets at fair value through profit or loss

A financial asset is classified as held-for-trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at fair value through profit or loss upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract (asset or liability) to be designated as at fair value through profit or loss.

Financial assets at fair value through profit or loss are measured at fair value, with changes in fair value arising from re-measurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets and is included in the "other gains and losses" line item in the consolidated statement of profit or loss and other comprehensive income.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, amount due from related party, restricted bank deposits and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over each reporting period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment loss at the end of the reporting period (see accounting policy on impairment of financial assets below).

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty; or
- Default or delinquency in interest and principal payments; or
- It becoming probable that the borrower will enter bankruptcy or financial reorganisation.

For financial assets measured at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2016

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Impairment of financial assets (continued)

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the each reporting period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities

Financial liabilities including trade and other payables, amounts due to related parties, bank and other borrowings and corporate bonds are subsequently measured at amortised cost, using effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Treasury shares contributed by the ultimate holding company for share award scheme are initially recognised at the fair value and recorded in treasury share reserve prior to vesting.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the obligation under the contract, as determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and (ii) the amount initially recognised less, where appropriate, cumulative amortization recognised over the guarantee period.

Derecognition

A financial asset is derecognised only when the contractual rights to the cash flows from the asset expire.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities are derecognised when the Group's obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2016

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation

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

The tax currently payable is based on taxable profit for the period. Taxable profit differs from profit before tax because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated statement of financial position and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction other than in a business combination that affects neither the taxable profit nor the accounting profit.

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the liability is settled or the asset realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflect the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model in accordance with IAS 40 Investment Property, the carrying amounts of such properties are presumed to be recovered through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model of the Group whose business objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax for such investment properties are measured using the tax rate applicable for recovery through use.

Current and deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax is also recognised in other comprehensive income or directly in equity respectively.

4. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies, which are described in Note 3, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

Construction costs estimation for revenue recognition

Certain projects of the Group are divided into several phases according to the development and delivery plans. The Group recognises sales upon delivery of properties and collectability of related receivables is reasonably assured. Cost of sales including construction cost specific to the phases and common costs allocated to the phases are calculated based on management's best estimation of the total development costs for the whole project and the allocation to each phase at the time when the properties are delivered. When the actual common costs incurred are significantly more or less than expected, or changes in circumstances which result in revision of management's estimates, the effect of such change is recognised prospectively in the profit or loss in the period of the change.

For the year ended December 31, 2016

4. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Key sources of estimation uncertainty (continued)

Primary land construction and development contracts

The Group carried out primary land construction and development projects for the Beijing Municipal People's Government. The Group recognised contract revenue on the primary land construction and development projects by reference to the recoverable costs incurred plus the expected fee earned in accordance with relevant rules and regulations issued by the Beijing Municipal People's Government and other relevant agreements. Construction and development costs mainly comprise resettlement compensation, sub-contracting charges and costs of construction materials and are estimated by the management by reference to quotations provided by contractors and vendors and the past experience of the management. Estimation of the contract revenue and recoverable costs is subject to final approval from the Beijing Municipal People's Government. The directors of the Company estimate contract revenue and recoverable costs based on latest available budgets of each primary land construction and development projects and current market conditions. The final amounts approved by the Beijing Municipal People's Government may not be the same as the amounts estimated by the Group. These differences will affect contract revenue and contract profit in the period in which the approval has been obtained from the Beijing Municipal People's Government.

Investment properties

Independent external valuer was engaged to carry out an independent valuation of the Group's investment property portfolio as at December 31, 2016. The fair value of each investment property is individually determined at the end of the reporting period based on market value assessment. The valuer has relied on the income capitalisation approach and the direct comparison method. These methodologies are based on an estimation of future results, a set of assumptions and a determination of relevant key inputs specific to each property to reflect its tenancy and cashflow profile. Changes to these estimation, assumptions and key inputs would result in changes in the fair values of the Group's investment properties and the corresponding adjustments to the amount of gain or loss would be recognised in profit or loss.

Income tax expense

Deferred tax assets of RMB290,533,000 (2015: RMB160,336,000) have been recognised as at December 31, 2016, after offsetting certain deferred tax liabilities as set out in Note 21. No deferred tax assets have been recognised on the tax losses of RMB137,935,000 (2015: RMB96,557,000) due to the unpredictability of future profit streams. The recognition of the deferred tax assets mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. The directors of the Company determine the deferred tax assets based on the enacted or substantially enacted tax rates and profit forecasts of the Group for coming years during which the deferred taxation assets are expected to be utilised. The directors of the Company reviewed the assumptions and profit forecasts at the end of each reporting period. In cases where the actual future profits generated are more or less than expected, or changes in facts and circumstances, an additional recognition or a reversal of deferred tax assets may arise, which would be recognised in the profit or loss for the period in which such a recognition or reversal takes place.

4. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Key sources of estimation uncertainty (continued)

Land appreciation tax

The Group has provided land appreciation tax ("LAT") in the PRC amounting to RMB900,312,000 (2015: RMB614,153,000) as at December 31, 2016. However, the implementation and settlement of the tax varies amongst different tax jurisdictions in various cities of the PRC and certain property development projects of the Group have not yet finalised their land appreciation tax calculations and payments with local tax authorities in the PRC. Accordingly, significant estimation is required in determining the amount of land appreciation tax and its related enterprise income tax. The Group recognised the land appreciation tax based on management's best estimates. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the income tax expense in the period in which such tax is finalised with local tax authorities.

Critical judgment in applying accounting policies

The following are the critical judgments, apart from those involving estimations (see above), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Deferred taxation on investment properties

For the purposes of measuring deferred tax arising from investment properties that are measured using the fair value model under IAS 40 amounting to RMB16,674,500,000 (2015: RMB15,065,850,000), as at December 31, 2016, the directors of the Company concluded that the Group's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time.

Therefore, in determining the Group's deferred tax on investment properties, the directors of the Company have determined that the presumption that investment properties measured using the fair value model are recovered through sale is rebutted and the Group estimated the deferred tax on the basis of recovering through use.

Revenue recognition of property sales

As part of the Group's marketing strategy, some properties were delivered to buyers before the full consideration was received. In assessing whether such contract meets the revenue recognition criteria in accordance with the Group's accounting policies, the management of the Group considered various factors such as the level of purchase consideration received, the collectability of the remaining outstanding consideration and the potential decrease in fair value of the underlying property relative to the relevant selling price. In the cases where the directors of the Company considered the contract does not meet the Group's revenue recognition criteria, the consideration received is accounted for as "deposit received from sale of properties" in current liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2016

5. REVENUE AND SEGMENT INFORMATION

The Group is organised into business units based on their types of activities. These business units are the basis of information that is prepared and reported to the Group's chief operating decision maker (i.e. the Executive Directors of the Company) for the purposes of resource allocation and assessment of performance. The Group's operating segments under IFRS 8 Operating Segments are identified as the following four business units:

Property development: This segment develops and sells commercial and residential properties. All of the Group's activities are carried out in the PRC.

Primary land construction and development services: This segment derives revenue from primary land development, including services for resettlement, construction of land infrastructure and ancillary public facilities on land owned by the local governments. All of the Group's activities are carried out in the PRC.

Property investment: This segment derives rental income from investment properties developed by the Group. Currently the Group's investment property portfolio mainly comprises commercial properties located in the PRC.

Property management and related services: This segment derives income from property management. Currently the Group's activities are carried out in the PRC.

The accounting policies applied in determining segment revenue and segment results of the operating segments are the same as the Group's accounting policies described in Note 3. Segment profit represents the profit earned by each segment without allocation of unallocated other gains and losses, other income, other expenses, share of result of associates, gain on fair value change of investment properties, finance costs and unallocated administrative expenses, including auditor's remuneration and directors' emoluments. This is the measure reported to the Group's chief operating decision maker for the purpose of resource allocation and performance assessment.

Inter-segment sales are priced with reference to prices charged to external parties for similar products and services.

No segment assets and liabilities are presented as they were not regularly provided to the chief operating decision maker for the purpose of resource allocation and performance assessment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2016

5. REVENUE AND SEGMENT INFORMATION (continued)

(a) Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable and operating segment.

	Property development RMB'000	Primary land construction and development services RMB'000	Property investment RMB'000	Property management and related services RMB'000	Total RMB'000
Year ended December 31, 2016					
Revenue from external customers	7,513,208	137,616	292,679	91,078	8,034,581
Inter-segment revenue	—	—	—	20,986	20,986
Segment revenue	7,513,208	137,616	292,679	112,064	8,055,567
Segment profit	2,353,161	3,077	188,707	10,747	2,555,692
Year ended December 31, 2015					
Revenue from external customers	6,028,920	143,391	280,589	61,404	6,514,304
Inter-segment revenue	—	—	—	14,429	14,429
Segment revenue	6,028,920	143,391	280,589	75,833	6,528,733
Segment profit	1,868,149	858	214,540	10,738	2,094,285

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2016

5. REVENUE AND SEGMENT INFORMATION (continued)

(b) Reconciliations of segment revenues, profit or loss

	Year ended December 31,	
	2016 RMB'000	2015 RMB'000
Revenue		
Segment revenue	8,055,567	6,528,733
Elimination of inter-segment revenue	(20,986)	(14,429)
Consolidated revenue	8,034,581	6,514,304
Profit		
Segment profit	2,555,692	2,094,285
Unallocated other gains and losses	(24,295)	(7,415)
Other income	20,227	13,170
Other expenses	(18,656)	(26,388)
Share of result of associates	(727)	3,312
Gain on fair value change of investment properties	851,934	783,601
Finance costs	(126,824)	(141,095)
Unallocated administrative expenses	(26,924)	(19,872)
Consolidated profit before tax	3,230,427	2,699,598

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2016

5. REVENUE AND SEGMENT INFORMATION (continued)

(c) Other segment information

Amounts included in the measurement of segment profit or loss:

	Property development RMB'000	Primary land construction and development service RMB'000	Property investment RMB'000	Property management and related services RMB'000	Unallocated amount RMB'000	Total RMB'000
Year ended December 31, 2016						
Depreciation and amortization	11,664	—	5,245	12,262	3,884	33,055
Release of prepaid lease payment	—	—	81	26	5,928	6,035
Reversal of allowance for doubtful receivables	—	—	(624)	—	—	(624)
Year ended December 31, 2015						
Depreciation and amortization	10,536	—	5,221	7,600	3,884	27,241
Release of prepaid lease payment	—	—	81	26	—	107
Reversal of allowance for doubtful receivables	—	—	(459)	—	—	(459)

(d) Revenue from major products and services

The following is an analysis of the Group's revenue from external customers:

	Year ended December 31,	
	2016	2015
	RMB'000	RMB'000
Sales of properties	7,513,208	6,028,920
Primary land construction and development services	137,616	143,391
Rental income	292,679	280,589
Property management and related services	91,078	61,404
	8,034,581	6,514,304

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2016

5. REVENUE AND SEGMENT INFORMATION (continued)

(e) Geographical information

All the revenue and operating results of the Group is derived from the PRC based on location of the operations. All the Group's non-current assets (other than financial instruments, and deferred tax assets of the Group) amounting to RMB17,954,540,000 (2015: RMB15,304,797,000) at December 31, 2016 are located in the PRC based on geographical location of the assets or the associates' operation, as appropriate.

(f) Revenue from major customers

No revenue from transactions with a single external customer amounted to 10% or more of the Group's revenue during the years ended December 31, 2016 and 2015.

6. OTHER GAINS AND LOSSES

	Year ended December 31,	
	2016 RMB'000	2015 RMB'000
Other gains and losses comprise:		
Net foreign exchange losses	(24,292)	(7,340)
Losses on disposal of property, plant and equipment	(3)	(95)
Reversal of allowance for doubtful receivables	624	459
Others	—	20
	(23,671)	(6,956)

7. OTHER INCOME

	Year ended December 31,	
	2016 RMB'000	2015 RMB'000
Interest income	6,588	6,338
Compensation received	5,763	2,900
Others	7,876	3,932
	20,227	13,170

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2016

8. OTHER EXPENSES

	Year ended December 31,	
	2016 RMB'000	2015 RMB'000
Donations	9,730	12,137
Compensation paid	5,273	10,614
Others	3,653	3,637
	18,656	26,388

9. FINANCE COSTS

	Year ended December 31,	
	2016 RMB'000	2015 RMB'000
Interest on bank loans	860,458	606,807
Interest on corporate bonds	241,011	22,624
Interest on other loans	63,364	214,342
Interest on amounts due to related parties	—	190
Other finance cost (note)	—	3,950
Total interest expenses	1,164,833	847,913
Less: Amounts capitalised to properties under development and investment properties	(1,038,009)	(706,818)
	126,824	141,095

Note: In 2009, the Group entered into a sale contract with a connected person as defined under the Listing Rules (the "Party") to sell a residential block (the "Property") located in Beijing and received RMB1,160,911,000 as deposit. On May 5, 2013, the Group entered into another agreement with the Party to cancel the sale contract of the Property (the "Cancellation Agreement"). According to the Cancellation Agreement, the deposit received from sale of the Property amounting to RMB1,160,911,000 and an interest amounting to RMB351,310,000 (the "Settlement Amount") will be paid to the Party by the Group within one year by instalments. Upon signing of the Cancellation Agreement, the Group measured the Settlement Amount at fair value and recognised a loss amounting to RMB293,927,000, being the difference between the sale deposit of RMB1,160,911,000 and the fair value of the Settlement Amount determined using an effective interest rate of 6% per annum in 2013. Each year, the Group recognised related cost as other finance cost based on an effective interest rate of 6% per annum. The outstanding amount of RMB200,000,000 was paid in March 2016.

Interests capitalized arose from borrowings made specifically for the purpose of constructing the qualifying assets, which bore annual interest at rates from 4.75% to 12.20% (2015: 4.90% to 12.20%) and general borrowings pool calculated by applying a capitalization rate of 6.40% (2015: 7.49%) per annum on expenditure on the qualifying assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2016

10. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging (crediting):

	Year ended December 31,	
	2016 RMB'000	2015 RMB'000
Directors' emoluments (Note 11)	11,032	12,202
Other staff costs:		
– Salaries and other benefits	302,504	251,503
– Retirement benefit contributions	21,351	17,608
– Equity-settled share-based payments	18,028	51,947
Total staff costs	352,915	333,260
Less: Amounts capitalised to properties under development and investment properties (note)	(150,063)	(126,874)
	202,852	206,386
Cost of properties sold recognised as expense	4,641,964	3,591,663
Auditor's remuneration	3,945	3,786
Depreciation of property, plant and equipment	31,892	26,404
Amortization of intangible assets (included in administrative expenses)	1,163	837
Release of prepaid lease payments (included in administrative expense)	6,035	107
Operating lease rental expenses	3,787	7,616
Rental income from investment properties	(292,679)	(280,589)
Less: direct operating expense	94,227	63,004
	(198,452)	(217,585)

Note: The amount capitalised mainly represents costs of certain staff of the project management department and the design department, who were assigned to construction sites and engaged in specific construction projects directly.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2016

11. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

Details of the emoluments paid or payable to the directors are as follows:

	Fees RMB'000	Salaries and other benefits RMB'000	Performance bonuses RMB'000	Retirement benefit contributions RMB'000	Equity-settled share-based payment RMB'000	Total RMB'000
For the year ended December 31, 2016						
Executive Directors						
Mr. Zhang Zhangsun	—	2,603	400	5	—	3,008
Ms. Ruan Wenjuan	—	1,850	300	46	475	2,671
Ms. Zhang Jin	—	1,697	200	34	475	2,406
Mr. Ge Weiguang	—	1,705	97	46	475	2,323
Independent Non-Executive Directors						
Mr. Luo Zhenbang	208	—	—	—	—	208
Mr. Lai Siming	208	—	—	—	—	208
Ms. Chen Jingru	208	—	—	—	—	208
	624	7,855	997	131	1,425	11,032
For the year ended December 31, 2015						
Executive Directors						
Mr. Zhang Zhangsun	—	2,603	400	5	—	3,008
Ms. Ruan Wenjuan	—	1,469	218	44	1,144	2,875
Ms. Zhang Jin	—	1,469	218	44	1,144	2,875
Mr. Ge Weiguang	—	1,469	202	44	1,144	2,859
Independent Non-Executive Directors						
Mr. Luo Zhenbang	195	—	—	—	—	195
Mr. Lai Siming	195	—	—	—	—	195
Ms. Chen Jingru	195	—	—	—	—	195
	585	7,010	1,038	137	3,432	12,202

Notes:

- Mr. Zhang Zhangsun is the Chief Executive of the Company and his emoluments disclosed above include those for services rendered by him as the Chief Executive.
- Ms. Ruan Wenjuan, Ms. Zhang Jin and Mr. Ge Weiguang are the executive directors and vice presidents of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2016

11. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (continued)

Performances bonuses were determined by the management having regard to the performance of the directors and the Group's operating results.

The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group.

