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## COUNTRY GARDEN HOLDINGS COMPANY LIMITED

### 碧桂園控股有限公司

(於開曼群島註冊成立的有限公司)

(股份代號：2007)

### 海外監管公告

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

茲提述碧桂園控股有限公司(「本公司」)日期為2016年11月16日及2016年12月7日有關票據發行之公告(「該等公告」)。除另有界定外，本公告所用詞彙均與該等公告所界定者具有相同涵義。

謹請參閱隨附有關票據之發售章程(「發售章程」)，該發售章程已於2016年12月16日刊載於新加坡證券交易所有限公司網站。

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

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

該發售章程不應被視為誘使認購或購買本公司任何證券，亦不旨在進行該等勸誘。投資者不應根據該發售章程所載資料作出任何投資決定。

承董事會命  
碧桂園控股有限公司  
執行董事  
吳建斌

中國廣東省佛山市，2016年12月16日

於本公告日期，本公司執行董事為楊國強先生(主席)、楊惠妍女士(副主席)、莫斌先生(總裁)、朱榮斌先生(聯席總裁)、吳建斌先生(首席財務官)、楊子瑩女士、蘇汝波先生、區學銘先生、楊志成先生、謝樹太先生、宋軍先生、梁國坤先生及蘇柏垣先生；本公司非執行董事為陳翀先生；本公司獨立非執行董事為黎明先生、石禮謙先生、唐滙棟先生、黃洪燕先生、黃曉女士、梅文珏先生及楊國安先生。

# Strictly confidential—Do not forward

**THIS DOCUMENT IS AVAILABLE ONLY TO INVESTORS WHO ARE NON-U.S. PERSONS OUTSIDE OF THE UNITED STATES PURCHASING IN AN "OFFSHORE TRANSACTION" AS DEFINED IN REGULATION S.**

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

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

The attached offering memorandum is not a prospectus for the purposes of the European Union's Directive 2003/71/EC (and any amendments thereto) as implemented in member states of the European Economic Area (the "EU Prospectus Directive"). The attached offering memorandum has been prepared on the basis that all offers of the securities made to persons in the European Economic Area will be made pursuant to an exemption under the EU Prospectus Directive from the requirement to produce a prospectus in connection with offers of the securities.

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

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

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

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

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

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

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# Country Garden Holdings Company Limited

## 碧桂園控股有限公司

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

**US\$350,000,000**

### **5.625% Senior Notes due 2026**

We will pay interest on the Notes on June 15 and December 15 of each year, commencing June 15, 2017. The Notes will mature on December 15, 2026. At any time prior to December 15, 2026, we may at our option redeem the Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the Notes plus a premium as set forth in this offering memorandum, and accrued and unpaid interest. At any time and from time to time prior to December 15, 2026, we may redeem up to 35% in aggregate principal amount of the Notes, at a redemption price equal to 105.625%, plus accrued and unpaid interest, if any, with the proceeds from sales of certain kinds of our capital stock. For a more detailed description of the redemption of the Notes, see "Description of the Notes—Optional redemption."

Holders of the Notes may, at their option, require the Company to repurchase for cash all of their Notes, or any portion thereof that is in minimum denominations of US\$200,000 and integral multiples of US\$1,000 in excess thereof, on December 15, 2021, at the repurchase price equal to 100% of the principal amount of such Notes to be repurchased plus accrued and unpaid interest, if any, to (but not including) December 15, 2021. See "Description of the Notes—Repurchase of Notes at the Option of the Holders."

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

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

The Notes will (1) rank at least *pari passu* with all our other unsecured, unsubordinated indebtedness (subject to any priority rights pursuant to applicable law), (2) be effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries, including our subsidiaries in the PRC, and (3) be effectively subordinated to our secured obligations and those of the Subsidiary Guarantors, to the extent of the assets serving as security therefor. The Notes and the Subsidiary Guarantees will be secured by liens over the capital stock of the Subsidiary Guarantors, and pursuant to an intercreditor agreement (as amended and supplemented, the "Intercreditor Agreement"), rank *pari passu* with respect to such collateral with the Issuer's obligations under the indenture governing the US\$750 million 7.50% Senior Notes due 2023 (the "2023 Notes"), the indenture governing the US\$750 million 7.25% Senior Notes due 2021 ("the "2021 Notes"), the indenture governing the US\$550 million 7.875% Senior Notes due 2019 (the "2019 Notes"), the indenture governing the US\$250 million 7.50% Senior Notes due 2019 (the "Private Notes"), the indenture governing the US\$900 million 7.50% Senior Notes due 2020 (the "2020 Notes"), the indenture governing the US\$650 million 4.75% Senior Notes due 2023 (the "September 2023 Notes"), the credit agreement in relation to the HK\$2,925 million and US\$203 million equivalent dual tranche transferable term loan facility (the "2014 Club Loan"), the facility agreement in relation to the US\$975 million equivalent dual tranche transferable term loan facility (the "2015 Club Loan") and the ISDA Agreement (as defined herein) and the Guarantee (as defined herein). See "Risk factors—Risks relating to the Subsidiary Guarantees and the Collateral."

For a more detailed description of the Notes, see "Description of the Notes" beginning on page 289.

Investing in the Notes involves risks. See "Risk factors" beginning on page 21.

The Notes will not be designated for trading in the Financial Industry Regulatory Authority, Inc.'s PORTAL market. Approval in-principle has been received for the listing and quotation of the Notes on the Singapore Exchange Securities Trading Limited (the "SGX-ST"). The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained in this offering memorandum. Approval in-principle for the listing and quotation of the Notes on the SGX-ST is not to be taken as an indication of the merits of the Issuer, the Subsidiary Guarantors, their associated companies or the Notes.

**Offering Price: 100.00%**

The Offering Price set forth above does not include accrued interest, if any. Interest on the Notes will accrue from December 15, 2016.

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

With reference to the Notice on Promoting the Reform of the Filing and Registration System for Issuance of Foreign Debt by Enterprises (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知(發改外資[2015]2044號)) (the "NDRC Notice") promulgated by National Development and Reform Commission (the "NDRC") of the PRC on September 14, 2015 which came into effect on the same day, we have registered the issuance of the Notes with the NDRC and obtained a certificate from the NDRC dated September 12, 2016 evidencing such registration. Pursuant to the registration certificate, we will cause relevant information relating to the issue of the Notes to be reported to the NDRC within 10 PRC working days after the issue date of the Notes.

It is expected that delivery of the Notes will be made on or about December 15, 2016 through the book-facilities of Euroclear Bank S.A./N.V. ("Euroclear") and Clearstream Banking, S.A., Luxembourg ("Clearstream") against payment therefor in immediately available funds.

#### **Joint Global Coordinators**

(in alphabetical order)

**Goldman Sachs (Asia) L.L.C. J.P. Morgan**

#### **Joint Lead Managers and Joint Bookrunners**

(in alphabetical order)

**BNP PARIBAS BOC International Goldman Sachs (Asia) L.L.C. HSBC Huarong Financial J.P. Morgan**

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

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

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

United Kingdom that is not a relevant person should not act or rely on this offering memorandum or any of its contents.

IN CONNECTION WITH THIS OFFERING, THE INITIAL PURCHASERS, AS STABILIZING MANAGERS, OR ANY PERSON OR ENTITY ACTING ON THEIR BEHALF, MAY OVER-ALLOT NOTES OR EFFECT PURCHASES AND SALES OF THE NOTES IN THE OPEN MARKET. THESE TRANSACTIONS MAY, TO THE EXTENT PERMITTED BY APPLICABLE LAWS AND REGULATIONS, INCLUDE SHORT SALES, STABILIZING TRANSACTIONS AND PURCHASES TO COVER POSITIONS CREATED BY SHORT SALES. THESE ACTIVITIES MAY STABILIZE, MAINTAIN OR OTHERWISE AFFECT THE MARKET PRICE OF THE NOTES. AS A RESULT, THE PRICE OF THE NOTES MAY BE HIGHER THAN THE PRICE THAT OTHERWISE MIGHT EXIST IN THE OPEN MARKET. IF THESE ACTIVITIES ARE COMMENCED, THEY WILL BE CONDUCTED IN ACCORDANCE WITH APPLICABLE LAWS AND REGULATIONS AND MAY BE ENDED AT ANY TIME, BUT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE NOTES AND 60 DAYS AFTER THE ALLOTMENT OF THE NOTES. THESE ACTIVITIES WILL BE UNDERTAKEN SOLELY FOR THE ACCOUNT OF THE INITIAL PURCHASERS, AS STABILIZING MANAGERS (OR ANY PERSON OR ENTITY ACTING ON THEIR BEHALF) AND NOT FOR THE ISSUER OR ON ITS BEHALF.

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

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

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

No representation or warranty, express or implied, is made by the Initial Purchasers (as defined in the section headed "Plan of distribution"), Citicorp International Limited (the "Trustee"), Citibank, N.A., London Branch (the "Paying and Transfer Agent" and the "Registrar," collectively, the "Agents") or any of their affiliates or advisors as to the accuracy or completeness of the

information set forth herein, and nothing contained in this offering memorandum is, or shall be relied upon as, a promise or representation, whether as to the past or the future. Neither the Trustee nor the Agents have independently verified all of such information and they assume no responsibility for its accuracy or completeness.

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

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

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

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

This offering memorandum summarizes certain material documents and other information, and we refer you to them for a more complete understanding of what we discuss in this offering memorandum. In making an investment decision, you must rely on your own examination of us and the terms of the offering, including the merits and risks involved. None of us, the Initial Purchasers, the Trustee, the Agents, or any of our or their respective affiliates or representatives is or are making any representation to you regarding the legality of an investment in the Notes

by you under any legal, investment or similar laws or regulations. You should not consider any information in this offering memorandum to be legal, business or tax advice. You should consult your own attorney, business adviser and tax adviser for legal, business and tax advice regarding an investment in the Notes.

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

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

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

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

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

We record and publish our financial statements in Renminbi. Unless otherwise stated in this offering memorandum, all translations from Renminbi amounts to U.S. dollars were made at the rate of RMB6.6459 to US\$1.00, the noon buying rate in New York City for cable transfers payable in Renminbi as certified for customs purposes by the Federal Reserve Bank of New York on June 30, 2016, and all translations from H.K. dollars into U.S. dollars were made at the rate of HK\$7.7591 to US\$1.00, the noon buying rate in New York City for cable transfers payable in H.K. dollars as certified for customs purposes by the Federal Reserve Bank of New York on June 30, 2016. All such translations in this offering memorandum are provided solely for your convenience and no representation is made that the Renminbi amounts referred to herein have been, could



have been or could be converted into U.S. dollars or H.K. dollars, or vice versa, at any particular rate or at all. For further information relating to the exchange rates, see “Exchange rates.”

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

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

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

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

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

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

References to the “2019 Notes” are to our 7.875% senior notes due 2019 issued on May 27, 2014 in the aggregate principal amount of US\$550 million. See “Description of other material indebtedness—2019 Notes.”

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

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

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

References to the “Asian Games City Project” are to the development of certain parcels of land located in the Panyu District of Guangzhou City that we, together with certain other property developers in the PRC, acquired pursuant to a land grant contract with the PRC government dated December 22, 2009, as amended and supplemented. The development of this project will be implemented through a project company (the “Asian Games City JV”), in which we, Agile Property Holdings Limited (“Agile”), Guangzhou R&F Properties Co., Ltd. (“R&F”), Shimao Property Holdings Limited (“Shimao”) and Citic South (Group) Co. Ltd. (“Citic South”) each holds a 20% equity

interest. Although we hold only a minority interest in the Asian Games City JV, we have taken into account this project when calculating the number of our projects, the site area or GFA data included in this offering memorandum, unless otherwise specified. For additional information about the Asian Games City Project, see “Business—Asian Games City Project.”

References to “Convertible Bonds” are to our RMB-denominated U.S. dollars settled 2.5% convertible bonds due 2013 which were fully redeemed on February 22, 2013. See “Management’s discussion and analysis of financial condition and results of operations—Liquidity and capital resources—Borrowings—Convertible Bonds and senior notes.”

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

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

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

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

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

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

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

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

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

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

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

## Forward-looking statements

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

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

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

## Enforcement of civil liabilities

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

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

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

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

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

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

- (a) was obtained by actual or constructive fraud or duress;
- (b) was rendered by a foreign court that lacked the appropriate jurisdiction at the time according to Hong Kong rules;
- (c) is contrary to Hong Kong rules of public policy or notion of natural justice; or
- (d) is directly or indirectly for the payment of foreign taxes, penalties, fines or charges of a like nature.

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

## Exchange rates

### PRC

The People's Bank of China ("PBOC") sets and publishes daily a central parity exchange rate with reference primarily to the supply and demand of the Renminbi against a basket of currencies in the market during the prior day. PBOC also takes into account other factors, such as the general conditions existing in the international foreign exchange markets. Since 1994, the conversion of

the Renminbi into foreign currencies, including H.K. dollars and U.S. dollars, has been based on rates set by PBOC, which are set daily based on the previous day's interbank foreign exchange market rates and current exchange rates in the world financial markets. From 1994 to July 20, 2005, the official exchange rate for the conversion of the Renminbi to U.S. dollars was generally stable. Although Chinese governmental policies were introduced in 1996 to reduce restrictions on the convertibility of the Renminbi into foreign currency for current account items, conversion of the Renminbi into foreign exchange for capital items, such as foreign direct investment, loans or securities, requires the approval of the State Administration of Foreign Exchange ("SAFE") and other relevant authorities. On July 21, 2005, the PRC government introduced a managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. On the same day, the value of the Renminbi appreciated by 2% against the U.S. dollar. The PRC government has since made and in the future may make further adjustments to the exchange rate system. PBOC announces the closing price of a foreign currency traded against the Renminbi in the inter-bank foreign exchange market after the closing of the market on each working day and makes it the central parity for the trading against the Renminbi on the following working day. On May 18, 2007, PBOC enlarged the floating band for the trading prices in the inter-bank foreign exchange market of the Renminbi against the U.S. dollar from 0.3% to 0.5% around the central parity rate, effective on May 21, 2007. This allows the Renminbi to fluctuate against the U.S. dollar by up to 0.5% above or below the central parity rate published by PBOC. The floating band was further widened to 1.0% on April 16, 2012 and 2.0% on March 17, 2014. PBOC authorized the China Foreign Exchange Trading Centre, effective since January 4, 2006, to announce the central parity exchange rate of certain foreign currencies against the Renminbi on each business day. This rate is set as the central parity for the trading against the Renminbi in the inter-bank foreign exchange spot market and the over-the-counter exchange rate for the following business day. The International Monetary Fund announced on September 30, 2016 that, effective October 1, 2016, the Renminbi will be added to its Special Drawing Rights currency basket. The PRC government has since made and in the future may make further adjustments to the exchange rate system.