The independent non-executive directors' emoluments shown above were mainly for their services as directors of the Company.

No directors of the Company waived any emoluments during both years.

Of the five individuals with the highest emoluments in the Group, four (2015: four) are directors of the Company whose emoluments are included in the disclosures in Note 11. The emolument of the remaining one (2015: one) individual is as follows:

	Year ended December 31,	
	2016 RMB'000	2015 RMB'000
Salaries and other benefits	1,303	1,270
Performance bonuses	200	200
Retirement benefit contributions	5	5
Equity-settled share-based payment	7,325	23,345
	8,833	24,820

During the year, no emoluments were paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2016

12. INCOME TAX EXPENSES

	Year ended December 31,	
	2016 RMB'000	2015 RMB'000
Current tax		
PRC enterprise income tax	647,054	462,419
Under provision in prior year	7,349	357
LAT	542,306	530,513
	1,196,709	993,289
Deferred tax (Note 21)	78,030	122,820
Income tax expenses	1,274,739	1,116,109

Pursuant to the PRC Enterprise Income Tax Law promulgated on March 16, 2007 the PRC enterprise income tax for both domestic and foreign-invested enterprises has been unified at the income tax rate of 25% effective from January 1, 2008 onwards.

The provision of LAT is estimated according to the requirements set forth in the relevant PRC tax laws and regulations. LAT has been provided at ranges of progressive rates of the appreciation value, with certain allowable exemptions and deductions.

In accordance with PRC tax circular (Guoshuihan [2008] 112) effective from January 1, 2008, PRC withholding income tax at the rate of 10% is applicable to dividends to “non-resident” investors who do not have an establishment or business in the PRC. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to the profits earned by the PRC subsidiaries since January 2008 amounting to RMB4,085,279,000 (2015: RMB3,207,683,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

No provision for Hong Kong Profits Tax has been made as the income of the companies comprising the Group neither arises in, nor is derived from Hong Kong during both years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2016

12. INCOME TAX EXPENSES (continued)

The tax charge for the year can be reconciled to the profit before tax per consolidated statement of profit or loss and other comprehensive income as follows:

	Year ended December 31,	
	2016 RMB'000	2015 RMB'000
Profit before tax	3,230,427	2,699,598
Tax at PRC enterprise income tax rate of 25%	807,607	674,899
LAT	542,306	530,513
Tax effect of LAT	(135,577)	(132,628)
Tax effect of expenses not deductible for tax purpose	41,861	34,339
Tax effect of share of results of associates	182	(828)
Effect of tax losses not recognised as deferred tax assets	10,359	9,457
Reversal of tax losses previously recognized as deferred tax assets	652	—
Under provision in prior year	7,349	357
Tax charge	1,274,739	1,116,109

13. EARNINGS PER SHARE

	Year ended December 31,	
	2016 RMB'000	2015 RMB'000
Earnings:		
Profit for the year attributable to the owners of the Company for the purposes of basic and diluted earnings per share	1,562,956	1,260,550

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2016

13. EARNINGS PER SHARE (continued)

	Year ended December 31,	
	2016 '000	2015 '000
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	4,417,841	4,404,430
Effect of dilutive potential ordinary shares:		
Share options issued by the Company	28,186	31,451
Share awards issued by the Company	14,968	21,299
Weighted average number of ordinary shares for the purpose of diluted earnings per share	4,460,995	4,457,180

The number of shares adopted in the calculation of the basic earnings per share has been arrived at after eliminating the unvested shares of the Company held under the Company's share award scheme.

14. DIVIDENDS

Subsequent to the end of the reporting period, a final dividend in respect of the year ended December 31, 2016 of HK\$6.04 cents per share, totalling HK\$267,994,000 (equivalent to RMB240,000,000) has been proposed by the board of directors and is subject to approval by the shareholders of the Company at the forthcoming annual general meeting.

Dividend recognised as distribution by the Company during the year ended December 31, 2016 amounted to HK\$245,882,000 (equivalent to RMB206,000,000) (the year ended December 31, 2015: HK\$266,080,000, equivalent to RMB209,914,000) in aggregate, representing HK\$5.55 cents (the year ended December 31, 2015: HK\$6.05 cents) per share declared and paid in cash to the shareholders of the Company. Part of the dividend amounting to HK\$45,390,000 (equivalent to RMB38,348,000) was paid during the current year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2016

15. INVESTMENT PROPERTIES

	RMB'000
Fair value	
At January 1, 2015	12,822,450
Additions	719,451
Gain on fair value change of investment properties	783,601
Acquisition of a subsidiary (Note 39)	798,921
Disposals	(58,573)
At December 31, 2015	15,065,850
Additions	786,510
Gain on fair value change of investment properties	851,934
Disposals	(29,794)
At December 31, 2016	16,674,500

The investment properties are all situated in the PRC. The fair value of the Group's investment properties, including the Group's property interests held under operating leases classified and accounted for as investment properties as at December 31, 2016 and 2015 have been arrived at on the basis of valuations carried out on those dates by Colliers International (Hong Kong) Ltd ("Colliers"), a firm of independent qualified professional valuers not connected with the Group, who have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations.

The valuations of completed investment properties are arrived at with adoption of direct comparison approach assuming sale of each of these properties in its existing state by making reference to comparable sales transactions as available in the relevant market and also consider income method-direct capitalization approach by capitalization of the net rental income derived from the existing tenancy agreements with due allowance for the reversionary income potential of the properties.

Fair values of the investment properties under development are generally derived using the residual method. This valuation method is essentially a means of valuing the land and building by reference to its development potential by deducting development costs together with developer's profit and risk from the estimated capital value of the proposed development assuming completed in accordance with the existing development plans as at the date of valuation, which duly reflected the risks associated with the development.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

The following table gives information about how the fair values of these investment properties are determined (in particular, the valuation techniques and inputs used), as well as the fair value hierarchy into which the fair value measurements are categorised (level 1 to 3) based on the degree to which the inputs to the fair value measurements is observable. The Group considered multiple valuation techniques to the extent appropriate. In addition to residual method for investment properties under development, both income and direct comparison approaches are considered, the results (i.e. respective indications of fair value) are evaluated considering the reasonableness of the range of values indicated by those results. A fair value measurement is usually the point within that range that is most representative of fair value in the circumstances.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2016

15. INVESTMENT PROPERTIES (continued)

Investment properties held by the Group in the consolidated statement of financial position	At December 31, 2016	At December 31, 2015	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Beijing Glory City Complex	RMB 5,034,500,000	RMB 4,926,200,000	Level 3	Multiple valuation techniques: income and direct comparison approaches The key inputs of income method are: (1) Capitalization rate; and (2) Market monthly rent The key input of Direct Comparison Approach is: Unit sale rate	Capitalization rate, taking into account of the capitalization of rental income potential, nature of the property, prevailing market condition, of 5.2% to 5.7% (2015: 5.5% to 6%) for shopping mall, and 4.7% to 5.2% (2015: 6% to 6.5%) for office. Market monthly rent, using direct market comparable and taking into account of time, location and individual factors such as road frontage, size of property and facilities, of RMB574/sq.m./month (2015: RMB554/sq.m./month) on NFA for shopping mall and RMB246/sq.m./month (2015: RMB233/sq.m./month) on GFA for office. Unit sale rate, taking into account the time, location, and individual factors, such as frontage and size, between the comparable and the property, of RMB84,600/sq.m. (2015: RMB81,700/sq.m.) for shopping mall and RMB44,200/sq.m. (2015: RMB49,000/sq.m.) for office.	A slight increase in the capitalization rate used would result in a significant decrease in the fair value measurement of the investment properties, and vice versa. A slight increase in the market monthly rent used would result in a significant increase in the fair value measurement of the investment properties, and vice versa. An increase in the unit sale rate used would result in an increase in the fair value measurement of the investment properties by the same percentage increase, and vice versa.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2016

15. INVESTMENT PROPERTIES (continued)

Investment properties held by the Group in the consolidated statement of financial position	At December 31, 2016	At December 31, 2015	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Lotte Mart Shopping Centre	RMB 807,500,000	RMB 790,000,000	Level 3	Multiple valuation techniques: income and direct comparison approaches The key inputs of income method are: (1) Capitalization rate; and (2) Market monthly rent	Capitalization rate, taking into account of the capitalization of rental income potential, nature of the property, prevailing market condition, of 5.2% to 5.7% (2015: 5.5% to 6%). Market monthly rent, using direct market comparable and taking into account of time, location and individual factors such as road frontage, size of property and facilities, of RMB213/sq.m./month (2015: RMB122/sq.m./month) on GFA.	A slight increase in the capitalization rate used would result in a significant decrease in the fair value measurement of the investment properties, and vice versa. A slight increase in the market monthly rent used would result in a significant increase in the fair value measurement of the investment properties, and vice versa.
				The key input of Direct Comparison Approach is: Unit sale rate	Unit sale rate, taking into account the time, location, and individual factors, such as frontage and size, between the comparable and the property, of RMB29,400/sq.m (2015: RMB29,000/sq.m).	An increase in the unit sale rate used would result in an increase in the fair value measurement of the investment properties by the same percentage increase, and vice versa.
Beijing Fugui Garden Shopping Mall	RMB 877,300,000	RMB 855,300,000	Level 3	Multiple valuation techniques: income and direct comparison approaches The key inputs of income method are: (1) Capitalization rate; and (2) Market monthly rent	Capitalization rate, taking into account of the capitalization of rental income potential, nature of the property, prevailing market condition, of 5.2% to 5.7% (2015: 5.5% to 6%). Market monthly rent, using direct market comparable and taking into account of time, location and individual factors such as road frontage, size of property and facilities, of RMB235/sq.m./month (RMB226.6/sq.m./month) on GFA.	A slight increase in the capitalization rate used would result in a significant decrease in the fair value measurement of the investment properties, and vice versa. A slight increase in the market monthly rent used would result in a significant increase in the fair value measurement of the investment properties, and vice versa.
				The key input of Direct Comparison Approach is: Unit sale rate	Unit sale rate, taking into account the time, location, and individual factors, such as frontage and size, between the comparable and the property, of RMB66,500/sq.m (2015: RMB64,950/sq.m).	An increase in the unit sale rate used would result in an increase in the fair value measurement of the investment properties by the same percentage increase, and vice versa.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2016

15. INVESTMENT PROPERTIES (continued)

Investment properties held by the Group in the consolidated statement of financial position	At December 31, 2016	At December 31, 2015	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Shantou Glory City Phase I	RMB 537,900,000	RMB 535,300,000	Level 3	Multiple valuation techniques: income and direct comparison approaches The key inputs of income method are: (1) Capitalization rate; and (2) Market monthly rent	Capitalization rate, taking into account of the capitalization of rental income potential, nature of the property, prevailing market condition, of 7.4% to 8.1% (2015: 8% to 8.5%). Market monthly rent, using direct market comparable and taking into account of time, location and individual factors such as road frontage, size of property and facilities, of RMB65/sq.m./month (2015: RMB63.6/sq.m./month) on GFA	A slight increase in the capitalization rate used would result in a significant decrease in the fair value measurement of the investment properties, and vice versa. A slight increase in the market monthly rent used would result in a significant increase in the fair value measurement of the investment properties, and vice versa.
				The key input of Direct Comparison Approach is: Unit sale rate	A unit sale rate, taking into account the time, location, and individual factors, such as frontage and size, between the comparable and the property, of RMB12,200/sq.m (RMB12,000/sq.m).	An increase in the unit sale rate used would result in an increase in the fair value measurement of the investment properties by the same percentage increase, and vice versa.
Shenyang Glory City Phase I, Big Box	RMB 351,400,000	RMB 342,000,000	Level 3	Multiple valuation techniques: income and direct comparison approaches The key inputs of income method are: (1) Capitalization rate; and (2) Market monthly rent	Capitalization rate, taking into account of the capitalization of rental income potential, nature of the property, prevailing market condition, of 5.25% to 5.7% (2015: 6%). Market monthly rent, using direct market comparables and taking into account of time, location and individual factors such as road frontage, size of property and facilities, of RMB40/sq.m./month (2015: RMB37/sq.m./month) on GFA.	A slight increase in the capitalization rate used would result in a significant decrease in the fair value measurement of the investment properties, and vice versa. A slight increase in the market monthly rent used would result in a significant increase in the fair value measurement of the investment properties, and vice versa.
				The key input of Direct Comparison Approach is: Unit sale rate	Unit sale rate, taking into account the time, location, and individual factors, such as frontage and size, between the comparable and the property, of RMB7,100/sq.m (2015: RMB8,300/sq.m).	An increase in the unit sale rate used would result in an increase in the fair value measurement of the investment properties by the same percentage increase, and vice versa.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2016

15. INVESTMENT PROPERTIES (continued)

Investment properties held by the Group in the consolidated statement of financial position	At December 31, 2016	At December 31, 2015	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Siheyuan Beijing Glory City	RMB 702,000,000	RMB 688,000,000	Level 3	Multiple valuation techniques: income and direct comparison approaches The key inputs of income method are: (1) Capitalization rate; and (2) Market monthly rent	Capitalization rate, taking into account of the capitalization of rental income potential, nature of the property, prevailing market condition, of 2.3% to 2.8% (2015: 2.5% to 3%). Market monthly rent, using direct market comparables and taking into account of time, location and individual factors such as road frontage, size of property and facilities, of RMB285/sq.m./month (2015: RMB280/sq.m./month) on GFA.	A slight increase in the capitalization rate used would result in a significant decrease in the fair value measurement of the investment properties, and vice versa. A slight increase in the market monthly rent used would result in a significant increase in the fair value measurement of the investment properties, and vice versa.
Shenyang Glory City Block C and E	RMB 336,000,000	RMB 331,000,000	Level 3	Multiple valuation techniques: income and direct comparison approaches The key inputs of income method are: (1) Capitalization rate; and (2) Market monthly rent	Capitalization rate, taking into account of the capitalization of rental income potential, nature of the property, prevailing market condition, of 5.2% to 5.7% (2015: 6%). Market monthly rent, using direct market comparables and taking into account of time, location and individual factors such as road frontage, size of property and facilities, of RMB34/sq.m./month (2015: RMB33/sq.m./month) on GFA.	A slight increase in the capitalization rate used would result in a significant decrease in the fair value measurement of the investment properties, and vice versa. A slight increase in the market monthly rent used would result in a significant increase in the fair value measurement of the investment properties, and vice versa.
				The key input of Direct Comparison Approach is: Unit sale rate	Unit sale rate, taking into account the time, location, and individual factors, such as frontage and size, between the comparable and the property, of RMB101, 800/sq.m (2015: RMB100, 000/sq.m).	An increase in the unit sale rate used would result in an increase in the fair value measurement of the investment properties by the same percentage increase, and vice versa.
				The key input of Direct Comparison Approach is: Unit sale rate	Unit sale rate, taking into account the time, location, and individual factors, such as frontage and size, between the comparable and the property, of RMB6, 050/sq.m. (2015: RMB6, 630/sq.m.).	An increase in the unit sale rate used would result in an increase in the fair value measurement of the investment properties by the same percentage increase, and vice versa.