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

Period	Noon Buying Rate			
	Low	Average <sup>(1)</sup>	High	Period End
		(RMB per US\$1.00)		
2011 .....	6.2939	6.4475	6.6364	6.2939
2012 .....	6.2221	6.2990	6.3879	6.2301
2013 .....	6.0537	6.1412	6.2438	6.0537
2014 .....	6.0402	6.1704	6.2591	6.2046
2015 .....	6.1870	6.2869	6.4896	6.4778
2016				
April .....	6.4571	6.4754	6.5004	6.4738
May .....	6.4738	6.5259	6.5798	6.5798
June .....	6.5590	6.5892	6.6481	6.6459
July .....	6.6371	6.6771	6.7013	6.6371
August .....	6.6239	6.6466	6.6778	6.6776
September .....	6.6600	6.6702	6.6790	6.6685
October .....	6.6685	6.7303	6.7819	6.7735
November (through November 4) .....	6.7534	6.7596	6.7630	6.7534

Note :

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

## Hong Kong

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

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

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

Period	Noon Buying Rate			
	Low	Average <sup>(1)</sup>	High	Period End
		(HK\$ per US\$1.00)		
2011 .....	7.7634	7.7793	7.8087	7.7663
2012 .....	7.7493	7.7556	7.7699	7.7507
2013 .....	7.7503	7.7565	7.7654	7.7539
2014 .....	7.7495	7.7554	7.7669	7.7531
2015 .....	7.7495	7.7519	7.7686	7.7507
2016				
April .....	7.7537	7.7556	7.7570	7.7570
May .....	7.7582	7.7635	7.7689	7.7689
June .....	7.7568	7.7620	7.7709	7.7591
July .....	7.7540	7.7568	7.7588	7.7588
August .....	7.7528	7.7560	7.7609	7.7568
September .....	7.7534	7.7564	7.7585	7.7555
October .....	7.7536	7.7570	7.7600	7.7549
November (through November 4) .....	7.7546	7.7551	7.7559	7.7559

Note :

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

## Presentation of financial information

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



## Glossary of technical terms

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

## Summary

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

### Overview

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

As of June 30, 2016, we had 536 projects at various stages of development. Of these projects, 190 were located in Guangdong Province: 31 in Guangzhou City, 31 in Dongguan City, 26 in Foshan City, 18 in Jiangmen City, 18 in Huizhou City, 12 in Zhaoqing City, 12 in Meizhou City and the remaining in various other cities. We also had 346 projects located outside Guangdong Province, spanning 21 provinces, two autonomous regions, three municipalities in the PRC as well as two projects in the State of Selangor, Malaysia, two projects in the State of Johor, Malaysia and one project in Sydney, Australia.

As of June 30, 2016, our projects had an aggregate completed GFA of approximately 90,456,910 sq.m. We had an aggregate GFA under development of approximately 50,940,205 sq.m. and an aggregate GFA of approximately 64,045,683 sq.m. relating to properties held for future development as of the same date. We have obtained land use rights certificates, development and operation rights or land title in respect of the completed GFA, GFA under development and GFA held for future development. In addition, as of June 30, 2016, we had entered into land grant contracts or sale and purchase agreements in respect of land located in 104 cities in the PRC with an aggregate site area of approximately 12,257,125 sq.m. and an aggregate expected GFA of approximately 23,460,338 sq.m. for future development.

We also develop hotels to complement our residential properties. Most of these hotels are located in our large-scale residential community projects, which we believe have added value to such residential projects and enhanced our brand recognition. As of June 30, 2016, we had developed and were operating eight five-star hotels and two four-star hotels, as well as 37 hotels which were developed in accordance with the five-star rating standard set forth in the "Star-Rating Standard for Tourist Hotels" (旅遊飯店星級的劃分與評定) issued by the PRC National Tourism

Administration and four hotels which were developed in accordance with the four-star standard of the "Star-Rating Standard for Tourist Hotels." In addition, we had seven hotels under construction in accordance with the five-star rating standard and one hotel under construction in accordance with the four-star rating standard set forth in the "Star-Rating Standard for Tourist Hotels."

For the years ended December 31, 2013, 2014 and 2015 and six months ended June 30, 2016, our total revenue was RMB62,724.7 million, RMB84,548.8 million, RMB113,222.6 million (US\$17,036.5 million) and RMB57,362.5 million (US\$8,631.3 million), respectively, and our EBITDA was RMB14,089.8 million, RMB17,174.9 million, RMB15,860.6 million (US\$2,386.5 million) and RMB9,252.2 million (US\$1,392.2 million), respectively.

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

## **Competitive strengths**

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

As of June 30, 2016, we had an aggregate GFA under development and for future development in China of approximately 112,205,263 sq.m. for which we have obtained all the relevant land use rights certificates or development and operation rights or land title, spanning 22 provinces, two autonomous regions and three provincial level municipalities. In addition, as of June 30, 2016, we had entered into land grant contracts in respect of land in China with an aggregate site area of approximately 12,257,125 sq.m. for which we have applied for or were in the process of applying for land use rights certificates in 104 cities in China, with an aggregate expected GFA of approximately 23,460,338 sq.m. for future development. We expect that these new acquisitions will further increase the value and size of our land bank when we obtain the land use rights certificates.

We adopt a disciplined approach to land acquisition and development. We undertake market research and analysis as well as budget and financing planning prior to a land acquisition, which we believe enables us to exercise effective cost control. In addition, we continue to seek opportunities to acquire and develop land in close proximity to our existing mature projects. We believe such in-fill developments will lower potential execution risks given our experience with the local markets, service providers and target customers. For the three years ended December 31, 2013, 2014 and 2015 and the six months ended June 30, 2016, we estimate that our average unit land cost based on GFA was approximately 10% to 20% of our average unit selling price. We believe our low-cost land bank not only supports our future profitability but also gives us greater flexibility to diversify our product portfolio, to cater to a broader customer base, and to respond more effectively to changing market conditions.

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

We focus on developing large-scale residential communities in the suburban areas of first-tier cities as well as the newly urbanized town centers of second- and third-tier cities in the PRC where we believe have high-growth potential. We proactively seek to enhance the value of our

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

Over the last decade, we have successfully replicated our business model in 20 cities in Guangdong Province, with a total of 190 projects having an aggregate expected GFA of 88,063,419 sq.m. as of June 30, 2016. Since 2006, we have also implemented our business model outside Guangdong Province, with a total of 341 projects having an aggregate expected GFA of 114,598,754 sq.m. outside Guangdong Province in the PRC, and with four projects in Malaysia and one project in Australia having a total expected GFA of 2,780,625 sq.m. as of June 30, 2016. We believe the success of Country Garden—Galaxy Palace, Country Garden—Phoenix City (Jurong), Country Garden—Ten Miles Golden Beach and Country Garden—Golden Beach, in particular, demonstrates our ability to replicate our business model and capitalize on our strong brand name in other provinces in China.

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

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

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

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

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

We actively manage our liquidity position by taking into account our development plans, capital needs and available cash and financing options. As of December 31, 2013, 2014 and 2015 and June 30, 2016, our cash and cash equivalents amounted to RMB18.9 billion, RMB18.8 billion, RMB36.2 billion (US\$5.5 billion) and RMB30.8 billion (US\$4.6 billion), respectively. We believe our quick asset turnover model has enabled our projects to generate positive cash flow in a relatively short period after commencement of development to support further developments.