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For the year ended December 31, 2016

15. INVESTMENT PROPERTIES (continued)

Investment properties held by the Group in the consolidated statement of financial position	At December 31, 2016	At December 31, 2015	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Eudemonia Palace underground car parking spaces	RMB 35,900,000	RMB 35,250,000	Level 3	Multiple valuation techniques: income and direct comparison approaches The key inputs of income method are: (1) Capitalization rate; and (2) Market monthly rent The key input of Direct Comparison Approach is: Unit sale rate	Capitalization rate, taking into account of the capitalization of rental income potential, nature of the property, prevailing market condition, of 3.8% to 4.3% (2015: 4% to 4.5%). Market monthly rent, using direct market comparables and taking into account of time, location and individual factors such as road frontage, size of property and facilities, of RMB1,035/sq.m./month (2015: RMB1,000/sq.m./month) on lot. Unit sale rate, taking into account the time, location, and individual factors, such as frontage and size, between the comparable and the property, of RMB306, 500/lot (2015: RMB304, 000/lot).	A slight increase in the capitalization rate used would result in a significant decrease in the fair value measurement of the investment properties, and vice versa. A slight increase in the market monthly rent used would result in a significant increase in the fair value measurement of the investment properties, and vice versa. An increase in the unit sale rate used would result in an increase in the fair value measurement of the investment properties by the same percentage increase, and vice versa.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2016

15. INVESTMENT PROPERTIES (continued)

Investment properties held by the Group in the consolidated statement of financial position	At December 31, 2016	At December 31, 2015	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Beijing Glory Center *	RMB 5,683,000,000	RMB 4,675,000,000	Level 3	<p>Multiple valuation techniques: Residual method, income and direct comparison approaches</p> <p>The key inputs of income method are:</p> <p>(1) Capitalization rate; and</p> <p>(2) Market monthly rent</p> <p>The key input of Direct Comparison Approach is:</p> <p>Unit sale rate</p> <p>The key input of Residual method is:</p> <p>Total development costs to completion</p>	<p>Capitalization rate, taking into account of the capitalization of rental income potential, nature of the property, prevailing market condition, of 5.7% (2015: 6%) for retail, and 5.2% (2015: 5.5%) for office.</p> <p>Market monthly rent, using direct market comparables and taking into account of time, location and individual factors such as road frontage, size of property and facilities, of RMB554/sq.m./month (2015: RMB548/sq.m./month) on GFA for retail, RMB319/sq.m./month (2015: RMB313/sq.m./month) on GFA for office.</p> <p>Unit sale rate, taking into account the time, location, and individual factors, such as frontage and size, between the comparable and the property, of RMB61,400/sq.m (2015: RMB63,000/sq.m) for retail, and RMB75,300 (2015: RMB75,000/sq.m) for office.</p> <p>Estimation of development costs not yet incurred or contracted based on existing development plans</p>	<p>A slight increase in the capitalization rate used would result in a significant decrease in the fair value measurement of the investment properties, and vice versa.</p> <p>A slight increase in the market monthly rent used would result in a significant increase in the fair value measurement of the investment properties, and vice versa.</p> <p>An increase in the unit sale rate used would result in an increase in the fair value measurement of the investment properties by the same percentage increase, and vice versa.</p> <p>Increases in the development costs would result in a decrease in the fair value measurement of the investment properties by the same percentage increase, and vice versa.</p>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2016

15. INVESTMENT PROPERTIES (continued)

Investment properties held by the Group in the consolidated statement of financial position	At December 31, 2016	At December 31, 2015	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Foshan South Levee Bay *	RMB 1,147,000,000	RMB 822,000,000	Level 3	<p>Multiple valuation techniques: Residual method, income and direct comparison approaches</p> <p>The key inputs of income method are:</p> <p>(1) Capitalization rate; and</p> <p>(2) Market monthly rent</p>	<p>Capitalization rate, taking into account of the capitalization of rental income potential, nature of the property, prevailing market condition, of 7.1% (2015: 7.5%) for retail, and 4.75% - 6.6% (2015: 5% - 7%) for car parking spaces.</p> <p>Market monthly rent, using direct market comparables and taking into account of time, location and individual factors such as road frontage, size of property and facilities, of RMB329/sq.m./month (2015: RMB320/sq.m./month) on GFA for retail, RMB 560/sq m/month (2015: RMB550/sq.m./month) on lot for car parking spaces.</p>	<p>A slight increase in the capitalization rate used would result in a significant decrease in the fair value measurement of the investment properties, and vice versa.</p>
				<p>The key input of Direct Comparison Approach is:</p> <p>Unit sale rate</p>	<p>Unit sale rate, taking into account the time, location, and individual factors, such as frontage and size, between the comparable and the property, of RMB34,000/sq.m (2015: RMB33, 300/sq.m) for retail, and RMB125,000/lot (2015: RMB158,000/lot) for car parking spaces.</p>	<p>An increase in the unit sale rate used would result in an increase in the fair value measurement of the investment properties by the same percentage increase, and vice versa.</p>
				<p>The key input of Residual method is:</p> <p>Total development costs to completion</p>	<p>Estimation of development costs not yet incurred or contracted based on existing development plans</p>	<p>Increases in the development costs would result in a decrease in the fair value measurement of the investment properties by the same percentage increase, and vice versa.</p>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2016

15. INVESTMENT PROPERTIES (continued)

Investment properties held by the Group in the consolidated statement of financial position	At December 31, 2016	At December 31, 2015	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Glory City retail podiums	RMB 145,700,000	RMB 177,000,000	Level 3	Multiple valuation techniques: income and direct comparison approaches The key inputs of income method are: (1) Capitalization rate; and (2) Market monthly rent The key input of Direct Comparison Approach is: Unit sale rate	Capitalization rate, taking into account of the capitalization of rental income potential, nature of the property, prevailing market condition, of 4.75% to 5.7% (2015: 5% to 6%). Market monthly rent, using direct market comparables and taking into account of time, location and individual factors such as road frontage, size of property and facilities, of RMB227/sq.m./month (2015: RMB185.5/sq.m./month) on GFA. Unit sale rate, taking into account the time, location, and individual factors, such as frontage and size, between the comparable and the property, of RMB39, 800/sq.m (2015: RMB33, 800/sq.m).	A slight increase in the capitalization rate used would result in a significant decrease in the fair value measurement of the investment properties, and vice versa. A slight increase in the market monthly rent used would result in a significant increase in the fair value measurement of the investment properties, and vice versa. An increase in the unit sale rate used would result in an increase in the fair value measurement of the investment properties by the same percentage increase, and vice versa.
Fuguivuan retail podiums	RMB 57,300,000	RMB 55,800,000	Level 3	Multiple valuation techniques: income and direct comparison approaches The key inputs of income method are: (1) Capitalization rate; and (2) Market monthly rent The key input of Direct Comparison Approach is: Unit sale rate	Capitalization rate, taking into account of the capitalization of rental income potential, nature of the property, prevailing market condition, of 4.75% to 5.7% (2015: 5% to 6%). Market monthly rent, using direct market comparables and taking into account of time, location and individual factors such as road frontage, size of property and facilities, of RMB196/sq.m./month (2015: RMB189/sq.m./month) on GFA. Unit sale rate, taking into account the time, location, and individual factors, such as frontage and size, between the comparable and the property, of RMB35, 300/sq.m (2015: RMB34, 000/sq.m).	A slight increase in the capitalization rate used would result in a significant decrease in the fair value measurement of the investment properties, and vice versa. A slight increase in the market monthly rent used would result in a significant increase in the fair value measurement of the investment properties, and vice versa. An increase in the unit sale rate used would result in an increase in the fair value measurement of the investment properties by the same percentage increase, and vice versa.

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For the year ended December 31, 2016

15. INVESTMENT PROPERTIES (continued)

Investment properties held by the Group in the consolidated statement of financial position	At December 31, 2016	At December 31, 2015	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Fugui Complementary Building	RMB 39,000,000	RMB 38,000,000	Level 3	Multiple valuation techniques: income and direct comparison approaches The key inputs of income method are: (1) Capitalization rate; and (2) Market monthly rent	Capitalization rate, taking into account of the capitalization of rental income potential, nature of the property, prevailing market condition, of 5.2% to 5.7% (2015: 5.5% to 6%). Market monthly rent, using direct market comparables and taking into account of time, location and individual factors such as road frontage, size of property and facilities, of RMB145/sq.m./month (2015: RMB140/sq.m./month) on GFA.	A slight increase in the capitalization rate used would result in a significant decrease in the fair value measurement of the investment properties, and vice versa. A slight increase in the market monthly rent used would result in a significant increase in the fair value measurement of the investment properties, and vice versa.
				The key input of Direct Comparison Approach is: Unit sale rate	Unit sale rate, taking into account the time, location, and individual factors, such as frontage and size, between the comparable and the property, of RMB27, 800/sq.m (2015: RMB26, 800/sq.m).	An increase in the unit sale rate used would result in an increase in the fair value measurement of the investment properties by the same percentage increase, and vice versa.
Shenzhen Wanji Business Park	RMB 920,000,000	RMB 795,000,000	Level 3	Multiple valuation techniques: income and direct comparison approaches The key inputs of income method are: (1) Capitalization rate; and (2) Market monthly rent	Capitalization rate, taking into account of the capitalization of rental income potential, nature of the property, prevailing market condition, of 5.45% (2015: 7%) for industrial. Market monthly rent, using direct market comparables and taking into account of time, location and individual factors such as road frontage, size of property and facilities, of RMB145/sq.m./month (2015: RMB145/sq.m./month) on GFA.	A slight increase in the capitalization rate used would result in a significant decrease in the fair value measurement of the investment properties, and vice versa. A slight increase in the market monthly rent used would result in a significant increase in the fair value measurement of the investment properties, and vice versa.

* These investment properties are under development as of December 31, 2016 and 2015.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2016

15. INVESTMENT PROPERTIES (continued)

In estimating the fair value of the investment properties, the Group uses market observable data to the extent it is available. The management of the Group works closely with the valuers to establish the appropriate valuation techniques and inputs to the model.

The unrealised gain on property revaluation amounting to RMB876,425,000 (2015: RMB770,715,000) was recognised in profit or loss during the year ended December 31, 2016.

The Group had pledged investment properties of approximately RMB14,824,090,000 (2015: RMB13,628,300,000) at December 31, 2016 to secure bank and other borrowing granted to the Group as set out in Note 41.

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16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings RMB'000	Construction in Progress RMB'000	Leasehold improvement RMB'000	Motor vehicles RMB'000	Electronic equipment & furniture RMB'000	Total RMB'000
Cost						
At January 1, 2015	152,480	—	34,929	47,924	18,879	254,212
Additions	—	—	7,128	1,851	4,894	13,873
Acquisition of a subsidiary (note 39)	—	—	—	—	1	1
Disposals	—	—	—	(294)	(580)	(874)
At December 31, 2015	152,480	—	42,057	49,481	23,194	267,212
Additions	—	56,885	25,065	13,247	6,989	102,186
Acquisition of subsidiaries (note 39)	—	2,414	—	1,178	133	3,725
Disposals	—	—	—	(453)	(363)	(816)
Disposal of subsidiaries (note 40)	(3,950)	—	—	(323)	(4,326)	(8,599)
At December 31, 2016	148,530	59,299	67,122	63,130	25,627	363,708
Accumulated depreciation						
At January 1, 2015	54,899	—	24,223	25,141	7,058	111,321
Charge for the year	8,948	—	7,249	6,495	3,712	26,404
Eliminated on disposals	—	—	—	(283)	(478)	(761)
At December 31, 2015	63,847	—	31,472	31,353	10,292	136,964
Charge for the year	8,948	—	11,968	6,726	4,250	31,892
Eliminated on disposals	—	—	—	(439)	(323)	(762)
Disposal of subsidiaries (note 40)	(525)	—	—	(183)	(2,146)	(2,854)
At December 31, 2016	72,270	—	43,440	37,457	12,073	165,240
Carrying amount						
At December 31, 2016	76,260	59,299	23,682	25,673	13,554	198,468
At December 31, 2015	88,633	—	10,585	18,128	12,902	130,248

As at December 31, 2016, leasehold land and buildings with carrying amount of approximately RMB63,245,000 (2015: RMB74,008,000) were pledged to banks to secure bank and other borrowings granted to the Group as set out in Note 41.

The above items of property, plant and equipment are depreciated using the straight-line method after taking into account of their estimated residual values over the following estimated useful lives:

Leasehold land and buildings	Over the shorter of the term of the lease or 20 years
Leasehold improvement	Over the shorter of the term of the lease or 5 years
Motor vehicles	5 years
Electronic equipment & furniture	5 years

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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17. OTHER NON-CURRENT ASSETS

Other non-current assets of the Group include software licenses and payments for an urban redevelopment project.

The software licenses have finite useful lives and are amortised on a straight-line basis over 6 years. As at December 31, 2016, the carrying amount of software licenses is RMB4,651,000 (2015: RMB3,490,000), which are made up of cost of RMB10,113,000 (2015: RMB8,152,000) and accumulated depreciation of RMB5,462,000 (2015: RMB4,662,000).

The remaining balance of other non-current assets relates to payments for an urban redevelopment project acquired by the Group in 2016 through the acquisition of a subsidiary, Shenzhen Dachaoshan, which entered into an agreement with an entity established by the local authority for an urban redevelopment project in Shenzhen. Details of the acquisition of Shenzhen Dachaoshan are disclosed in Note 39(c). As at the acquisition date, Shenzhen Dachaoshan has made payments to acquire certain non-agricultural ratio and has the exclusive right to seek government approval for the commencement of the urban redevelopment project after achieving the minimal threshold of the non-agricultural ratio stipulated in the agreement. At the end of the reporting period, Shenzhen Dachaoshan is still in the process of gathering the non-agricultural ratio and has initiated the procedures in seeking approvals from the relevant government authorities relating to the redevelopment project. The directors of the Company are confident that Shenzhen Dachaoshan will be able to meet the minimal threshold of the non-agricultural ratio in the near future and approvals from the relevant authorities will ultimately be obtained. The recovery of the carrying amount will be through the returns to be generated from this urban redevelopment project which will be granted exclusively to Shenzhen Dachaoshan upon approval. As at December 31, 2016, the carrying amount of this non-current asset is RMB789,448,000 (2015: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2016

18. INTEREST IN AN ASSOCIATE

	At December 31,	
	2016 RMB'000	2015 RMB'000
Cost of investment in an associate	—	36,000
Share of post-acquisition losses	—	(3,804)
	—	32,196

Details of the Group's associate at the end of reporting period are as follow:

Name of entity	Place of registration	Principal place of operation	Proportion of ownership interest by the Group		Principal activity
			2016	2015	
Shenzhen Dachao Shan	PRC	PRC	note	30%	Property development

Note:

On July 20, 2016, Shenzhen Glory Real Estate Co., Ltd. 深圳國瑞興業房地產有限公司 ("Shenzhen Glory Xingye") entered into an equity interest transfer agreement to acquire additional 45% equity interest of Shenzhen Dachao Shan. The Group then holds 75% equity interest of Shenzhen Dachao Shan and Shenzhen Dachao Shan became an indirect subsidiary of the Company. Details are set out in Note 39.

Information of associates that are not individually material:

	Year ended December 31,	
	2016 RMB'000	2015 RMB'000
The Group's share of result and total comprehensive income (expenses)	(727)	(1,962)
Carrying amount of the Group's interests in the associates	—	32,196

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For the year ended December 31, 2016

19. AVAILABLE-FOR-SALE INVESTMENTS

	At December 31,	
	2016 RMB'000	2015 RMB'000
Unlisted equity investments, at cost:		
– equity securities (note)	165,192	165,192

Note:

The available-for-sale investments comprises 3% equity interest in Bohai Life Ltd (渤海人壽保險股份有限公司), a private entity in the PRC which is involved in insurance business and 10% equity interest in 永清吉銀村鎮銀行股份有限公司, a private entity established in the PRC which is involved in banking operation.

The available-for-sale investments are subsequently measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

20. PREPAID LEASE PAYMENTS

	At December 31,	
	2016 RMB'000	2015 RMB'000
Prepaid lease payments	293,508	3,120
Analysed for reporting purposes as:		
Non-current	287,473	3,013
Current (included in trade and other receivables, deposits and prepayments)	6,035	107
	293,508	3,120

Prepaid lease payment represents land use right in the PRC.

As at December 31, 2016, the Group had pledged the land use rights of approximately RMB2,121,000 (2015: RMB2,171,000) to secure bank and other borrowings granted to the Group as set out in Note 41.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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21. DEFERRED TAXATION

The following are the major deferred tax assets (liabilities) recognised and movements thereon during the reporting period:

	Tax losses RMB'000	Temporary differences on sale deposits received RMB'000	LAT RMB'000	Investment properties RMB'000	Others RMB'000 (note)	Total RMB'000
At January 1, 2015	29,479	72,786	68,081	(1,794,390)	3,949	(1,620,095)
Credited (charged) to profit or loss	20,816	(17,456)	83,212	(206,359)	(3,033)	(122,820)
At December 31, 2015	50,295	55,330	151,293	(2,000,749)	916	(1,742,915)
Credited (charged) to profit or loss	15,011	67,103	58,325	(218,929)	460	(78,030)
Acquisition of a subsidiary	—	—	—	—	236	236
At December 31, 2016	65,306	122,433	209,618	(2,219,678)	1,612	(1,820,709)

Note: The "others" mainly relates to temporary differences on allowance for doubtful debts on trade receivables and exceeding advertising fee.

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for the financial reporting purpose:

	At December 31,	
	2016 RMB'000	2015 RMB'000
Deferred tax assets	290,533	160,336
Deferred tax liabilities	(2,111,242)	(1,903,251)
	(1,820,709)	(1,742,915)

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For the year ended December 31, 2016

21. DEFERRED TAXATION (continued)

No deferred taxation asset has been recognised in respect of the following unutilised tax losses due to the unpredictability of future profit streams, estimated at the end of the reporting period. The unrecognised tax losses will expire in the following years:

	At December 31,	
	2016 RMB'000	2015 RMB'000
To be expired on:		
December 31, 2016	—	58
December 31, 2017	899	899
December 31, 2018	2,179	2,179
December 31, 2019	55,594	55,594
December 31, 2020	37,827	37,827
December 31, 2021	41,436	—
Total unused tax losses not recognised as deferred tax assets	137,935	96,557

22. PREPAYMENT/DEPOSITS PAID FOR LAND ACQUISITION

	Year ended December 31,	
	2016 RMB'000	2015 RMB'000
Deposits paid for land acquisition (note a)	365,010	85,000
Payment for land acquisition (note b)	—	2,844,848
	365,010	2,929,848

Notes:

- Balance represented deposits paid for public tenders, auctions or listing-for-bidding of land use rights in the PRC for the purpose of development for sale.
- During the year ended December 31, 2015, the Group entered into a land acquisition contract with Beijing Municipal Bureau of Land and Resources to acquire the land use rights of a piece of land in the PRC with the lease term of 40 to 70 years for the purpose of development for sale, at a cash consideration of RMB4,496,000,000. The Group had paid the remaining consideration and obtained the land use rights certificate during 2016.