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

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

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

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

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

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

Our senior management team has extensive industry knowledge, management skills and operating experience. Most of our management have been with us since our inception. In particular, Yeung Kwok Keung, Su Rubo and Ou Xueming, our co-founders, have remained as a cohesive team and have focused on our property development business since 1997. We believe management’s interest is aligned with our interest given their substantial shareholdings in our Company. As of the date of this offering memorandum, our senior management (principally composed of our directors) in aggregate held an approximate 63.43% interest in our Company (excluding underlying shares).

## **Business strategies**

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

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

Since 2006, we have gradually expanded our operations outside Guangdong Province into 21 other provinces, two autonomous regions and three provincial level municipalities in China, as well as into Malaysia and Australia. We believe our geographical diversification efforts have provided us with a well balanced mix of property developments within and outside Guangdong Province in the PRC. Guangdong Province, which is one of the most affluent provinces and fastest growing economies in China, will remain our principal market. Guangdong Province recorded a GDP per capita of approximately RMB67,503.0 in 2015, which is significantly higher than the national average in 2015. We intend to continue to leverage our local knowledge and market reputation in Guangdong Province to further grow our business there. At the same time, we will continue to develop our existing projects in markets outside Guangdong Province, which have seen increased average selling prices over the years. Where suitable opportunities arise, we will also acquire more land and enter into new markets with high growth potential, within or outside the PRC. For example, we have expanded into and have four projects in Malaysia and one project in Australia as of June 30, 2016.

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

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

We intend to continue to focus on our strategy of providing our customers with high-value properties at competitive prices. We will continue to leverage on our expertise and industry experience to develop large-scale integrated residential communities featuring value-added facilities and services that cater to a broad end user driven customer base. Our facilities include clubhouses, hotels, supermarkets, schools, clinics, sports and recreational facilities as well as food and beverage outlets, and our services include childcare, domestic assistance, property management, security and shuttle bus services for residents both within the projects as well as from projects to city centers. We endeavor to develop and refine our product design to

accommodate changing market conditions and consumer preference. We will also encourage creativity and innovation in our product design through collaboration between our in-house experts and third-party professionals.

#### **Maintain prudent financial management policies**

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

#### **Further strengthen our leading position and brand name recognition nationwide**

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

#### **Enhance effective internal management and controls**

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

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

### **Recent Developments**

#### **September 2023 Notes**

We issued 4.75% senior notes due 2023 with an aggregate principal amount of US\$650,000,000 on September 28, 2016. See “Description of other material indebtedness—September 2023 Notes.”

### **Company Domestic Corporate Bonds**

We issued a series of domestic corporate bonds in 2015 and 2016 (the “Company Domestic Corporate Bonds”). See “Description of other material indebtedness—Company Domestic Corporate Bonds.” In August 2016, we issued the third tranche of the Company Domestic Corporate Bonds issued in 2016 in the principal amount of RMB1,000,000,000 with a coupon rate of 4.60% per annum and a term of five years. At the end of the third year, we can adjust the coupon rate and investors can exercise a retractable option. In September 2016, we issued the fourth tranche of the Company Domestic Corporate Bonds issued in 2016 in the principal amount of RMB10,000,000,000, of which (i) RMB4,170,000,000 in principal amount has a coupon rate of 4.15% per annum and a term of four years, and at the end of the second year, we can adjust the coupon rate and investors can exercise a retractable option and (ii) RMB5,830,000,000 in principal amount has a coupon rate of 5.65% per annum and a term of seven years, and at the end of the fifth year, we can adjust the coupon rate and investors can exercise a retractable option. The proceeds from the issuance of the Company Domestic Corporate Bonds will be used for refinancing certain of our existing indebtedness and for general working capital purposes.

### **Guangdong Giant Leap Domestic Corporate Bonds**

Guangdong Giant Leap Construction Co., Ltd. (廣東騰越建築工程有限公司) (“Giant Leap Construction Co.”), our wholly-owned subsidiary in the PRC, issued domestic corporate bonds in the principal amount of RMB3,000,000,000 (the “Guangdong Giant Leap Domestic Corporate Bonds”). Series 1 of the Guangdong Giant Leap Domestic Corporate Bonds was issued on October 21, 2016 in the principal amount of RMB1,000,000,000 with a coupon rate of 3.20% per annum, with a tenure of four years. At the end of the second year, the issuer can adjust the coupon rate and investors can exercise a retractable option. Series 2 of the Guangdong Giant Leap Domestic Corporate Bonds was issued on the same date in the principal amount of RMB2,000,000,000 with a coupon rate of 3.90% per annum, with a tenure of seven years. At the end of the fifth year, the issuer can adjust the coupon rate and investors can exercise a retractable option. The proceeds from such Series 1 and 2 issuance will be used for general working capital purposes.

### **Contracted Sales**

For the nine months ended September 30, 2016, our Group, together with our joint ventures and associates, achieved contracted sales of approximately RMB225.6 billion (US\$33.9 billion) with contracted sales GFA of approximately 27.8 million sq.m. (among which, the contracted sales and contracted sales GFA attributable to our Group amounted to RMB174.3 billion (US\$26.2 billion) and 22.4 million sq.m., respectively).<sup>(1)</sup>

Note:

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



## **Proposed Spin-Off and Listing of our Property Management Business on The Shanghai Stock Exchange (“SSE”)**

On August 31, 2016, our subsidiary, Guangdong Country Garden Property Services Co., Ltd. (廣東碧桂園物業服務股份有限公司) (“CG Property Services”), a company established under the laws of the PRC, submitted an application to China Securities Regulatory Commission (“CSRC”) for the initial public offering and listing of its ordinary shares denominated in RMB on the SSE. CG Property Services received a notice of acceptance of such application on September 7, 2016. It is expected that CG Property Services will effect an offering of up to 40,100,000 shares for subscription on the SSE, representing approximately 10% of its enlarged issued share capital. After the proposed spin-off, it is expected that CG Property Services will remain our subsidiary.

CG Property Services is our subsidiary responsible for all of our property management business, including residential properties, commercial properties, tourism properties and combined purposes properties. Its property management services cover the full spectrum of property management and related services.

While our board of directors believe that a separate listing of CG Property Services will provide diversified funding sources for it to finance existing operations and future expansions, the proposed spin-off is subject to, among other things, certain market conditions and approval of CSRC and the SSE. As such, the proposed spin-off may not materialize.

### **Proposed Facility**

We are currently in discussion with certain lenders for the grant of a term loan facility in an aggregate amount of approximately US\$1.0 billion to US\$1.5 billion (in United States dollars and/or other currencies). The term loan facility may or may not be granted and drawn prior to the issuance of the Notes.

### **General information**

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

## The Offering

Terms used in this summary and not otherwise defined shall have the meanings given to them in "Description of the Notes."