For the year ended December 31, 2016

23. PROPERTIES UNDER DEVELOPMENT

The properties under development are located in the PRC.

As at December 31, 2016, certain of the Group's properties under development with a carrying amount of approximately RMB12,318,147,000 (2015: RMB3,913,890,000) was pledged to secure bank and other borrowings granted to the Group as set out in Note 41.

In the opinion of the directors of the Company, properties under development with carrying amount of approximately RMB15,263,371,000 (2015: RMB4,160,446,000) as at December 31, 2016 are expected to be completed and realised after twelve months from the end of the reporting period.

As at December 31, 2016, the Group was in the process of obtaining the certificates of land use rights of RMB287,164,000 (2015: RMB287,164,000) from the relevant authorities.

24. JOINT OPERATION

On September 1, 2009, Glory Xingye (Beijing) Real Estate Co., Ltd 北京國瑞興業地產股份有限公司 ("Original Beijing Glory") entered into an agreement with an independent third party (the "Project partner") in respect of a jointly development project of Qinian Street Rebuild Primary Land Development Project in the PRC (the "Qinian Street Project").

Pursuant to the agreement, Original Beijing Glory and the Project partner set up an operation committee to jointly control and manage the project together. The two parties contribute the funding, share revenue and bear costs equally.

The amount included in the consolidated financial statements arising from the joint operation is as follows:

	Year ended December 31,	
	2016 RMB'000	2015 RMB'000
Analysis of profit or loss		
Revenue	137,616	143,391
Cost of sales and services	(134,539)	(142,533)
Profit before tax	3,077	858

The details of the assets and liabilities arising from the joint operation are set out in Notes 27 and 34 respectively.

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For the year ended December 31, 2016

25. PROPERTIES HELD FOR SALE

The Group's properties held for sale are stated at the lower of cost and net realisable value and situated in the PRC. In the opinion of the directors of the Company, properties held for sale of approximately RMB23,057,000 (2015: RMB683,471,000) as at December 31, 2016 are expected to be sold after twelve months from the end of the reporting period.

As at December 31, 2016, properties held for sale of approximately RMB1,880,084,000 (2015: RMB1,390,967,000) were pledged to secure bank and other borrowings granted to the Group as set out in Note 41.

26. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Trade receivables mainly comprise of rental receivables and receivables for sales of properties. Pursuant to the lease agreements, rental payment is required to be settled in advance with no credit period being granted to the tenants. In respect of sales of properties, a credit period of six to twelve months may be granted to specific customers on a case-by-case basis.

	At December 31,	
	2016 RMB'000	2015 RMB'000
Trade receivables, net of allowance	185,849	475,587
Advances to contractors and suppliers	376,959	205,953
Other receivables from independent third parties (note)	17,261	17,261
Other receivables and prepayment, net of allowance	152,430	87,165
Prepaid lease payment - current portion	6,035	107
Deposits	64,943	84,802
	803,477	870,875

Note: Other receivables from independent parties are of non-trade nature, unsecured, interest free and repayable on demand.

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For the year ended December 31, 2016

26. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (continued)

The following is an aged analysis of trade receivables based on the date of recognition of revenue at the end of the reporting period:

	At December 31,	
	2016 RMB'000	2015 RMB'000
0 to 60 days	28,168	350,660
61 to 180 days	12,623	28,618
181 to 365 days	26,890	28,302
1-2 years	94,541	64,274
Over 2 years	23,627	3,733
	185,849	475,587

Trade receivables with an amount of approximately RMB102,184,000 (2015: RMB49,112,000) as at December 31, 2016, were overdue receivables but not impaired at the end of each of the reporting period. The Group does not hold any collateral over these balances. The following is an aged analysis of overdue receivables based on due date.

	At December 31,	
	2016 RMB'000	2015 RMB'000
Less than 1 year	94,065	38,281
1-2 years	2,864	7,098
Over 2 years	5,255	3,733
	102,184	49,112

In determining the recoverability of trade receivables, the Group considers any change in the credit quality of the trade receivables from the date credit was initially granted up to the end of the reporting period.

All the receivables that are neither past due nor impaired are due from customers with good settlement history.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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26. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (continued)

Movements in the allowance for doubtful debts on trade receivables are set out as follows:

	Year ended December 31,	
	2016 RMB'000	2015 RMB'000
Balance at the beginning of the year	3,651	4,110
Reversed during the year	(624)	(459)
Balance at the end of the year	3,027	3,651

Included in allowance for doubtful debts are trade receivables individually impaired which are due from debtors under financial difficulties. In addition, the Group assessed impairment on a collective basis. No further allowance for doubtful debts was recognised.

27. AMOUNTS DUE FROM CUSTOMERS FOR CONTRACT WORK

	At December 31,	
	2016 RMB'000	2015 RMB'000
Contract in progress		
Construction costs incurred plus recognised profits	1,913,512	1,772,245
Less: payment received	(550,000)	(550,000)
	1,363,512	1,222,245

Contract in progress represents the Group's interest in the Qinian Street Project, which is recognised through a joint operation. Details are set out in Note 24.

In the opinion of the directors of the Company, amounts due from customers for contract work amounting to RMB1,363,512,000 at December 31, 2016 (2015: RMB1,222,245,000) are expected to be settled after twelve months from the end of the reporting period.

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28. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	At December 31,	
	2016 RMB'000	2015 RMB'000
Funds	97	97
Investment in financial products (note)	—	70,000
	97	70,097

Note:

The amount represented investment in financial products operated by a bank, which mainly invested in debt securities. The investment was principal-protected and with expected annual returns at rates up to 3.0% and can be redeemed in any working day at different prices before its maturity. The investment was redeemed in January 2016.

29. RESTRICTED BANK DEPOSITS

	At December 31,	
	2016 RMB'000	2015 RMB'000
Deposits pledged for banking facilities (note a)	10,146	10,104
Restricted bank deposits (note b)	104,559	56,239
Deposits pledged for mortgage loans granted to customers (note c)	171,961	53,241
	286,666	119,584
Analysed for reporting purposes as:		
Non-current (note d)	135,167	38,686
Current	151,499	80,898
	286,666	119,584

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29. RESTRICTED BANK DEPOSITS (continued)

Notes:

- (a) The amounts represent bank deposits denominated in RMB pledged to banks as security for certain banking facilities granted to the Group.
- (b) The amounts include bank deposits, subject to the banks' approval, that are restricted for payments of construction works of the specified development projects as set out in the relevant loan agreements.
- (c) The amounts represent bank deposits pledged to banks as security for certain mortgage loans granted by the banks to the Group's customers. The pledged bank deposits will be released upon receiving the building ownership certificate of the respective properties by the banks from the customers as security of the mortgage loans granted.
- (d) Deposits pledged as security for mortgage loans of the Group's customers that are not expected to be released within twelve months after the end of the reporting period are classified as non-current assets.

The bank deposits carry prevailing market interest rates as follows:

	At December 31,	
	2016	2015
Range of interest rate per annum	0.30%~0.42%	0.30%~0.42%

30. CASH AND BANK BALANCES

	At December 31,	
	2016 RMB'000	2015 RMB'000
Cash and bank balances	1,234,250	1,956,263

Cash and cash equivalents comprise cash and bank balances held by the Group.

The bank balances carry interest rates as follows:

	At December 31,	
	2016	2015
Range of interest rate per annum	0.30%~0.46%	0.30%~0.42%

Cash and bank balances as at December 31, 2016 were denominated in RMB and HKD, and RMB is not a freely convertible currency in the international market. The exchange rate of RMB is determined by the government of the PRC and the remittance of these funds out of the PRC is subject to exchange restrictions imposed by the government of the PRC.

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31. TRADE AND OTHER PAYABLES

	At December 31,	
	2016 RMB'000	2015 RMB'000
Trade payable	3,943,878	3,223,172
Deposits received	622,806	399,886
Rental received in advance	26,696	51,782
Payable for acquisition of subsidiaries (note a)	786,868	504,360
Other payables to connected person (note b)	—	200,000
Accrued payroll	45,833	45,578
Business and other tax payable	243,709	212,170
Other payables and accruals	437,317	339,138
	6,107,107	4,976,086
Analyzed for reporting purposes as:		
Non-current (note c)	77,794	65,970
Current	6,029,313	4,910,116
	6,107,107	4,976,086

Notes:

- (a) The remaining balance as at December 31, 2016 comprised the outstanding balance of consideration amounted to RMB750,868,000 for the acquisition of equity interests in Qidong Yujiangwan Investment Management Co., Ltd. 啟東禦江灣投資管理有限公司 ("Qidong Yujiangwan") during 2016 and the outstanding balance of consideration amounted to RMB36,000,000 (2015: RMB57,500,000) in relation to the equity interests in Shaanxi Huawei Shida Industrial Co., Ltd. 陝西華威世達實業有限公司 ("Shaanxi Huawei") acquired in 2013. These amounts are unsecured, interest free and repayable on demand.

In June 2015, the Group acquired 87.5% equity interest in Shenzhen Wanji at a cash consideration of RMB500,000,000. The outstanding balance as at December 31, 2015 was RMB100,000,000. The details of the acquisition and the settlement of the consideration payable during the current year are set out in Note 39.

In May 2014, Hainan Glory Real Estate Development Co., Ltd 海南國瑞房地產開發有限公司 ("Hainan Glory") acquired the entire equity interest in Hainan Junhe Industrial Co., Ltd 海南駿和實業有限公司 ("Hainan Junhe") for a consideration of RMB1,014,000,000 from an independent third party. The acquisition was accounted for an acquisition of assets and the associated liabilities, of which the main assets were properties under development. In November 2016, due to changes in regulations of Hainan Province in relation to the land held by Hainan Junhe, Hainan Glory entered into a supplementary agreement with the seller. Pursuant to the supplementary agreement, the consideration was changed from RMB1,014,000,000 to RMB667,140,000 and if the net profit after tax of Hainan Junhe reaches 15% or above, Hainan Glory is obliged to pay additional consideration of RMB82,860,000 to the seller. As at 31 December 2016, the additional consideration is not provided as the Group considers it is not probable the condition for such additional payment will be achieved. As a result of the above changes, Hainan Glory reversed the consideration payable amounting to RMB346,860,000 against the carrying amounts of the properties under development.

- (b) The amount is related to the cancellation of a sale contract with a connected person as defined under the Listing Rules, which is unsecured and repayable on demand as at December 31, 2015. The amount was paid during the current year.
- (c) Pursuant to the relevant agreements, rental deposits of approximately RMB77,794,000 (2015: RMB65,970,000) as at December 31, 2016 are to be settled after twelve months from the end of the reporting period and is therefore classified as non-current liability.

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31. TRADE AND OTHER PAYABLES (continued)

Trade payables comprise construction costs payable and other project-related expenses payable. The average credit period of trade payable is approximately 180 days.

The following is an aged analysis of trade payables based on invoice date at the end of the reporting period:

	At December 31,	
	2016 RMB'000	2015 RMB'000
0 to 60 days	2,551,084	2,577,407
61-365 days	478,604	386,298
1-2 years	772,986	227,801
Over 2 years	141,204	31,666
	3,943,878	3,223,172

32. DEPOSITS RECEIVED FROM SALE OF PROPERTIES

In the opinion of the directors of the Company, no deposits received from sale of properties as at December 31, 2016 (2015: Nil) are expected to be recognised as revenue after twelve months from the end of the reporting period.

33. TAXATION PAYABLE

	At December 31,	
	2016 RMB'000	2015 RMB'000
LAT payable	900,312	614,153
Income tax payable	994,163	863,548
	1,894,475	1,477,701

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34. BANK AND OTHER BORROWINGS

	At December 31,	
	2016 RMB'000	2015 RMB'000
Bank loans, secured	15,607,867	10,188,650
Other loans, secured	300,000	2,109,475
	15,907,867	12,298,125
The borrowings are due to be repaid:		
– On demand	1,071,200	857,900
– within one year	1,806,289	2,861,097
– More than one year, but not exceeding two years	11,071,080	1,812,157
– More than two years, but not exceeding five years	1,521,298	6,062,130
– More than five years	438,000	704,841
	15,907,867	12,298,125
Less: Amount due within one year shown under current liabilities	(2,877,489)	(3,718,997)
Amount shown under non-current liabilities	13,030,378	8,579,128

The Group's bank and other borrowings are all denominated in RMB. Details of assets that have been pledged to secure bank and other borrowings are set out in Note 41.

The directors of the Company consider that the carrying amounts of borrowings and related interest amounting to RMB32,166,000 (31 December 2015: RMB29,771,000) as at 31 December 2016 recognised in the consolidated financial statements approximate to their fair value.

Bank loans

Borrowings include approximately RMB6,878,889,000 (2015: RMB7,259,626,000) variable rate borrowings which carry effective interest ranging from 2.46% to 6.65% (2015: 5.23% to 8.52%) per annum during the year ended December 31, 2016 and exposed the Group to cash flow interest rate risk. The remaining borrowings are arranged at fixed rate, the effective interest rate was 5.9% to 10.0% (2015: 2.09% to 12.2%) per annum during the year ended December 31, 2016, and exposed the Group to fair value interest rate risk.

As at December 31, 2016, bank borrowings amounting to RMB388,000,000 (2015: RMB560,000,000) are specific borrowings for the Qian Street Project as set out in Note 24.

For the year ended December 31, 2016

34. BANK AND OTHER BORROWINGS (continued)**Bank loans (continued)**

During the current year, in respect of several bank loans with an aggregate carrying amount of RMB1,071,200,000 (2015: 857,900,000) as at December 31, 2016, the Group breached certain of the terms of bank loans, which are primarily related to the debt-equity ratio of the Group. On discovery of the breaches, the directors of the Company informed the lenders and commenced a renegotiation of the terms of the loans with the relevant bankers. Among the 2015 bank loans that breached certain terms, bank borrowings amounting to RMB326,700,000 was paid in early by the Group in the current year, with the remaining balance of RMB531,200,000 still under renegotiation between the Group and relevant bankers. During the year ended December 31, 2016 additional loans amounting to RMB540,000,000 breached certain terms and were also under renegotiation between the Group and relevant bankers. As at December 31, 2016, these negotiations have not been concluded and waivers from the lenders for their rights to demand immediate payment have not been obtained as at the end of the reporting period. Accordingly, the loans are repayable on demand and have been classified as current liabilities as at December 31, 2016. Up to the date of approval for issuance of these consolidated financial statements, the negotiations are still in progress. The directors of the Company are confident that their negotiations with the lenders will ultimately reach a successful conclusion. In any event, should the lenders call for immediate repayment of the loans, the directors of the Company believe that adequate alternative sources of finance are available to ensure that there is no threat to the continuing operations of the Group.

Included in the bank loans, the following loans were borrowed through the assignment of bank loans:

(i) Original Beijing Glory

In January 2014, Original Beijing Glory borrowed a loan of RMB800,000,000 from Guangzhou Securities Co., Ltd through the assignment loan of Huaxia Bank. The loan carries a fixed interest at 7.72% and is secured by certain properties under development and properties held for sale of the Group. During 2015, Original Beijing Glory repaid part of the loan that amounting to RMB640,000,000. The remaining balance was repaid in the current year.

In October 27, 2016, Original Beijing Glory borrowed a loan of RMB1,400,000,000 with a fixed interest rate at 7% from Shanghai Haitong Securities Management Co., Ltd through the assignment loan of Ziyang Minsheng Rural Banking. The loan is guaranteed by Shantou Garden Group Co., Ltd. 汕頭花園集團有限公司 (“Garden Group”) and secured by the investment property held by Original Beijing Glory. The total balance will be due for repayment on October 19, 2018.

(ii) Glory Xingye (Beijing) Investment Co., Ltd 國瑞興業(北京)投資有限公司 (“Glory Investment”) and Beijing Wenhushengda Real Estate Development Co., Ltd 北京文華盛達房地產開發有限公司 (“Beijing Wenhushengda”)

In December 2015, Glory Investment and Beijing Wenhushengda borrowed loans of RMB1,072,002,000 and RMB837,522,000 respectively from Bosera Capital Management Co., Ltd through the assignment loan of China Bohai Bank Beijing Branch. The loans are secured by 100% equity interest of Glory Investment and Beijing Wenhushengda, and are guaranteed by Original Beijing Glory, Garden Group, Mr. Zhang Zhangsun and Ms. Ruan Wenjuan. Both loans carried a fixed interest at 6.5% per annum. The loan of RMB1,072,002,000 will be due for repayment on December 21, 2018. Part of the loan borrowed by Beijing Wenhushengda amounted to RMB37,522,000 was repaid during the current year, and the remaining balance of RMB800,000,000 will be due for repayment on December 21, 2018.