<b>Issuer</b> .....	Country Garden Holdings Company Limited (the "Company").
<b>Notes Offered</b> .....	US\$350,000,000 aggregate principal amount of 5.625% Senior Notes due 2026 (the "Notes").
<b>Offering Price</b> .....	100.00% of the principal amount of the Notes and accrued interest, if any.
<b>Maturity Date</b> .....	The Notes will mature on December 15, 2026.
<b>Interest</b> .....	The Notes will bear interest from and including December 15, 2016 at the rate of 5.625% per annum, payable semi-annually in arrears.
<b>Interest Payment</b>	
<b>Dates</b> .....	June 15 and December 15 of each year, commencing June 15, 2017.
<b>Ranking of the Notes</b> . . .	The Notes are:

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

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

- be entitled to a first priority lien on the Collateral (subject to any Permitted Liens and the Intercreditor Agreement); and

● rank effectively senior in right of payment to unsecured obligations of the Company with respect to the value of the Collateral pledged by the Company securing the Notes (subject to any priority rights of such unsecured obligations pursuant to applicable law).

**Subsidiary**

**Guarantees** .....

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

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

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

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

Any future Restricted Subsidiary, as defined under “Description of the Notes—Definitions” (other than subsidiaries organized under the laws of the PRC), will provide a guarantee of the Notes promptly after it

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

**Ranking of Subsidiary**

**Guarantees** ..... The Subsidiary Guarantee of each Subsidiary Guarantor:

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

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

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

**Collateral** . . . . . The Company has pledged, or caused the initial Subsidiary Guarantor Pledgors to pledge, as the case may be, the Capital Stock of all of the initial Subsidiary Guarantors (the "Collateral") on a first priority basis to The Bank of New York Mellon as collateral agent (for the benefit of the trustee for the benefit of the holders of the 2023 Notes (the "2023 Trustee"), the trustee for the benefit of the holders of the 2021 Notes (the "2021 Trustee"), the trustee for the benefit of the holders of the 2019 Notes (the "2019 Trustee"), the trustee for the holder of the Private Notes (the "Private Notes Trustee"), the trustee for the benefit of the holders of the 2020 Notes (the "2020 Trustee"), the trustee for the benefit of the holders of the September 2023 Notes (the "September 2023 Trustee"), the facility agent for the benefit of the lenders of the 2014 Club Loan (the "2014 Facility Agent"), the facility agent for the benefit of the lenders of the 2015 Club Loan (the "2015 Facility Agent"), Goldman Sachs International as beneficiary under the Guarantee and as Party A under the related hedging documents ("Goldman Sachs International") and each holder of *pari passu* secured indebtedness permitted under the 2023 Indenture, the 2021 Indenture, the 2019 Indenture, the Private Notes Indenture, the 2020 Indenture, the 2014 Credit Agreement, the 2015 Facility Agreement and the Hedging Documents) in order to secure the obligations of the Company and the Subsidiary Guarantor Pledgors under the 2023 Indenture, the 2021 Indenture, the 2019 Indenture, the Private Notes Indenture, the 2020 Indenture, the 2014 Credit Agreement, the 2015 Facility Agreement and the Hedging Documents.

On the Original Issue Date, the Collateral will secure on a *pari passu* basis the obligations of the Company under (i) the 2023 Notes and the subsidiary guarantees provided by the Subsidiary Guarantor Pledgors under the 2023 Indenture, (ii) the 2021 Notes and the subsidiary guarantees provided by the Subsidiary Guarantor Pledgors under the 2021 Indenture, (iii) the 2019 Notes and the subsidiary guarantees provided by the Subsidiary Guarantor Pledgors under the 2019 Indenture, (iv) the Private Notes and the subsidiary guarantees provided by the Subsidiary Guarantor Pledgors under the Private Notes Indenture, (v) the 2020 Notes and the subsidiary guarantees provided by the Subsidiary Guarantor Pledgors under the 2020 Indenture, (vi) the September 2023 Notes and the subsidiary guarantees provided by the Subsidiary Guarantor Pledgors under the September 2023 Indenture, (vii) the 2014 Club Loan and the subsidiary guarantees provided by the Subsidiary Guarantor Pledgors under the 2014 Credit Agreement, (viii) the 2015 Club Loan and the subsidiary guarantees provided by the Subsidiary Guarantor Pledgors under the 2015 Facility Agreement and (ix) the Notes and the Subsidiary Guarantees provided by the Subsidiary Guarantor Pledgors under the Indenture. The Collateral securing the Notes and the Subsidiary Guarantees may be released or reduced in the event of certain

asset sales and certain other circumstances. In addition, the Company and each Subsidiary Guarantor Pledgor may incur additional Permitted Pari Passu Secured Indebtedness which would be secured by the Collateral on a *pari passu* basis with the Notes and the Subsidiary Guarantees, subject to the Intercreditor Agreement. See “Description of the Notes—Security—Intercreditor Agreement” and “Description of the Notes—Security.”

**Intercreditor**

**Agreement** . . . . . The Company, the 2023 Trustee on behalf of the holders of the 2023 Notes, the 2021 Trustee on behalf of the holders of the 2021 Notes, the 2019 Trustee on behalf of the holders of the 2019 Notes, the Private Notes Trustee on behalf of the holders of the Private Notes, the 2020 Trustee on behalf of the holders of the 2020 Notes, the September 2023 Trustee on behalf of the holders of the September 2023 Notes, the 2014 Facility Agent on behalf of the lenders of the 2014 Club Loan, the 2015 Facility Agent on behalf of the lenders of the 2015 Club Loan, Goldman Sachs International and The Bank of New York Mellon solely in its capacity as collateral agent and intercreditor agent (in each case referred to herein as the “Intercreditor/Collateral Agent”) are each parties to an intercreditor agreement dated September 10, 2009 (as supplemented on each of September 23, 2009, April 22, 2010, August 11, 2010, February 23, 2011, January 10, 2013, October 4, 2013, May 27, 2014, June 5, 2014, December 17, 2014, December 18, 2014, March 9, 2015, July 31, 2015, June 30, 2016 and September 28, 2016) (the “Existing Intercreditor Agreement”). On or prior to the Original Issue Date, the Trustee on behalf of the holders of the Notes will have entered into a supplement to the Intercreditor Agreement with the parties to the Existing Intercreditor Agreement to supplement and amend the Existing Intercreditor Agreement (the Existing Intercreditor Agreement as supplemented and amended from time to time pursuant to the terms thereof, the “Intercreditor Agreement”).

The Intercreditor Agreement will provide that enforcement actions in respect of the Collateral may be taken by the Intercreditor/Collateral Agent following an event of default under the 2023 Notes, the 2021 Notes, the 2019 Notes, the Private Notes, the 2020 Notes, the September 2023 Notes, the 2014 Club Loan, the 2015 Club Loan, the Hedging Obligations or the Notes.

**Use of Proceeds** . . . . . We intend to use the net proceeds from this offering solely for refinancing certain of our existing indebtedness and for general working capital purposes.

**Optional Redemption** . . . . . At any time, the Company may at its option redeem the Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the Notes plus the Applicable Premium as of, and

accrued and unpaid interest, if any, to (but not including) the redemption date.

At any time, the Company may redeem up to 35% of the aggregate principal amount of the Notes with the Net Cash Proceeds of one or more sales of Common Stock of the Company in an Equity Offering at a redemption price of 105.625% of the principal amount of the Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date; provided that at least 65% of the aggregate principal amount of the Notes originally issued on the Original Issue Date remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related Equity Offering.

**Repurchase of Notes at the Option of the**

**Holder** ..... Holders of the Notes may, at their option, require the Company to repurchase for cash all of their Notes, or any portion thereof that is in minimum denominations of US\$200,000 and integral multiples of US\$1,000 in excess thereof, on December 15, 2021, at the repurchase price equal to 100% of the principal amount of such Notes to be repurchased, plus accrued and unpaid interest, if any, to (but not including) December 15, 2021. See “Description of the Notes—Repurchase of Notes at the Option of the Holders.”