34. BANK AND OTHER BORROWINGS (continued)**Bank loans (continued)****(ii) Glory Xingye (Beijing) Investment Co., Ltd 國瑞興業(北京)投資有限公司 (“Glory Investment) and Beijing Wenhushengda Real Estate Development Co., Ltd 北京文華盛達房地產開發有限公司 (“Beijing Wenhushengda”) (continued)**

In 2016, Glory Investment and Beijing Wenhushengda further borrowed loans of RMB627,998,000 and RMB550,478,000 respectively from Bosera Capital Management Co., Ltd through the assignment loan of China Bohai Bank Beijing Branch. For Glory Investment, loan amount of RMB400,000,000 will be due for repayment on January 4, 2018, and remaining balance of RMB227,998,000 will be due for repayment on January 4, 2019. For Beijing Wenhushengda, loan amount of RMB462,478,000 will be due for repayment on January 4, 2018, and the remaining balance of RMB88,000,000 will be due for repayment on December 21, 2018.

(iii) Shenzhen Glory

In November 2015, Shenzhen Glory borrowed a loan of RMB300,000,000 from Great Wall Capital Co., Ltd through the assignment loan of Guangdong Huaxing Bank Shenzhen Branch. The loan carries a fixed interest at 10% per annum, and is secured by 75% of equity interest as well as investment properties of Shenzhen Wanji, a subsidiary of Shenzhen Glory. Besides the security, the loan is also guaranteed by Garden Group and Mr. Zhang Zhangsun and Ms. Ruan Wenjuan. The total balance will be due for repayment on November 5, 2017.

(iv) Foshan Glory Southern Real Estate Development Co., Ltd 佛山市國瑞南方地產開發有限公司 (“Foshan Glory Southern”)

In July 28, 2016, Foshan Glory Southern borrowed a loan of RMB670,000,000 from Shanghai Zhihua Investment Center (Limited Partnership) through the assignment loan of Bank of China Foshan Branch. The loan carries a fixed interest at 5.9% per annum, and is secured by 100% equity interest and properties under development of Foshan Glory Southern. Besides the security, the loan is also guaranteed by Garden Group, Foshan Glory Xingye Real Estate Co., Ltd 佛山市國瑞興業地產有限公司 (“Foshan Glory”) and Mr. Zhang Zhangsun. The total balance will be due for repayment on July 27, 2018.

(v) Suzhou Glory Real Estate Co., Ltd. 蘇州國瑞地產有限公司 (“Suzhou Glory”)

In May 16, 2016, Suzhou Glory borrowed a loan of RMB2,500,000,000 from Southern Capital Management Co., Ltd through the assignment loan of Bank of Jiangsu Suzhou Wuzhong Branch. The loan carries a fixed interest at 8.0% per annum, and is secured 100% equity interest of Suzhou Glory as well as properties under development of Suzhou Glory. Besides the security, the loan is also guaranteed by New Beijing Glory, Garden Group, Mr. Zhang Zhangsun and Ms. Ruan Wenjuan. The total balance will be due for repayment on May 15, 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2016

34. BANK AND OTHER BORROWINGS (continued)

Other loans

(i) Original Beijing Glory

In July 2013, Original Beijing Glory borrowed a loan of RMB769,060,000 from Minmetals International Trust Co., Ltd ("Minmetals Trust"). The loan is secured by certain land use rights of properties under development of the Group in Beijing, and carries fixed interest at 10% per annum. Original Beijing Glory repaid loan amounts of RMB200,000,000 and RMB300,000,000 during 2014 and 2015, respectively. The remaining balance of RMB269,060,000 was repaid during the current year.

(ii) Shantou Glory Construction Materials and Household Exhibition Center Co., Ltd. 汕頭國瑞建材家居博覽中心有限公司 ("Shantou Construction Materials")

In December 2012, Shantou Construction Materials borrowed a loan of RMB120,000,000 from Sichuan Trust Co., Ltd. ("Sichuan Trust"). The right of income generated from certain investment properties of a subsidiary of the Company has been charged as security to Sichuan Trust. The loan is also guaranteed by Mr. Zhang zhangsun and Ms. Ruan Wenjuan. The loan carries variable interest at 95% of the over-5-year benchmark loan rate quoted by the People's Bank of China plus 0.5% and an upfront fee with the rate of 1.7925% per annum. A loan instalment of RMB1,450,000 will be repaid quarterly from March 21, 2013 to September 21, 2018. The Company repaid RMB5,800,000 in the year of 2015. The remaining balance of RMB102,600,000 was fully repaid during the current year.

(iii) Shenyang Dadongfang Properties Co., Ltd. 瀋陽大東方置業有限公司 ("Shenyang Dadongfang")

In July 2014, Shenyang Dadongfang entered into a trust loan agreement with Minsheng Trust Co., Ltd. in which the total credit facility granted is RMB450,000,000. The loan is secured by certain land use rights and properties under development of the Group. The Company has drawn down the loan amounts of RMB300,000,000 and RMB150,000,000 during 2014 and 2015, respectively. The loan carries fixed interest at 12.2% per annum, with maturity of 24 months. Early repayment is permitted after one year from the drawdown date. On July 21, 2016, the total balance of RMB450,000,000 was early repaid by Shenyang Dadongfang.

In December 2015, a trust loan of RMB300,000,000 was borrowed from SDIC Taikang Trust Co., Ltd by Shenyang Dadongfang. The loan is secured by certain properties under development and properties held for sale of the Group. The loan carries fixed interests at 8.3% per annum for the first year and 9.8% per annum for the second year, respectively. 30% of the loan will be due for repayment on June 29, 2017 and the remaining balance will be due for repayment on December 29, 2017.

34. BANK AND OTHER BORROWINGS (continued)

Other loans (continued)

(iv) Foshan Glory and Foshan Glory Southern (continued)

In July 2014, Foshan Glory and Foshan Glory Southern, subsidiaries of the Company, entered into a tri-party agreement with Pingan Trust Co., Ltd. 深圳平安大華匯通財務管理有限公司 (“Pingan Trust”). Pursuant to this agreement, Pingan Trust made the cash contribution of RMB23,330,000 to Foshan Glory Southern and holds the 70% equity interest in it. Pursuant to another agreement between Foshan Glory and Pingan Trust signed on the same date, Foshan Glory agreed to repurchase the equity interest of Foshan Glory Southern held by Pingan Trust in 2016, at the consideration of RMB23,330,000 plus the additional expense charged at a rate of 11.5% per annum. Prior to such transaction, the Group holds 80% interest in Foshan Glory which holds 100% interest in Foshan Glory Southern. The Group continues to account for Foshan Glory Southern as a 80% owned subsidiary of the Group through Foshan Glory, taking into account that the Group can still exercise control over Foshan Glory Southern, the compulsory repurchase arrangement and Pingan Trust does not expose to any risks or entitle to any rewards (including profit distribution) as equity holder of Foshan Glory Southern but receives fixed interest income. The transaction as a whole has been considered as a loan granted to the Group in these consolidated financial statements to reflect the economic substance of the arrangement. The repurchase agreement is guaranteed by Original Beijing Glory and New Beijing Glory.

In July 2014 and July 2015, Foshan Glory Southern additionally borrowed RMB426,670,000 and RMB537,815,000 respectively from Pingan Trust, which due for repayment in full after 24 months and 18 months from the respective draw down dates, and carried interest at a rate of 11.5% per annum. The above loans were secured by the 100% equity interest of Foshan Glory Southern and guaranteed by Mr. Zhang zhangsun and Ms. Ruan Wenjuan.

On July 29, 2016, the loan of RMB23,330,000, RMB426,670,000 and RMB537,815,000 were repaid, and no balance is outstanding at the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2016

35. CORPORATE BONDS

Corporate bonds

On November 11, 2015, Garden Group has issued its first tranche of domestic corporate bonds to the public in the PRC ("First Tranche Issue") with a principal amount of RMB2,000,000,000, bearing interest at the coupon rate of 7.25% per annum paid annually, and has a term of 5 years. On December 22, 2015, Garden Group has issued the second tranche of domestic corporate bonds to the public in the PRC ("Second Tranche Issue") with a principal amount of RMB1,000,000,000, bearing interest at the coupon rate of 7.47% per annum, paid annually, and has a term of 5 years. The Group is entitled to adjust or not adjust the coupon rate at the end of the third year with the right of redemption exercisable by the holders. The corporate bonds of First Tranche Issue and Second Tranche Issue are collectively referred as "2015 Corporate Bonds".

On September 22, 2016, Garden Group has issued its first tranche of domestic corporate bonds through non-public offering in the PRC ("First Tranche Non-public Issue") with a principal amount of RMB1,000,000,000, bearing interest at the coupon rate of 5.3% per annum paid annually, and has a term of 5 years. The Group is entitled to adjust the coupon rate at the end of the third year with the right of redemption exercisable by the holders. The non-public offering corporate bonds of 2016 are referred as "2016 Corporate Bonds". The 2016 Corporate Bonds are secured by certain investment properties of the Group.

According to the terms and conditions of the 2015 and 2016 Corporate Bonds, Garden Group has the right to adjust and not adjust the coupon rate for the fourth and fifth year at the end of the third year, by giving a 30-day notice to the bondholder before November 10 and December 21, 2018 and September 21, 2019 for the First Tranche Issue and the Second Tranche Issue of 2015 Corporate Bonds and the First Tranche Non-public Issue of 2016 Corporate Bonds, respectively. At the same time, the bondholder may at its option require Garden Group to redeem the bond at a redemption price equal to 100% of the principal plus accrued and unpaid interest to such redemption date. The remaining bond will be subject to the adjusted interest rate until the maturity date. The effective interest rate of the First Tranche Issue and Second Tranche Issue of 2015 Corporate Bonds is approximately 7.61% and 7.64% per annum, and the effective interest rate of the First Tranche Non-public Issue of 2016 Corporate Bonds is approximately 5.47% per annum after the adjustment for transaction costs.

The directors of the Company consider that the carrying amounts of corporate bonds and related interest amounting to RMB35,401,000 (31 December 2015: RMB21,897,000) as at 31 December 2016 recognised in the consolidated financial statements approximate to their fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2016

36. SHARE CAPITAL

	Number of shares HKD0.001 each	Share capital HKD	Equivalent to RMB'000
Ordinary shares of HKD0.001 each			
Authorised:			
At January 1, 2015, December 31, 2015 and 2016	10,000,000,000	10,000,000	
Issued and fully paid:			
At January 1, 2015	4,431,634,000	4,431,634	3,509
Exercise of share options	2,180,997	2,181	2
At December 31, 2015	4,433,814,997	4,433,815	3,511
Exercise of share options (Note 38)	3,179,318	3,179	2
At December 31, 2016	4,436,994,315	4,436,994	3,513

During the year ended December 31, 2016, share options to subscribe for 3,179,318 (2015: 2,180,997) ordinary shares with par value of HKD0.001 each were exercised at HKD1.428 per share.

37. RETIREMENT BENEFIT PLANS

According to the relevant laws and regulations in the PRC, the Company's PRC subsidiaries are required to participate in a defined contribution retirement scheme administrated by the local municipal government. The group entities in the PRC contribute funds which are calculated on a certain percentage range from 12% to 20% of the average employee salary as agreed by local municipal government to the scheme to fund the retirement benefits of the employees. The principal obligation of the Group with respect to the retirement benefit scheme is to make the required contributions under the scheme. The total cost charged to profit or loss for the year ended December 31, 2016 amounted to RMB21,482,000 (2015: RMB17,745,000), represent contributions paid or payable to the scheme by the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2016

38. SHARE-BASED PAYMENT TRANSACTIONS

i. Share award scheme

Pursuant to the share award scheme adopted by the Company on June 5, 2014 (the “Share Award Scheme”), a total of four employees were awarded in aggregate 33,617,700 shares of the Company on June 16, 2014. The awarded shares will vest in three equal tranches on the first, second and third anniversary of the date on which the Company’s shares are listed on the Stock Exchange (the “Listing Date”), respectively. 33.33% of the Awarded Shares were vested during the year ended December 31, 2016 (2015: 33.33%).

The weighted average fair value of the shares granted under the Share Award Scheme at June 16, 2014 was RMB56,242,000, which was determined using Monte Carlo simulation model. The significant inputs into the model were estimated fair value of these unlisted shares at the grant date, expected dividend pay-out rate, annual risk-free rate and volatility rate. The volatility is measured based on past year’s historical price volatility of similar companies.

The Group recognised an expense of RMB10,500,000 (2015: RMB33,462,000) for the year ended December 31, 2016 in relation to shares awarded by the Company.

The shares awarded by the Company will be settled with the existing shares held by a trust company on behalf of the Company. During the year ended December 31, 2016, 11,205,896 (2015: 11,205,896) shares had been vested to the employees.

The following table discloses movements of the awarded shares during both years:

	Outstanding at year ended January 1, 2016	Vested during the year	Outstanding at year ended December 31, 2016
Awarded shares	22,411,804	(11,205,896)	11,205,908
	Outstanding at year ended January 1, 2015	Vested during the year	Outstanding at year ended December 31, 2015
Awarded shares	33,617,700	(11,205,896)	22,411,804

38. SHARE-BASED PAYMENT TRANSACTIONS (continued)**ii. Share Option Scheme****Pre-IPO Share Option Scheme**

Pursuant to the pre-IPO share option scheme adopted by the Company on June 5, 2014 (the “Pre-IPO Share Option Scheme”), the Company granted to 54 employees options to subscribe for an aggregate of 67,076,800 shares of the Company on June 16, 2014 (the “Pre-IPO Share Option”).

All options under the Pre-IPO Share Option Scheme were granted on June 16, 2014 and no further options will be granted under the Pre-IPO Share Option Scheme prior to the Listing Date. No additional performance target or condition applies to the outstanding options granted under the Pre-IPO Share Option Scheme. The exercise price for any option granted under the Pre-IPO Share Option Scheme shall be 60% of the offer price. The share options granted will vest in three equal tranches on the first, second and third anniversary of the Listing Date, respectively. All share options will be expired after 7 years since the grant date.

The vesting period of the Pre-IPO Share Options is as follows:

33.33%: from the date of grant to July 7, 2015

33.33%: from the date of grant to July 7, 2016

33.34%: from the date of grant to July 7, 2017

Post-IPO Share Option Scheme

The Company adopted the post-IPO share option scheme on June 5, 2014 (the “Post-IPO Share Option Scheme”) to enable the Company to grant options to any director (including the independent non-executive directors), full-time employee and consultant of the Group or any other eligible person who, in the Board’s sole discretion, has contributed or will contribute to the Group (the “Eligible Participants”). The purpose of the Post-IPO Share Option Scheme is to encourage the Eligible Participants to contribute to the Group for the long-term benefits of the Company and its shareholders as a whole.

Pursuant to the Post-IPO Share Option Scheme, the Company offered to 137 employees options to subscribe for an aggregate of 98,000,000 shares of the Company. The first tranche of 49,000,000 shares options were granted on October 27, 2015 (“Share Option 2015”) and were forfeited during the year ended December 31, 2015 because of failure to satisfy the performance conditions. The second tranche of 49,000,000 share options were granted on March 23, 2016 (“Share Option 2016”), with performance targets or conditions being applied to the options granted under the Share Option 2016. The exercise price of these options granted under the Share Option 2016 is HK\$3.75 per share. All options granted under the Share Option 2016 will be expired after 9.6 years from the grant date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2016

38. SHARE-BASED PAYMENT TRANSACTIONS (continued)

ii. Share Option Scheme (continued)

The following table discloses movements of the Company's share options held by employees and directors during the year ended December 31, 2016:

	Outstanding at 1/1/2016	Granted during the year	Exercised during the year	Forfeited during the year (note)	Outstanding at 31/12/2016
Pre-IPO Share Option					
– Directors	10,500,000	—	—	—	10,500,000
– Other staff	54,395,803	—	(3,179,318)	(800,002)	50,416,483
Share Option 2016					
– Directors	—	2,900,000	—	(2,900,000)	—
– Other staff	—	46,100,000	—	(46,100,000)	—
	64,895,803	49,000,000	(3,179,318)	(49,800,002)	60,916,483
Exercisable at the end of the year					38,957,509
Weighted average exercise price (HKD)	1.428	3.75	1.428	3.71	1.428

Note: The share options granted under Pre-IPO Share Option were forfeited during the year ended December 31, 2016 because of resignation of the employees before vesting of the share options.

Share Option 2016 were forfeited during the year ended December 31, 2016 because of failure to satisfy the performance conditions.

For the year ended December 31, 2016

38. SHARE-BASED PAYMENT TRANSACTIONS (continued)**ii. Share Option Scheme (continued)**

	Outstanding at 1/1/2015	Granted during the year	Exercised during the year	Forfeited during the year (note)	Outstanding at 31/12/2015
Pre-IPO Share Option					
– Directors	10,500,000	—	—	—	10,500,000
– Other staff	56,576,800	—	(2,180,997)	—	54,395,803
Share Option 2015					
– Directors	—	2,900,000	—	(2,900,000)	—
– Other staff	—	46,100,000	—	(46,100,000)	—
	67,076,800	49,000,000	(2,180,997)	(49,000,000)	64,895,803
Exercisable at the end of the year					20,177,936
Weighted average exercise price (HKD)	1.428	3.75	1.428	3.75	1.428

Note: The share options granted under Share Option 2015 were forfeited during the year ended December 31, 2015 because of failure to satisfy the performance conditions.

In respect of the share options exercised during the year, the weighted average share price at the dates of exercise is HKD2.68.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2016

38. SHARE-BASED PAYMENT TRANSACTIONS (continued)

ii. Share Option Scheme (continued)

The fair values of the share options granted were calculated using the binominal model. The inputs into the model were as follows:

	Share Option 2016	Share Option 2015	Pre-IPO Share Option
Date of grant	March 23, 2016	October 27, 2015	June 16, 2014
Share price at the date of grant	HKD 3.02	HKD 3.75	HKD 2.38
Exercise price of the options	HKD 3.75	HKD 3.75	HKD 1.428
Expected volatility	39.41%	40.47%	42.10%
Expected life	9.6 years	5.45 years	7 years
Risk-free rate	1.086%	0.968%	1.32%
Expected dividend yield	1.417%	1.417%	4.88%
Fair value	RMB 0.6605	RMB 1.0318	RMB 0.720

Expected volatility was determined by using the historical volatility of the similar companies and the Company. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. Changes in variables and assumptions may result in changes in the fair value of the options.

The Group recognised the total expense of RMB8,953,000 (2015: RMB21,917,000) for the year ended December 31, 2016 in relation to share options granted by the Company.

39. ACQUISITION OF SUBSIDIARIES

- (a) On June 7, 2015, the Group entered into an equity interest transfer and cooperation agreement (the “Agreement”) with an independent third party Shenzhen Yahai Technology Co., Ltd 深圳市雅海科技有限公司 (“Shenzhen Yahai”) to acquire 87.5% equity interest in Shenzhen Wanji at a cash consideration of RMB500,000,000 and an assignment of debts of RMB200,000,000. Shenzhen Wanji held two properties in a piece of land in Shenzhen, PRC. This acquisition is accounted for as an acquisition of assets and the associated liabilities.

As at June 30, 2015, legal title of 62.5% equity interest in Shenzhen Wanji was transferred to the Group. The transfer of the legal title of the remaining 12.5% was completed before December 31, 2015 and the transfer of the legal title of remaining 12.5% equity interest will be completed upon full settlement of the outstanding consideration payable of RMB100,000,000. As the Group is obliged to settle the outstanding consideration payable and the Group is exposed to any risk or entitled to any rewards relating to 87.5% equity interest as equity holder of Shenzhen Wanji, the acquisition is considered as a single acquisition or a linked transaction. The Group accounts for Shenzhen Wanji at 87.5% effective interest from the date of acquisition. Shenzhen Wanji became an indirect subsidiary of the Company.

On May 30, 2016, the Group has renegotiated and entered into an agreement with an independent third party, Shenzhen Xiangrui Investment Co., Ltd (深圳祥瑞投資有限公司) (“Shenzhen Xiangrui”), and agreed to dispose of the 12.5% equity interest in Shenzhen Wanji at a consideration of RMB100,000,000. The disposal was completed during the current year and the consideration was settled through the consideration payable to the Shenzhen Xiangrui of same amount.

On August 2016, the Group entered into an equity interest transfer agreement with Ji’an Wangda Electricity and Material Co., Ltd (吉安市旺達電力物資有限公司) (“Ji’an Wangda”) and Shenzhen Xiangrui. According to the agreement, Ji’an Wangda transferred 5% equity interest of Shenzhen Wanji to the Group with a consideration of RMB50,000,000. Upon the completion of the acquisition, the Group holds 80% equity interest of Shenzhen Wanji.

- (b) On January 8, 2016, the Group entered into an agreement with Shantou Jinming Wujin Material Co., Ltd. (汕頭金明五金材料有限公司) (“Jinming Wujin”), a company controlled by Mr. Zhang Zhangsun, for the acquisition of 100% equity interest in Shantou Guorui Hospital Co., Ltd. 汕頭市國瑞醫院有限公司 (“Guorui Hospital”) for a total cash consideration of RMB306,000,000. Guorui Hospital currently owns the land use right of a parcel of land in Shantou. Guorui Hospital has not carried on any business or operations other than holding this parcel of land. This acquisition is accounted for as an acquisition of assets and the associated liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2016

39. ACQUISITION OF SUBSIDIARIES (continued)

- (c) On March 5, 2014, Shenzhen Glory Xingye, an indirect subsidiary of the Company, entered into an equity interest transfer agreement to acquire 30% of the equity interest in Shenzhen Dachao Shan from Mr. Ma Pengfa and Shenzhen Dachao Capital Management Co., Ltd. (深圳大潮資本管理有限公司) ("Shenzhen Dachao"), of which the former party transfers 10% of the equity interest while the latter party transfers 20% of the equity interest to Shenzhen Glory Xingye, for a total consideration of RMB12,000,000. Both Mr. Ma Pengfa and Shenzhen Dachao are not related to the Group. According to a share capital resolution passed on March 16, 2014, Shenzhen Glory Xingye increased its capital contribution in Shenzhen Dachao Shan by RMB24,000,000, and the equity interest ratio remains unchanged.

On July 20, 2016, Shenzhen Glory Xingye entered into agreements with Ruili Yefeng Commercial Co., Ltd (瑞麗市業豐貿易有限公司), Shenzhen Junpengxin Real Estate Co., Ltd (深圳市駿鵬鑫房地產有限公司), Shenzhen Dachao and Mr. Ma Pengfa in relation to the acquisition of the additional 45% equity interest of Shenzhen Dachao Shan. Upon completion of this equity transaction, the Group made a total payment of RMB534,596,800 and obtained control over Shenzhen Dachao Shan. This acquisition is accounted for as an acquisition of assets and the associated liabilities.

- (d) On September 19, 2016, Beijing Glory Real Estate (Holding) Co., Ltd (北京國瑞興業房地產控股有限公司) ("Beijing Glory Real Estate Holding") entered into an agreement with the independent third parties, namely Ms. Yao Xiaoli (姚曉麗), Mr. Yao Shuobin (姚朔斌) and Mr. Yao Wenchen (姚文琛) (collectively referred as the "Vendors") with respect to equity interests transfer of Qidong Yujiangwan and its subsidiary Yao Ji (Nantong) Industrial Co., Ltd. 姚記 (南通) 實業有限公司 ("Yaoji Nantong"). According to the agreement, 100% equity interest in Qidong Yujiangwan and Yaoji Nantong and equity holder's loan of approximately RMB818,639,000 were transferred to Beijing Glory Real Estate Holding for a total cash consideration of RMB1,877,170,000. The consideration will be paid by instalments. As of the end of the reporting period, the Group has paid 60% of the total consideration and respective 60% equity interest of Qidong Yujiangwan was transferred to the Group. The remaining 30% and 10% of the total consideration will be paid and respective equity interest will be transferred accordingly before March 31, 2017 and October 1, 2017 respectively. As the Group is obliged to settle the outstanding consideration payable and the Group is exposed to any risk or entitled to any rewards relating to 100% equity interest as equity holder of Qidong Yujiangwan and Yaoji Nantong, the acquisition is considered as a single acquisition or a linked transaction. The Group accounts for Qidong Yujiangwan and Yaoji Nantong at 100% effective interest from the date of acquisition. This acquisition is accounted for as an acquisition of assets and the associated liabilities.

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39. ACQUISITION OF SUBSIDIARIES (continued)

The net assets of subsidiaries at the date of acquisition are as follows:

	Year ended December 31,			2015
	2016	2016	2016	
	Guorui Hospital RMB'000	Shenzhen Dachao Shan RMB'000	Qidong Yujiangwan and its subsidiary RMB'000	Shenzhen Wanji RMB'000
Assets acquired and liabilities recognised at the date of acquisition:				
Property, plant and equipment	2,725	1,000	—	1
Properties under development	—	—	1,871,882	—
Investment properties	—	—	—	798,921
Prepaid lease payments	290,495	—	—	—
Deferred tax assets	236	—	—	—
Trade and other receivables	5,933	—	5,283	10,207
Cash and bank balances	9,821	312	5	—
Trade and other payables	(3,210)	(233)	—	(9,129)
Other non-current assets	—	789,448	—	—
Amount due to the then equity holder	—	—	—	(200,000)
Net assets acquired	306,000	790,527	1,877,170	600,000
Less: Non-controlling interests	—	(224,461)	—	(100,000)
Total consideration	306,000	566,066	1,877,170	500,000
Satisfied by:				
Cash	236,000	534,597	1,126,302	400,000
Deposit paid in prior year	70,000	—	—	—
Consideration payable	—	—	750,868	100,000
Interest in Shenzhen Dachao Shan	—	31,469	—	—
	306,000	566,066	1,877,170	500,000
Net cash outflow arising on acquisition:				
Cash consideration	(236,000)	(534,597)	(1,126,302)	(400,000)
Bank balances and cash acquired	9,821	312	5	—
	(226,179)	(534,285)	(1,126,297)	(400,000)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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40. DISPOSAL OF SUBSIDIARIES

During the year ended December 31, 2016, New Beijing Glory, a 80% owned subsidiary of the Company, disposed of the entire 100% equity interest in Glory Services and its subsidiary to Shenzhen Glory Industrial Development Co., Ltd 深圳國瑞興業發展有限公司 (“Shenzhen Glory Industrial”), a related party controlled by Mr. Zhang Zhangsun. The gain on disposal of the subsidiary amounted to RMB283,000 were recognized as a deemed contribution from equity holder recognised directly in equity.

	Year ended December 31, 2016 RMB'000
Consideration	5,000
Analysis of assets and liabilities over which control were lost:	
Property, plant and equipment	5,745
Intangible assets	296
Trade and other receivables	18,523
Inventories	16
Cash and bank balances	17,816
Trade and other payables	(35,304)
Amounts due to related parties	(2,446)
Net assets disposed of	4,646
Gain on disposal of a subsidiary recognized in equity:	
Other receivables (note)	5,000
Net assets disposed of	(4,646)
Non-controlling interests	(71)
	283
Net cash outflow arising on disposal:	
Cash consideration	—
Less: bank balances and cash disposed of	17,816
	(17,816)

Note: The consideration receivable of RMB5,000,000 is unsecured, interest free and repayable on demand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2016

41. PLEDGE OF ASSETS

The following assets were pledged to secure certain bank and other borrowings granted to the Group at the end of each reporting period:

	At December 31,	
	2016 RMB'000	2015 RMB'000
Investment properties	14,824,090	13,628,300
Property, plant and equipment	63,245	74,008
Prepaid lease payments	2,121	2,171
Properties under development	12,318,147	3,913,890
Properties held for sale	1,880,084	1,390,967
Restricted bank deposits	10,146	10,104
	29,097,833	19,019,440

As at December 31, 2016, bank deposits of RMB171,961,000 (2015: RMB53,241,000) were pledged as security for mortgage loans of the Group's customers.

As at December 31, 2016 and 2015, 100% equity interest in Foshan Glory Southern, 51% equity interest in Hainan Junhe, 75% equity interest in Shenzhen Wanji, 100% equity interest in Glory Investment and Beijing Wenhushengda were pledged to certain banks in the PRC.

As at December 31, 2016, 100% equity interest in Foshan Guohua Properties Co., Ltd. 佛山市國華置業有限公司 ("Foshan Guohua"), 100% equity interest in Shantou Glory, 60% equity interest in Qidong Yujiangwan and 100% equity interest in Suzhou Glory were pledged to certain banks and other borrowings in the PRC.

In addition, the Group pledged 100% equity interest in Hainan Glory Investment & Development Co., Ltd. ("Hainan Glory Investment") to Hai Kou New City Construction & Development Co., Ltd. 海口新城區開發建設有限公司 ("Hai Kou New City") in order to secure the performance obligation as at December 31, 2016 and 2015. Upon the completion of the construction contract, the pledge shall be released within 10 days.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2016

42. COMMITMENTS

Contracted but not provided for in the consolidated financial statements:

- Expenditure in respect of investment properties under development
- Acquisition of land use rights
- Property, plant and equipment

At December 31,	
2016 RMB'000	2015 RMB'000
310,802	312,334
—	1,676,476
25,576	—
336,378	1,988,810

In addition to the above capital commitments, the Group has contracted expenditure in respect of properties under development of RMB3,569,079,000 (2015: RMB2,565,291,000) as at December 31, 2016, which have not provided for in the consolidated financial statements.

43. CONTINGENT LIABILITIES

Guarantees provided by the Group in respect of loan facilities utilised by

- individual property buyers (note)
- corporate property buyers (note)

At December 31,	
2016 RMB'000	2015 RMB'000
6,563,622	3,997,153
45,420	—
6,609,042	3,997,153

Note: The Group has pledged certain bank deposits (details set out in Note 41) and provided guarantees to banks in favor of its customers in respect of the mortgage loans provided by the banks to those customers for the purchase of the Group's developed properties and under development properties. These guarantees provided by the Group to the banks will be released upon receiving the building ownership certificate of the respective properties by the banks from the customers as security of the mortgage loans granted.

In the opinion of the directors of the Company, the fair value of the financial guarantee contracts at initial recognition and subsequently at the end of each reporting period is not significant as the default rate is low.

Pursuant to the construction contract signed between Hainan Glory and Hai Kou New City on July 5, 2009, Hainan Glory pledged its 100% equity interest in Hainan Glory Investment to Hai Kou New City, the details of the pledge are disclosed in Note 41.

For the year ended December 31, 2016

44. FINANCIAL INSTRUMENTS

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to equity holders through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debts, which includes the bank and other borrowings as disclosed in Note 34, net of cash and cash equivalents, and equity attributable to owners of the Company, comprising issued share capital, retained earnings and other reserves.

The management of the Group reviews the capital structure regularly. The Group considers the cost of capital and the risks associated with each class of capital, and will balance its overall capital structure through issuance of new shares, the payment of dividends, as well as raising of bank and other loans and redemption of bank and other loans.

Categories of financial instruments

	At December 31,	
	2016 RMB'000	2015 RMB'000
<i>Financial assets</i>		
Loans and receivables (including cash and bank balances)	1,900,382	2,706,666
Available-for-sale investments	165,192	165,192
Financial assets at fair value through profit or loss	97	70,097
	2,065,671	2,941,955
<i>Financial liabilities</i>		
Liabilities measured at amortised cost	25,424,985	19,643,372

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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44. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies

The Group's financial instruments include financial assets at fair value through profit or loss, available-for-sale investments, trade and other receivables, amount due from a related party, restricted bank deposits, bank balances and cash, trade and other payables, amounts due to related parties, bank and other borrowings and corporate bonds. Details of these financial instruments are set out in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

The Group's activities expose primarily to the market risks of changes in interest rates, foreign currency exchange rates and other prices.

There has been no significant change to the Group's exposure to market risks or the manner in which it manages and measures the risk over each of the reporting period.

(1) Interest rate risk

The Group is exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank balances, restricted bank deposits and bank and other borrowings which carry at prevailing deposit interest rates or variable rate based on the interest rates quoted by the People's Bank of China.

The Group's fair value interest rate risk relates primarily to its fixed rate bank and other borrowings, corporate bonds and amount due to a related party. The Group currently does not use any derivative contracts to hedge its exposure to interest rate risk. However, the management will consider hedging significant interest rate exposure should the need arise.

44. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Market risk (continued)

(1) Interest rate risk (continued)

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note.

Interest rate sensitivity

The sensitivity analysis below has been prepared based on the exposure to interest rates on bank balances, restricted bank deposits and variable rate bank and other borrowings at the end of the reporting period and the stipulated change taking place at the beginning of the financial year and held constant throughout the year. A 50 basis points (2015: 50 basis points) increase or decrease for variable rate bank and other borrowings and a 27 basis points (2015: 27 basis points) increase or decrease for bank balances and restricted bank deposits are used when reporting interest rate risk internally to key management personnel and represent management's assessment of the reasonably possible change in interest rate in respect of bank and other borrowings, bank balances and restricted bank deposits, respectively.

If interest rates had been increased/decreased by 50 basis points (2015: 50 basis points) in respect of variable rate bank and other borrowings and all other variables were held constant, the Group's post-tax profit for the year ended December 31, 2016 (net of interest capitalization effect) would decrease/increase by approximately RMB2,809,000 (2015: RMB4,594,000).

If interest rates had been increased/decreased by 27 basis points (2015: 27 basis points) in respect of bank balances and restricted bank deposits and all other variables were held constant, the Group's post-tax profit for the year ended December 31, 2016 would increase/decrease by approximately RMB3,070,000 (2015: RMB4,193,000) respectively.