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

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

**Redemption for Taxation Reasons** .....

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

**Covenants** .....

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

- incur or guarantee additional indebtedness and issue disqualified or preferred stock;

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

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

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

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

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

**Delivery of the Notes** . . . The Company expects to make delivery of the Notes, against payment in same-day funds on or about December 15, 2016 which the Company expects will be the sixth business day following the date of this offering memorandum referred to as "T+6." You should note that initial trading of the Notes may be affected by the T+6 settlement. See "Plan of distribution."

**Trustee** . . . . . Citicorp International Limited.



**Paying and Transfer**

**Agent** ..... Citibank, N.A., London Branch.

**Registrar** ..... Citibank, N.A., London Branch.

**Intercreditor Agent and**

**Collateral Agent** ..... The Bank of New York Mellon.

**Listings** ..... The Notes will not be designated for trading in the Financial Industry Regulatory Authority Inc.'s PORTAL market. Approval in-principle has been received for the listing and quotation of the Notes on the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained herein. Approval in-principle for the listing and quotation of the Notes on the SGX-ST is not to be taken as an indication of the merits of the Issuer, the Subsidiary Guarantors, their associated companies or the Notes.

The Notes will be traded on the SGX-ST in a minimum board lot size of US\$200,000 for so long as the Notes are listed on the SGX-ST.

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

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

**Security Codes** .....

ISIN	Common Code
XS1512953040	151295304

## **Summary consolidated financial and other data**

The following tables present our summary financial and other data. The summary financial data as of and for each of the fiscal years ended December 31, 2013, 2014 and 2015 (except for EBITDA data) is derived from our audited consolidated financial statements as of and for the years ended December 31, 2014 and 2015 and included elsewhere in this offering memorandum. The summary financial data as of and for each of the six months ended June 30, 2015 and 2016 (except for EBITDA data) is derived from our unaudited but reviewed interim condensed consolidated financial information as of and for the six months ended June 30, 2016 and included elsewhere in this offering memorandum. Results for interim period are not indicative of the results for the full year. Our financial information has been prepared and presented in accordance with HKFRS, which differ in certain material respects from generally accepted accounting principles in other jurisdictions. The summary financial data below should be read in conjunction with "Management's discussion and analysis of financial condition and results of operations" and the consolidated financial information and the related notes included elsewhere in this offering memorandum.

## Summary consolidated statement of comprehensive income information

(in millions, except percentages)	For the year ended December 31,				For the six months ended June 30,		
	2013	2014	2015	2015	2015	2016	2016
	(RMB)	(RMB)	(RMB)	(US\$)	(RMB)	(RMB)	(US\$)
Revenue <sup>(1)</sup> .....	62,724.7	84,548.8	113,222.6	17,036.5	47,327.6	57,362.5	8,631.3
Cost of sales .....	(43,713.3)	(62,493.7)	(90,359.3)	(13,596.3)	(36,353.0)	(45,336.5)	(6,821.8)
<b>Gross profit</b> .....	<b>19,011.4</b>	<b>22,055.1</b>	<b>22,863.3</b>	<b>3,440.2</b>	<b>10,974.6</b>	<b>12,026.0</b>	<b>1,809.5</b>
Other income and gains—net <sup>(1)</sup> .....	21.5	186.0	424.0	63.8	103.1	263.9	39.7
Gains arising from changes in fair value of and transfer to investment properties .....	-	1,880.0	809.8	121.8	467.0	360.6	54.3
Selling and marketing costs .....	(4,303.8)	(4,356.2)	(4,688.7)	(705.5)	(1,641.2)	(1,981.8)	(298.2)
Administrative expenses .....	(2,033.3)	(3,159.9)	(3,230.0)	(486.0)	(1,307.3)	(1,844.8)	(277.6)
<b>Operating profit</b> .....	<b>12,695.9</b>	<b>16,605.0</b>	<b>16,178.4</b>	<b>2,434.3</b>	<b>8,596.2</b>	<b>8,823.9</b>	<b>1,327.7</b>
Finance income .....	803.2	254.7	221.1	33.3	74.5	269.9	40.6
Finance costs .....	-	(450.3)	(1,510.6)	(227.3)	(386.8)	(263.5)	(39.6)
Finance income/(costs)—net .....	803.2	(195.6)	(1,289.5)	(194.0)	(312.3)	6.4	1.0
Share of results of associates and joint ventures .....	(25.9)	(40.3)	(55.8)	(8.4)	(16.7)	378.9	57.0
<b>Profit before income tax</b> .....	<b>13,473.2</b>	<b>16,369.1</b>	<b>14,833.1</b>	<b>2,231.9</b>	<b>8,267.2</b>	<b>9,209.2</b>	<b>1,385.7</b>
Income tax expenses .....	(4,625.2)	(5,757.2)	(5,121.4)	(770.6)	(2,894.7)	(3,004.3)	(452.1)
<b>Profit for the year/period</b> .....	<b>8,848.0</b>	<b>10,611.9</b>	<b>9,711.7</b>	<b>1,461.3</b>	<b>5,372.5</b>	<b>6,204.9</b>	<b>933.6</b>
<b>Other comprehensive income:</b>							
Items that will not be reclassified subsequently to profit or loss:							
—Revaluation gains on properties upon transfer from property, plant and equipment and land use rights to investment properties, net of tax <sup>(1)</sup> .....	-	1,464.2	-	-	-	-	-
—Change in fair value of financial assets at fair value through other comprehensive income, net of tax .....	-	-	-	-	-	4.0	0.6
Items that may be reclassified subsequently to profit or loss:							
—Change in value of available-for-sale financial assets, net of tax .....	6.3	2.3	4.7	0.7	(3.3)	-	-
—Deferred gains on cash flow hedges, net of tax .....	-	-	-	-	-	25.5	3.8
—Deferred costs of hedging, net of tax .....	-	-	-	-	-	(300.3)	(45.1)
—Currency translation differences .....	(78.9)	6.5	(899.0)	(135.3)	(5.7)	589.0	88.6
<b>Other comprehensive (loss)/income for the year/period, net of tax</b> .....	<b>(72.6)</b>	<b>1,473.0</b>	<b>(894.3)</b>	<b>(134.6)</b>	<b>(9.0)</b>	<b>318.1</b>	<b>47.9</b>
<b>Total comprehensive income for the year/period, net of tax</b> .....	<b>8,775.4</b>	<b>12,084.9</b>	<b>8,817.4</b>	<b>1,326.7</b>	<b>5,363.5</b>	<b>6,523.0</b>	<b>981.5</b>
<b>Profit attributable to:</b>							
—Owners of the Company .....	8,514.1	10,229.2	9,276.5	1,395.8	4,929.8	5,389.6	811.0
—Non-controlling interests .....	333.9	382.7	435.2	65.5	442.7	815.3	122.6
	<b>8,848.0</b>	<b>10,611.9</b>	<b>9,711.7</b>	<b>1,461.3</b>	<b>5,372.5</b>	<b>6,204.9</b>	<b>933.6</b>
<b>Total comprehensive income attributable to:</b>							
Owners of the Company .....	8,476.6	11,700.2	8,453.4	1,272.0	4,923.1	5,755.8	866.1
Non-controlling interests .....	298.8	384.7	364.0	54.7	440.4	767.2	115.4
	<b>8,775.4</b>	<b>12,084.9</b>	<b>8,817.4</b>	<b>1,326.7</b>	<b>5,363.5</b>	<b>6,523.0</b>	<b>981.5</b>
Dividends .....	3,105.8	3,001.9	2,912.2	438.2	1,463.7	1,538.0	231.4
<b>Other Financial Data (unaudited)</b>							
EBITDA <sup>(2)</sup> .....	14,089.8	17,174.9	15,860.6	2,386.5	9,010.0	9,252.2	1,392.2
EBITDA Margin <sup>(3)</sup> .....	22.5%	20.3%	14.0%	14.0%	19.0%	16.1%	16.1%

Notes:

(1) In 2014, our management approved a business plan and reclassified certain properties from properties under development, properties held for sale or self-use to investment properties. To reflect this reclassification, we have designated a separate business segment for property investment since 2014. In addition, rental income included in other income and gains for 2013 was reclassified to revenue to conform to the new presentation format in 2014.