(2) Other price risk

The Group is exposed to other price risk through its investment in unlisted equity investments and investment in financial products. As at December 31, 2016, the Group did not hold investments in financial products and the investment in unlisted equity investments are measured at cost less impairment. Accordingly, no sensitivity analysis is presented.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2016

44. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Market risk (continued)

(3) Foreign currency risk

The Group collects all of its revenue in RMB and incurs most of its expenditures in RMB.

The Group has certain bank deposits in foreign currencies; hence exposure to exchange rate fluctuations arises. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The Group has bank balances denominated in foreign currencies as follows, which expose the Group to foreign currency risk.

	At December 31,	
	2016 RMB'000	2015 RMB'000
HKD	5,610	6,443
USD	6,235	404
	11,845	6,847

The sensitivity analysis below has been determined based on a 5% (2015: 5%) possible appreciation or depreciation in other currencies against Renminbi. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjust its translation at the end of the reporting period for a 5% change in the foreign currency rates. The sensitivity rate used is the rate when reporting foreign currency risk internally to key management personnel and represents the management's assessment of the reasonably possible change in foreign exchange rates.

If the foreign currencies appreciates 5% against RMB and all other variables were held constant, the Group's profit for the year ended December 31, 2016 would increase by RMB592,000 (2015: RMB342,000). There would be an equal and opposite impact on post-tax profit for the year if the foreign currencies depreciates 5% against Renminbi.

In the opinion of the directors of the Company, the sensitivity analysis is unrepresentative of the inherent currency risk as the exposure at the end of the reporting period does not reflect the exposure during the year.

44. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Credit risk

At the end of each of the reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees issued by the Group is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position and the amount of contingent liabilities disclosed in Note 43. In order to minimize the credit risk, monitoring procedures are carried out to ensure that follow up action is taken to recover overdue debts. In addition, the Group reviews regularly the recoverable amount of each individual trade and other receivables at the end of each of the reporting period. The amounts presented in the consolidated statement of financial position are net of allowances for bad and doubtful debts, estimated by the Group's management based on prior experience and their assessment of the current economic environment.

For properties that are presold but development has not been completed, the Group typically provides guarantees to banks in connection with the customers' borrowing of mortgage loans to finance their purchase of the properties for an amount up to 70% of the purchase price of the individual property. If a purchaser defaults on the payment of its mortgage during the period of guarantee, the bank holding the mortgage may demand the Group to repay the outstanding loan and any interest accrued thereon. Under such circumstances, the Group is able to forfeit the sales deposit received and resell the reprocessed properties. Therefore, the management considers it would likely recover any loss incurred arising from the guarantee provided by the Group. The management considers the credit risk exposure to financial guarantees provided to property purchasers is limited because the facilities are secured by the properties and the market price of the properties is higher than the guaranteed amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

For properties that are sold in which consideration not fully received, the management considers the credit risk is limited because the Group is entitled to retain the legal title and take over possession of the underlying properties for re-sale.

Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, the Group does not have any other significant concentration of credit risk with exposure spread over a number of counterparties and customers.

The credit risk on liquid funds is limited because the counterparties are mainly State-owned banks and with high credit ratings in the PRC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2016

44. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Liquidity risk management

The Group's objective is to maintain a balance between continuity of funding and the flexibility through the use of borrowings. The directors of the Company closely monitor the liquidity position and ensure it has adequate sources of funding to finance the Group's projects and operations.

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are variable rate, the undiscounted amount is derived from interest rate at the end of the reporting period. The amounts included below for variable rate financial liabilities is subject to change if change in interest rates differ to those estimates of interest rates determined at the end of the reporting period.

	Weighted average interest rate	Undiscounted cash flows					Total undiscounted cash flows RMB'000	Carrying amount RMB'000
		On demand RMB'000	Less than 1 year RMB'000	1-2 years RMB'000	2-5 years RMB'000	Over 5 years RMB'000		
At December 31, 2016								
Non-interest bearing	—	1,012,381	4,524,523	—	—	—	5,536,904	5,536,904
Bank and other borrowings								
– Fixed interest rate borrowings	5.90%-10.00%	—	1,292,582	8,495,427	228,163	—	10,016,172	9,028,978
– Variable interest rate borrowings	2.46%-6.65%	1,071,200	1,428,495	3,112,012	1,454,322	463,192	7,529,221	6,878,889
Corporate bonds	5.47%-7.64%	—	272,700	3,272,700	1,053,000	—	4,598,400	3,980,214
		2,083,581	7,518,300	14,880,139	2,735,485	463,192	27,680,697	25,424,985
Financial guarantee contracts	—	6,609,042	—	—	—	—	6,609,042	—
Non-interest bearing (rental deposits received)	—	—	21,442	18,689	59,105	—	99,236	99,236
		8,692,623	7,539,742	14,898,828	2,794,590	463,192	34,388,975	25,524,221

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For the year ended December 31, 2016

44. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Liquidity risk management (continued)

	Weighted average interest rate	Undiscounted cash flows						Carrying amount RMB'000
		On demand RMB'000	Less than 1 year RMB'000	1-2 years RMB'000	2-5 years RMB'000	Over 5 years RMB'000	Total undiscounted cash flows RMB'000	
At December 31, 2015								
Non-interest bearing	—	556,417	3,611,703	—	—	—	4,168,120	4,168,120
Amount due to a connected person								
– with imputed interest (note 31)	6.00%	200,000	—	—	—	—	200,000	200,000
Bank and other borrowings								
– Fixed interest rate borrowings	2.09%-12.2%	—	2,234,788	814,558	2,566,040	—	5,615,386	4,935,899
– Variable interest rate borrowings	5.23%-8.52%	857,900	1,295,613	1,491,791	4,011,138	744,848	8,401,290	7,362,226
Corporate bonds	7.61%-7.64%	—	219,700	219,700	3,219,700	—	3,659,100	2,977,127
		1,614,317	7,361,804	2,526,049	9,796,878	744,848	22,043,896	19,643,372
Financial guarantee contracts	—	3,997,153	—	—	—	—	3,997,153	—
Non-interest bearing (rental deposits received)	—	—	23,002	13,958	52,012	—	88,972	88,972
		5,611,470	7,384,806	2,540,007	9,848,890	744,848	26,130,021	19,732,344

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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44. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Liquidity risk management (continued)

Bank loans included in the “on demand” time band in the above maturity analysis are loans which the Group breached certain of the terms of those loans as detailed in Note 34. As at 31 December 2016 and 31 December 2015, the aggregate undiscounted principal amounts of these bank loans amounted to RMB1,071,200,000 and RMB857,900,000 respectively. Taking into account the Group’s financial position, the directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors believe that such bank loans will be repaid after the end of the reporting period in accordance with the scheduled repayment dates set out in the loan agreements, details of which are set out in the table below:

	Undiscounted cash flows				Total undiscounted cash flows RMB'000	Carrying amount RMB'000
	Less than 1 year RMB'000	1-2 years RMB'000	2-5 years RMB'000	Over 5 years RMB'000		
At December 31, 2016						
Bank and other borrowings	287,839	517,128	351,581	—	1,156,548	1,071,200
	287,839	517,128	351,581	—	1,156,548	1,071,200
At December 31, 2015						
Bank and other borrowings	92,235	590,847	255,302	—	938,384	857,900
	92,235	590,847	255,302	—	938,384	857,900

The amounts included above for financial guarantee contracts are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

Fair value

The Group’s investment in funds of RMB97,000 (2015: RMB97,000) and investment in financial products of nil (2015: RMB70,000,000) as at December 31, 2016 is measured subsequent to initial recognition at fair value, are grouped into Level 2 and determined by reference to a discounted cash flows model based on expected interest rates.

Except as disclosed in Notes 34 and 35, the directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortized cost in the consolidated financial statements approximate their fair values.

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For the year ended December 31, 2016

45. OPERATING LEASE ARRANGEMENT

(a) The Group as lessor

The properties held by the Group for rental purpose have committed tenants from six months to twenty years in which majority are fixed rental.

At the end of the reporting period, the Group has contracted with tenants for the following future minimum lease payments under non-cancellable operating leases:

	At December 31,	
	2016 RMB'000	2015 RMB'000
Within one year	314,171	233,004
In the second to the fifth year inclusive	550,769	359,544
After the fifth year	213,743	258,433
	1,078,683	850,981

(b) The Group as lessee

The Group leases various office buildings under non-cancellable operating lease agreements. The lease terms are between 1 and 3 years, and the majority of lease agreements are renewable at the end of the lease period at market rate.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	At December 31,	
	2016 RMB'000	2015 RMB'000
No later than 1 year	1,492	1,966
In the second to third year inclusive	—	1,229
	1,492	3,195

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2016

46. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the consolidated financial statements, the Group has the following related party balances and transactions.

A. During the years ended December 31, 2016 and 2015, the following parties are identified as related parties to the Group and the respective relationships are set out below:

Name of related party	Relationship
Mr. Zhang Zhangsun	Executive Director and controlling shareholder of the Group
Ms. Ruan Wenjuan	Executive Director and spouse of Mr. Zhang Zhangsun
Ms. Zhang Jin	Executive Director and daughter of Mr. Zhang Zhangsun
Beijing Glory Commercial Management Co., Ltd.* ("Glory Commercial Management") 北京國瑞興業商業管理有限公司	Controlled by Ms. Zhang Jin
Shantou Jinming Wujin Material Co., Ltd.* ("Jinming Wujin") 汕頭金明五金材料有限公司	Controlled by Mr. Zhang Zhangsun
Longhu Huamu Market Co., Ltd ("Longhu Huamu") 汕頭市龍湖花木市場有限公司	Controlled by Ms. Zhang Youxi, sister of Mr. Zhang Zhangsun
Tonghe Leasing Co., Ltd ("Tonghe Leasing") 通和租賃股份有限公司	Controlled by Ms. Zhang Youxi, sister of Mr. Zhang Zhangsun
Glory Services	Controlled by Mr. Zhang Zhangsun
Alltogether Land Company Limited ("Alltogether Land") 通和置業有限公司	Parent and ultimate holding Company controlled by Mr. Zhang Zhangsun
Shenzhen Glory Industrial	Controlled by Mr. Zhang Zhangsun

* The English name of the companies established in the PRC are for reference only and have not been registered.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2016

46. RELATED PARTY TRANSACTIONS (continued)

- B. At the end of the reporting period, the Group has deposit paid to or amounts receivable from the following related parties and the details are set out below:

Name of related party	At December 31,	
	2016 RMB'000	2015 RMB'000
Non-trade nature:		
Jinming Wujin	—	70,000
Tonghe Leasing	—	1,063
Shenzhen Glory Industrial (note)	5,000	—

Maximum amount outstanding for non-trade receivables	Year ended December 31,	
	2016 RMB'000	2015 RMB'000
Jinming Wujin	—	70,000
Tonghe Leasing	—	1,063
Shenzhen Glory Industrial	5,000	—

Note: Details of the transaction with Shenzhen Glory Industrial is disclosed in Note 40.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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46. RELATED PARTY TRANSACTIONS (continued)

- C. At the end of the reporting period, the Group has amounts due to the following related parties and the details are set out below:

Name of related party	At December 31,	
	2016 RMB'000	2015 RMB'000
Trade nature		
Glory Commercial Management	3,431	24,107
Non-trade nature		
Tonghe Leasing	—	3,000
Jinming Wujin	192	180
Glory Services	2,446	—
Alltogether Land	219,444	27,770
	222,082	30,950
Total	225,513	55,057

Other than the amount due to Glory Commercial Management (aged within one year), other balances are of non-trade nature, unsecured, interest free and repayable on demand.

In addition, the Group borrowed RMB4,170,000 at interest rate of 6.33% per annum from Tonghe Leasing on September 30, 2014 and repaid the remaining balance of RMB3,000,000 in January 2016.

For the year ended December 31, 2016

46. RELATED PARTY TRANSACTIONS (continued)

- D. During the reporting period, the Group entered into the following transactions with its related parties:

Name of related party	Nature of transaction	Year ended December 31,	
		2016 RMB'000	2015 RMB'000
Trade nature			
Glory Commercial Management	Property management services fee	6,508	16,832
Non-trade nature			
Tonghe Leasing	Interest expense	—	190

- E. Mr. Zhang Zhangsun and Ms. Ruan Wenjuan have provided guarantees for certain bank loans and other loans granted to the Group for nil consideration. At December 31, 2016, the Group has bank loans and other loans guaranteed by Mr. Zhang Zhangsun and Ms. Ruan Wenjuan amounting to RMB7,293,132,000 (2015: RMB3,638,155,000).

Jinming Wujin has provided guarantees for certain bank loans and other loans granted to the Group for nil consideration. At December 31, 2016, the Group has bank loans and other loans guaranteed by Jinming Wujin amounting to RMB147,654,000 (2015: RMB138,216,000).

Longhu Huamu has provided guarantees for certain bank loans and other loans granted to the Group for nil consideration. At December 31, 2016, the Group has bank loans and other loans guaranteed by Longhu Huamu amounting to RMB218,000,000 (2015: nil).

F. Key management personnel emoluments

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including directors and other key management of the Group. The key management personnel compensation is as follows:

	At December 31,	
	2016 RMB'000	2015 RMB'000
Short-term employee benefits	20,497	18,926
Retirement benefit contributions	465	462
Equity-settled share-based payments	11,195	32,667
	32,157	52,055

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2016

47. SUBSIDIARIES

Details of the Company's subsidiaries at the end of the reporting period are set out below.

Name of subsidiaries	Place of incorporation/ establishment	Issued and fully paid share capital/ paid up capital	Attributable equity interest of the Group		Principal activities
			At December 31, 2016	2015	
Well Ample Holdings Limited ("Well Ample")	British Virgin Islands ("BVI")	Issued and fully paid USD1	100%	100%	Intermediate holding
Well Ample (HK)	Hong Kong	Issued and fully paid HKD100,000	100%	100%	Investment holding
State Wealth Holdings Limited ("State Wealth")	BVI	Issued and fully paid USD1	100%	100%	Intermediate holding
State Wealth Holdings (HK) Limited ("State Wealth (HK)")	Hong Kong	Issued and fully paid HKD100,000	100%	100%	Investment holding
All Affluent Holdings Limited ("All Affluent")	BVI	Issued and fully paid USD1	100%	100%	Intermediate holding
All Affluent Holdings (HK) Limited ("All Affluent (HK)")	Hong Kong	Issued and fully paid HKD100,000	100%	100%	Investment holding
Glory Real Estate (HK)	Hong Kong	Issued and fully paid HKD10,000	100%	100%	Investment holding
Shantou Glory Management Limited * ^ 汕頭國瑞企業管理有限公司	PRC	Paid up capital RMB40,000,000	100%	100%	Investment holding and hotel operation
Shantou Glory Trading Co., Ltd.* ^ 汕頭國瑞貿易有限公司	PRC	Paid up capital —	100%	100%	Not yet commence business
Garden Group* ^	PRC	Paid up capital RMB48,000,000	100%	100%	Investment holding

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2016

47. SUBSIDIARIES (continued)

Name of subsidiaries	Place of incorporation/ establishment	Issued and fully paid share capital/ paid up capital	Attributable equity interest of the Group		Principal activities
			At December 31, 2016	2015	
Glory Xingye (Beijing) Industrial Co., Ltd.* ("Glory Industrial") 國瑞興業(北京)實業股份有限公司	PRC	Paid up capital RMB458,224,110	91%	91%	Property development
Shantou Construction Materials*	PRC	Paid up capital RMB200,000,000	90%	90%	Property development
Original Beijing Glory*	PRC	Paid up capital RMB1,166,000,000	80%	80%	Property development and investment holding
New Beijing Glory*	PRC	Paid up capital RMB52,000,000	80%	80%	Investment holding
Glory Services* (Note 40)	PRC	Paid up capital RMB5,000,000	—	80%	Property management and services
Glory Investment*	PRC	Paid up capital RMB10,000,000	80%	80%	Investment holding
Hainan Glory*	PRC	Paid up capital RMB100,000,000	80%	80%	Property development
Wanning Glory Real Estate Development Co., Ltd.* 萬寧國瑞房地產開發有限公司	PRC	Paid up capital RMB30,000,000	80%	80%	Property development
Hainan Tongcheng Industrial Co., Ltd.* 海南同城實業有限公司	PRC	Paid up capital RMB74,270,000	80%	80%	Property development
Hainan Nanduijiang Industrial Development Co., Ltd.* 海南南渡江實業發展有限公司	PRC	Paid up capital RMB20,030,000	80%	80%	Property development
Haikou Hangrui Development Industrial Co., Ltd.* ("Haikou Hangrui") 海口航瑞實業發展有限公司	PRC	Paid up capital RMB110,104,100	80%	80%	Property development

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2016

47. SUBSIDIARIES (continued)

Name of subsidiaries	Place of incorporation/ establishment	Issued and fully paid share capital/ paid up capital	Attributable equity interest of the Group		Principal activities
			At December 31, 2016	2015	
Hainan Glory Investment*	PRC	Paid up capital RMB466,869,243	80%	80%	Property development
Xinzheng Glory Real Estate Development Co., Ltd.* 新鄭市國瑞房地產開發有限公司	PRC	Paid up capital RMB100,000,000	80%	80%	Property development
Foshan Glory*	PRC	Paid up capital RMB10,000,000	80%	80%	Property development
Foshan Guohua* (note(c))	PRC	Paid up capital RMB10,000,000	44%	44%	Property development
Langfang Glory Investment Co., Ltd.* 廊坊國瑞投資有限公司	PRC	Paid up capital RMB100,000,000	80%	80%	Investment holding
Langfang Guosheng Real Estate Development Co., Ltd.* 廊坊國盛房地產開發有限公司	PRC	Paid up capital RMB30,000,000	80%	80%	Property development
Langfang Glory Real Estate Development Co., Ltd.* 廊坊國瑞房地產開發有限公司	PRC	Paid up capital RMB150,000,000	80%	80%	Property development
Langfang Guoxing*^	PRC	Paid up capital RMB110,000,000	100%	100%	Property development
Yongqing County Orchard Sport Services Co., Ltd.* 永清縣果園體育服務有限公司	PRC	Paid up capital RMB1,000,000	80%	80%	Not yet commence business
Shenzhen Glory Xingye*	PRC	Paid up capital RMB100,000,000	100%	100%	Not yet commence business

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2016

47. SUBSIDIARIES (continued)

Name of subsidiaries	Place of incorporation/ establishment	Issued and fully paid share capital/ paid up capital	Attributable equity interest of the Group		Principal activities
			At December 31, 2016	2015	
Shantou Guohua Properties Real Estate Development Co., Ltd.* 汕頭市國華置業地產開發有限公司	PRC	Paid up capital RMB20,000,000	60%	60%	Property development
Shantou Glory Zhoucuowen Real Estate Development Co., Ltd.* 汕頭市國瑞周厝塢房地產開發有限公司	PRC	Paid up capital RMB20,000,000	68%	68%	Property development
Shenyang Dadongfang *	PRC	Paid up capital RMB186,362,194	80%	80%	Property development
Shenyang Glory Industrial Commerce Co., Ltd.* 瀋陽國瑞興業商務有限公司	PRC	Paid up capital RMB1,000,000	80%	80%	Properties management services
Chaoan County Meilin Lake Development & Construction Co., Ltd.* ("Chaoan Meilin") (note(c)) 潮州市潮安區梅林湖開發建設有限公司	PRC	Paid up capital RMB10,000,000	48%	48%	Property development
Shaanxi Huawei*	PRC	Paid up capital RMB200,000,000	80%	80%	Property development
Hainan Junhe*	PRC	Paid up capital RMB50,000,000	80%	80%	Property development
Beijing Wenhua Shengda*	PRC	Paid up capital RMB50,000,000	80%	80%	Property development
Foshan Glory Southern*	PRC	Paid up capital RMB33,330,000	80%	80%	Property development

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2016

47. SUBSIDIARIES (continued)

Name of subsidiaries	Place of incorporation/ establishment	Issued and fully paid share capital/ paid up capital	Attributable equity interest of the Group		Principal activities
			At December 31, 2016	2015	
Langfang Guohua Real Estate Development Co., Ltd.* 廊坊市國華房地產開發有限公司	PRC	Paid up capital RMB100,000,000	80%	80%	Property development
Shenzhen Wanji*	PRC	Paid up capital RMB130,000,000	80%	87.5%	Not yet commence business
Shenzhen Glory Jingang Estate Development Co., Ltd.* 深圳國瑞金港地產開發有限公司	PRC	Paid up capital —	100%	100%	Not yet commence business
Shenzhen Glory Sichuang Estate Development Co., Ltd.* 深圳國瑞思創地產開發有限公司	PRC	Paid up capital —	100%	100%	Not yet commence business
Beijing Jiale Jiale e-Commerce Co., Ltd.* (Note 40) 北京家樂家樂電子商務有限公司	PRC	Paid up capital —	—	80%	Not yet commence business
Shenyang Guoyi Business Management Co., Ltd.* 瀋陽國益商業管理有限公司	PRC	Paid up capital RMB20,000,000	80%	80%	Property development
Shenyang Guorui Business Management Co., Ltd.* 瀋陽國瑞商業管理有限公司	PRC	Paid up capital RMB50,000,000	80%	80%	Property development
Shenyang Guosheng Business Management Co., Ltd.* 瀋陽國盛商業管理有限公司	PRC	Paid up capital RMB30,000,000	80%	80%	Property development

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2016

47. SUBSIDIARIES (continued)

Name of subsidiaries	of incorporation/ establishment	paid share capital/ paid up capital	interest of the Group At December 31,		Principal activities
			2016	2015	
Shantou Guorui properties* ^	PRC	Paid up capital RMB920,100,000	100%	100%	Property development
Shantou Glory Real Estate Development Co., Ltd.* ("Shantou Glory") 汕頭市國瑞房地產開發有限公司	PRC	Paid up capital RMB198,000,000	80% (note(b))	—	Property development
Suzhou Glory*	PRC	Paid up capital RMB50,000,000	80% (note(b))	—	Property development
Qidong Yujiangwan*	PRC	Paid up capital RMB50,000,000	80% (note(d))	—	Property development
Yaoji Nantong*	PRC	Paid up capital RMB102,500,000	80% (note(d))	—	Property development
Zhengzhou Guorui Tourism Development Co., Ltd.* 鄭州國瑞旅遊發展有限公司	PRC	Paid up capital RMB1,700,000	80% (note(b))	—	Property development
Shenzhen Dachashan*	PRC	Paid up capital RMB172,000,000	75% (note(d))	—	Property development
Guorui Hospital*	PRC	Paid up capital RMB100,000,000	100% (note(d))	—	Hospital operation (under construction)

* The English name of the companies which were established in the PRC are for reference only and have not been registered.

^ These companies are wholly foreign owned enterprises established in the PRC. All other entities established in the PRC are limited liability companies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2016

47. SUBSIDIARIES (continued)

Notes:

- (a) Except Garden Group, none of other subsidiaries had issued any debt securities at the end of each reporting period or at any time during the reporting period.
- (b) These subsidiaries were newly established during the year ended December 31, 2016.
- (c) Garden Group held 80% equity interest in Original Beijing Glory, which held 55% and 60% equity interest in Foshan Guohua and Chaoan Meilin respectively. Therefore, the Group indirectly held 44% and 48% equity interest in Foshan Guohua and Chaoan Meilin respectively, which are still considered to be subsidiaries of the Group.
- (d) These subsidiaries were acquired during the year ended December 31, 2016. Details are set out in note 39.
- (e) Other than Glory Real Estate (HK), Well Ample, Well Ample (HK), State Wealth, State Wealth (HK), All Affluent and All Affluent (HK) which are investment holding companies in Hong Kong, all subsidiaries operate in the PRC.
- (f) Glory Real Estate (HK), Well Ample, State Wealth and All Affluent are directly held by the Company. Other subsidiaries are indirectly held by the Company.

Majority of these subsidiaries operate in the PRC. The principal activities of these subsidiaries are summarised as follows:

Principal activities	Principal place of business	Number of subsidiaries	
		31/12/2016	31/12/2015
Property development	PRC	34	29
Primary land construction and development services	PRC	1	1
Rental business	PRC	4	4
Property management and related service	PRC	1	2
		40	36

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For the year ended December 31, 2016

47. SUBSIDIARIES (continued)

The table below shows details of non-wholly owned subsidiaries of the Company that have material non-controlling interests:

Name of subsidiaries	Place of establishment and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests	Profit allocated to non-controlling interests RMB'000	Accumulated non-controlling interests RMB'000
At December 31, 2016				
Glory Industrial	PRC	9%	2,735	156,242
Original Beijing Glory (note a)	PRC	20%	98,257	1,137,679
Shenzhen Dachaoshan	PRC	25%	—	239,461
New Beijing Glory (excluding non-controlling interests of New Beijing Glory's subsidiaries)	PRC	20%	213,443	444,109
Non-wholly owned subsidiaries of New Beijing Glory	PRC	45%	67,035	97,798
– Foshan Guohua	PRC		(147)	10,219
– Individual immaterial subsidiaries with non-controlling interests	PRC			
Total			381,323	2,085,508
At December 31, 2015				
Glory Industrial	PRC	9%	6,598	153,507
Original Beijing Glory (note a)	PRC	20%	154,970	1,101,422
New Beijing Glory (excluding non-controlling interests of New Beijing Glory's subsidiaries)	PRC	20%	167,901	348,595
Non-wholly owned subsidiaries of New Beijing Glory	PRC	45%	(10,157)	30,763
– Foshan Guohua	PRC		(427)	10,366
– Individual immaterial subsidiaries with non-controlling interests	PRC			
Total			318,885	1,644,653

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2016

47. SUBSIDIARIES (continued)

The table below shows details of non-wholly owned subsidiaries of the Company that have material non-controlling interests: (continued)

Notes:

- (a) The summarised financial information disclosed below comprised of the financial information of Original Beijing Glory and its wholly owned subsidiaries (the "Original Beijing Glory").

Summarised financial information in respect of Glory Industrial, Original Beijing Glory, Shenzhen Dachaoshan, New Beijing Glory and subsidiaries, Foshan Guohua, is set out below. The summarised financial information below represents amounts before intragroup eliminations.

Glory Industrial

	At December 31,	
	2016 RMB'000	2015 RMB'000
Current assets	2,603,310	1,972,719
Non-current assets	1,145,465	1,118,710
Current liabilities	(1,584,443)	(944,567)
Non-current liabilities	(428,309)	(441,229)
Equity attributable to owners of the Company	1,579,781	1,552,126
Non-controlling interests of Glory Industrial	156,242	153,507

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2016

47. SUBSIDIARIES (continued)

Glory Industrial (continued)

	Year ended December 31,	
	2016 RMB'000	2015 RMB'000
Revenue	41,966	37,957
Gain on fair value change of investment properties	24,500	89,445
Cost of sales and service and expenses	(36,076)	(54,095)
Profit and total comprehensive income for the year	30,390	73,307
Profit and total comprehensive income attributable to:		
– the owners of the Company	27,655	66,709
– non-controlling interests of Glory Industrial	2,735	6,598
	30,390	73,307
Net cash inflow from operating activities	25,786	25,265
Net cash outflow from investing activities	(4,286)	(944)
Net cash outflow from financing activities	(72,222)	(10,421)
Net cash (outflow) inflow from the above activities	(50,722)	13,900

Original Beijing Glory

	At December 31,	
	2016 RMB'000	2015 RMB'000
Current assets	13,714,835	8,392,830
Non-current assets	12,250,132	11,145,992
Current liabilities	(10,760,414)	(6,384,168)
Non-current liabilities	(9,516,160)	(7,647,543)
Equity attributable to owners of the Company	4,550,714	4,405,689
Non-controlling interest of Original Beijing Glory	1,137,679	1,101,422

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2016

47. SUBSIDIARIES (continued)

Original Beijing Glory (continued)

	Year ended December 31,	
	2016 RMB'000	2015 RMB'000
Revenue	457,979	1,595,805
Gain on fair value change of investment properties	615,633	539,643
Cost of sales and expense	(582,329)	(1,360,600)
Profit and total comprehensive income for the year	491,283	774,848
Profit and total comprehensive income attributable to:		
– the owners of the Company	393,026	619,878
– non-controlling interests of Original Beijing Glory	98,257	154,970
	491,283	774,848
Dividend paid to non-controlling interests	62,000	30,000
Net cash outflow from operating activities	(1,828,975)	(1,933,842)
Net cash outflow from investing activities	(317,875)	(296,585)
Net cash inflow from financing activities	1,519,415	2,989,963
Net cash (outflow) inflow from the above activities	(627,435)	759,536

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2016

47. SUBSIDIARIES (continued)

Shenzhen Dachao Shan

	At December 31, 2016 RMB'000
Current assets	52,773
Non-current assets	790,451
Current liabilities	(695)
Non-current liabilities	—
Equity attributable to owners of the Company	603,068
Non-controlling interests of Shenzhen Dachao Shan	239,461
	Period from date of acquisition to December 31, 2016 RMB'000
Net cash outflow from operating activities	(32,772)
Net cash outflow from investing activities	(65)
Net cash inflow from financing activities	52,337
Net cash inflow from the above activities	19,500

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2016

47. SUBSIDIARIES (continued)

New Beijing Glory and subsidiaries

	At December 31,	
	2016 RMB'000	2015 RMB'000
Current assets	21,273,728	14,614,172
Non-current assets	2,322,064	1,892,355
Current liabilities	(16,947,170)	(13,461,531)
Non-current liabilities	(4,320,058)	(1,260,891)
Equity attributable to owners of the Company	1,776,438	1,394,381
Non-controlling interests of New Beijing Glory	444,109	348,595
Non-controlling interests of New Beijing Glory's subsidiaries	108,017	41,129

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2016

47. SUBSIDIARIES (continued)

New Beijing Glory and subsidiaries (continued)

	Year ended December 31,	
	2016 RMB'000	2015 RMB'000
Revenue	6,112,638	4,842,642
Gain on fair value change of investment properties	84,201	129,934
Cost of sales and expense	(5,062,734)	(4,143,653)
Profit and total comprehensive income for the year	1,134,105	828,923
Profit and total comprehensive income attributable to		
– the owners of the Company	853,774	671,606
– non-controlling interests of New Beijing Glory	213,443	167,901
– non-controlling interests of New Beijing Glory's subsidiaries	66,888	(10,584)
	1,134,105	828,923
Dividend paid to non-controlling interests of New Beijing Glory	118,000	110,000
Net cash (outflow) inflow from operating activities	(1,794,084)	143,492
Net cash (outflow) inflow from investing activities	(1,325,996)	82,702
Net cash inflow from financing activities	2,944,867	389,475
Net cash (outflow) inflow from the above activities	(175,213)	615,669

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2016

47. SUBSIDIARIES (continued)

Foshan Guohua (non-wholly owned subsidiary of New Beijing Glory)

	At December 31,	
	2016 RMB'000	2015 RMB'000
Current assets	2,510,280	2,074,965
Non-current assets	3,820	13,446
Current liabilities	(2,296,771)	(2,020,049)
Non-current liabilities	—	—
Equity attributable to owners of New Beijing Glory	119,531	37,599
Non-controlling interests of Foshan Guohua	97,798	30,763

	Year ended December 31,	
	2016 RMB'000	2015 RMB'000
Revenue	975,643	—
Cost of sales and service and expenses	(826,676)	(22,570)
Profit (loss) and total comprehensive income (expense) for the year	148,967	(22,570)
Profit (loss) and total comprehensive income (expense) attributable to:		
– the owners of New Beijing Glory	81,932	(12,413)
– non-controlling interests of Foshan Guohua	67,035	(10,157)
	148,967	(22,570)
Net cash inflow from operating activities	383,425	99,173
Net cash inflow from investing activities	291	213
Net cash (outflow) inflow from financing activities	(435,632)	63,685
Net cash (outflow) inflow from the above activities	(51,916)	163,071

48. MAJOR NON-CASH TRANSACTIONS

On May 30, 2016, the Group has renegotiated and entered into an agreement with an independent third party, Shenzhen Xiangrui, and agreed to dispose of the 12.5% equity interest in Shenzhen Wanji at a consideration of RMB100,000,000. The consideration was settled through the consideration payable to the Shenzhen Xiangrui of same amount. Further details of the transaction are set out in Note 39.

49. EVENTS AFTER END OF THE REPORTING PERIOD

On March 15, 2017, the Group has completed the proposed issue of Senior Notes (“Notes”) of US\$300,000,000 principal amount in aggregate. The Notes hold the offering price of 100% of the principal amount and are delivered on March 21, 2017. The Notes bear interest from March 21, 2017 at 7.00% per annum payable semi-annually in arrears on March 21 and September 21 of each year, commencing September 21, 2017. The Notes will mature on March 21, 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2016

50. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	At December 31,	
	2016 RMB'000	2015 RMB'000
Non-current assets		
Unlisted investments in subsidiaries	268,771	193,001
Amounts due from subsidiaries	1,171,423	1,160,717
	1,440,194	1,353,718
Current assets		
Trade and other receivables, deposits and prepayments	548	270
Cash and bank balances	4,304	2,051
	4,852	2,321
Current liabilities		
Trade and other payables	1,054	114
Bank and other borrowings - due within one year	147,654	—
Amounts due to subsidiaries	351,667	115,865
	500,375	115,979
Net current liabilities	(495,523)	(113,658)
Total assets less current liabilities	944,671	1,240,060
Non-current liabilities		
Bank and other borrowings - due after one year	—	138,216
	—	138,216
Net assets	944,671	1,101,844
Capital and reserves		
Share capital	3,513	3,511
Reserves	941,158	1,098,333
Total equity	944,671	1,101,844

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