In 2014, we changed our accounting policy on investment properties. Prior to June 30, 2014, our investment properties were stated at historical cost less accumulated depreciation and impairment loss. Subsequent to the change in accounting policy, investment properties are carried at fair value. If an item of property, plant and equipment or land use rights becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognized in equity as a revaluation gain or loss.

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

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

## Summary consolidated statement of financial position information

(in millions)	As of December 31,				As of June 30,	
	2013	2014	2015	2015	2016	2016
	(RMB)	(RMB)	(RMB)	(US\$)	(RMB)	(US\$)
				(unaudited)	(unaudited)	(unaudited)
<b>Non-current assets</b>						
Property, plant and equipment <sup>(1)</sup>	15,828.3	18,642.5	20,019.8	3,012.4	20,510.5	3,086.2
Investment properties <sup>(1)</sup>	112.3	7,035.6	8,686.3	1,307.0	9,638.8	1,450.3
Intangible assets	43.5	29.2	121.5	18.3	113.1	17.0
Land use rights	1,865.1	2,034.5	2,052.2	308.8	2,028.8	305.3
Properties under development	40,080.1	44,638.7	52,727.1	7,933.8	46,252.8	6,959.6
Investment in an associate	56.8	34.5	884.5	133.1	1,952.8	293.8
Investment in a joint venture	33.3	21.4	803.9	121.0	5,039.7	758.3
Financial assets at fair value through other comprehensive income	-	-	-	-	485.8	73.1
Deferred income tax assets	1,800.0	2,770.1	3,786.9	569.8	4,353.0	655.0
Available-for-sale financial assets	206.3	208.7	215.0	32.4	-	-
Derivative financial instruments	-	-	-	-	78.2	11.8
Trade and other receivables	-	-	643.0	96.8	15.5	2.3
	60,025.7	75,415.2	89,940.2	13,533.2	90,469.1	13,612.8
<b>Current assets</b>						
Properties under development <sup>(1)</sup>	67,473.8	105,994.0	135,107.0	20,329.4	167,077.3	25,139.9
Completed properties held for sale <sup>(1)</sup>	18,919.8	23,203.2	34,114.1	5,133.1	34,353.4	5,169.1
Inventories	572.9	2,095.1	1,978.4	297.7	2,399.1	361.0
Trade and other receivables	26,378.4	25,370.9	42,242.1	6,356.1	64,728.9	9,739.7
Prepaid taxes	6,189.2	8,739.7	9,490.4	1,428.0	14,534.2	2,186.9
Restricted cash	7,769.9	8,453.5	11,637.1	1,751.0	18,592.3	2,797.6
Cash and cash equivalents	18,909.7	18,760.6	36,240.8	5,453.1	30,800.2	4,634.5
Financial assets at fair value through profit or loss	-	-	1,188.1	178.8	1,210.1	182.1
Derivative financial instruments	-	-	18.0	2.7	43.9	6.6
	146,213.7	192,617.0	272,016.1	40,929.9	333,739.6	50,217.4
<b>Current liabilities</b>						
Advanced proceeds received from customers	63,418.0	91,792.5	96,516.1	14,522.6	126,169.0	18,984.5
Trade and other payables	30,914.6	40,925.0	73,385.2	11,042.2	86,510.2	13,017.1
Receipts under securitization arrangements	-	-	-	-	6,211.0	934.6
Dividend payable	-	-	-	-	1,454.5	218.9
Income taxes payable	8,137.5	8,976.1	8,905.4	1,340.0	8,663.6	1,303.6
Senior notes	2,348.0	2,538.8	-	-	-	-
Bank and other borrowings	10,086.2	12,390.7	22,778.0	3,427.4	17,757.5	2,672.0
Derivative financial instruments	-	-	10.2	1.5	72.1	10.9
	114,904.3	156,623.0	201,594.9	30,333.7	246,837.9	37,141.4
<b>Net current assets</b>	31,309.4	35,994.0	70,421.2	10,596.2	86,901.6	13,076.0
<b>Total assets less current liabilities</b>	91,335.1	111,409.2	160,361.4	24,129.4	177,370.7	26,688.7
<b>Non-current liabilities</b>						
Senior notes	20,711.5	19,735.0	20,878.2	3,141.5	21,348.4	3,212.3
Debenture	-	-	15,258.5	2,295.9	23,717.5	3,568.7
Bank and other borrowings	23,103.0	26,404.3	30,829.1	4,638.8	34,077.5	5,127.6
Deferred government grants	239.6	239.5	239.5	36.0	238.3	35.9
Deferred income tax liabilities	1,269.9	2,588.0	3,815.7	574.1	5,482.0	824.9
Derivative financial instruments	-	-	-	-	31.9	4.8
	45,324.0	48,966.8	71,021.0	10,686.4	84,895.7	12,774.1
<b>Equity attributable to owners of the Company</b>						
Share capital and premium	20,169.0	24,262.0	29,212.6	4,395.6	28,403.1	4,273.8
Other reserves	2,194.1	4,243.4	3,942.1	593.2	4,453.9	670.2
Retained earnings	21,590.5	28,180.7	32,136.0	4,835.5	35,743.1	5,378.2
	43,953.6	56,686.2	65,290.7	9,824.2	68,600.1	10,322.2
<b>Non-controlling interests</b>	2,057.5	5,756.2	24,049.7	3,618.7	23,874.9	3,592.4
<b>Total equity</b>	46,011.1	62,442.4	89,340.4	13,442.9	92,475.0	13,914.6
<b>Total equity and non-current liabilities</b>	91,335.1	111,409.2	160,361.4	24,129.4	177,370.7	26,688.7

### Note:

(1) In 2014, our management approved a business plan and reclassified certain properties from properties under development, properties held for sale or self-use to investment properties. To reflect this reclassification, we have designated a separate business segment for property investment since 2014. In addition, rental income included in other income and gains for 2013 was reclassified to revenue to conform to the new presentation format in 2014.

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## Risk factors

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

### Risks relating to our business

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

Our business and prospects depend on the performance of the PRC property market. Any housing market downturn in China generally or in the regions where we have property developments could adversely affect our business, financial condition and results of operations. Our property developments currently are largely located in Guangdong Province. We established our business by developing private residential properties in Shunde District in 1997 and began expanding our project development activities to other locations in Guangdong Province in 1998. As of June 30, 2016, we had developed or were developing 190 projects in Guangdong Province and 341 projects outside Guangdong Province in the PRC. The projects in Guangdong Province and outside Guangdong Province in the PRC have an aggregate GFA (including completed properties, properties under development and properties for future development) of approximately 88,063,419 sq.m. and 114,598,754 sq.m., respectively. As of June 30, 2016, we also had two projects in the State of Selangor, Malaysia, two projects in the State of Johor, Malaysia and one project in Sydney, Australia, with an aggregate GFA of approximately 2,780,625 sq.m. Although we are pursuing further business opportunities in other locations, we intend to maintain and increase our market share in Guangdong Province.

As consumer spending changes due to changing economic conditions, we cannot assure you that property development and investment activities will continue to grow or that we will be able to benefit from future growth in the property market in Guangdong Province or the PRC. In addition, we cannot assure you that there will not be any over-supply of properties in the cities or regions where we have property projects. Any such over-supply or adverse developments in national and local economic conditions as measured by such factors as GDP growth (which has slowed down in recent years, with real GDP growth in the PRC slowing to 6.9% in 2015 from 10.6% in 2010), employment levels, job growth, consumer confidence, interest rates and population growth in the PRC, particularly in the regions where our projects are located, may reduce demand and depress prices for our products and services and have a material adverse effect on our business, financial condition and results of operations. In addition, recent industry reports on China's property market have projected decreasing sales volume and sales price in the near term, and such reports estimate that those decreases will negatively impact property

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

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

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

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

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

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

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

sales to fund land acquisitions or property developments. In addition, we cannot assure you that we will be able to secure external financing on terms acceptable to us or at all.

As of June 30, 2016, we had RMB103,112.0 million (US\$15,515.1 million) of outstanding borrowings (including bank and other borrowings, receipts under securitization arrangements, the 2023 Notes, the 2021 Notes, the 2019 Notes, the Private Notes, the 2020 Notes and corporate bonds), of which RMB23,968.5 million (US\$3,606.5 million) were short-term borrowings (including the current portion of long-term bank and other borrowings and receipts under securitization arrangements). Our total interest expense on bank and other borrowings, receipts under securitization arrangements, the Convertible Bonds, the 2014 Notes, the 2017 Notes, the 2015 Notes, the 2018 Notes, the 2023 Notes, the 2021 Notes, the 2019 Notes, the Private Notes, the 2020 Notes and corporate bonds for the years ended December 31, 2013, 2014 and 2015 and the six months ended June 30, 2016 was RMB4,119.5 million, RMB4,879.4 million, RMB5,061.7 million (US\$761.6 million) and RMB3,146.8 million (US\$473.5 million), respectively.

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

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

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



requirement ratios of rural commercial and rural co-operative banks. Increases in the bank reserve requirement ratios may negatively affect the amount of funds available to commercial banks in China to lend to businesses, including us. The benchmark one-year lending rate as of June 30, 2016 was 4.35%. The current reserve requirement ratio ranges from 13.0% to 16.5%. We cannot assure you that PBOC will not further raise lending rates or reserve requirement ratios in the future, or that our business, financial condition and results of operations would not be adversely affected as a result of these adjustments.

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

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

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

Since 2006, we have gradually expanded our operations into 21 provinces, two autonomous regions and three provincial level municipalities beyond Guangdong Province in the PRC. In

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

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

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

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

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

The PRC government controls substantially all of the country's land supply and regulates the means by which property developers, including us, obtain land sites for property developments. As a result, the PRC government's land supply policies affect our ability to acquire land use rights for sites we identify and the costs of any acquisition. In May 2002, the PRC government introduced regulations requiring government departments and agencies to grant state-owned land use rights for residential or commercial property developments through public tender, auction or listing-for-sale. We are required to follow these procedures to acquire land use rights to desirable sites from the government, which may result in higher land premiums than those we

previously paid. Although these regulations do not prevent privately held land use rights from being traded in the secondary market, the PRC government's policy to grant state-owned land use rights at competitive market prices is likely to increase the acquisition cost of land reserves generally in the PRC. If we fail to acquire sufficient land reserves in a timely manner and at acceptable prices, or at all, our business prospects, results of operations and financial condition may be materially and adversely affected.

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

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

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

As of June 30, 2016, we had two projects in the State of Selangor in Malaysia, two projects in the State of Johor in Malaysia and one project in Sydney in Australia. We may have further operations outside of China in the future, which will also be subject to the relevant local government's policies and control over land supply and the property sector in general.

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

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

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

Moreover, according to the "Notice on Implementation of the State Council's Certain Opinions on Resolving Residence Difficulties of Urban Low-income Families and Further Strengthening Macro-control of Land Supply" (關於認真貫徹《國務院關於解決城市低收入家庭住房困難的若干意見》進一步加強土地供應調控的通知) issued by the Ministry of Land and Resources on September 30, 2007, even if the commencement of the land development is in compliance with the land grant contract, the land will be treated as idle land and the property developer may be restricted or prevented from participating in future bidding for land if (i) the developed GFA on the land is less than one-

third of the total GFA of the project under the land grant contract or the total capital invested is less than one-fourth of the total estimated investment of the project under the land grant contract and (ii) there has been a suspension of the development of the land for over one year in time without government approval. This notice also calls for control over supply of large land parcels and states that the development period for an individual parcel of land in principle should not exceed three years. On June 1, 2012, the Ministry of Land and Resources revised and promulgated the Measure for the Disposal of Idle Land (閑置土地處置辦法), that became effective on July 1, 2012 which further clarified the scope and definition of idle land, as well as the corresponding punishment measures compared to the old version. For more information on regulation, please refer to the section headed "Regulation—Legal supervision relating to property sector in the PRC—D. Development of a property project—(a) Land for property development." Although the delays in the commencement of construction or the completion of certain of our property development did not lead to forfeiture of land or payment of idle land fees, we cannot assure you that circumstances leading to forfeiture of land or payment of idle land fees will not arise in the future. If we are required to forfeit land, to pay idle land fees or even to pay appreciation land premium, we will not be able to continue our property development on the forfeited land or recover the costs incurred for the initial acquisition of the forfeited land or recover development and other costs incurred up to the date of forfeiture, and our business, financial condition and results of operations may be adversely affected.

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

In 2013, 2014 and 2015 and the first half of 2016, we recorded negative operating cash flows of RMB5,809.4 million, RMB4,331.9 million, RMB17,590.0 million (US\$2,646.7 million) and RMB11,683.4 million (US\$1,758.0 million), respectively. We cannot assure you that we will not experience negative operating cash flows in the future. If we continue to record negative operating cash flows in the future, our working capital may be constrained, which may materially and adversely affect our business, financial condition and results of operations.

We depend on cash flows from pre-sales of properties as an important source of funding for our property projects. Under current PRC laws and regulations, property developers must fulfill certain conditions before they can commence pre-sales of properties and may use pre-sales proceeds to finance only the developments wherein such properties are located. In the past several years, a number of government authorities and officials have proposed to limit or abolish the pre-sales of properties. These recommendations have not been adopted by the PRC government and have no enforceability. However, we cannot assure you that the PRC government will not ban or implement further restrictions on the pre-sales of properties, such as imposing additional conditions for pre-sale permits or further restrictions on the use of pre-sales proceeds. Any such measure will adversely affect our cash flows and force us to seek alternative sources of funding for our property development business.

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

Many purchasers of our residential properties rely on mortgages to fund their purchases. An increase in interest rates may significantly increase the cost of mortgage financing. An increase in minimum down payment requirements for mortgage financing may reduce the attractiveness of mortgages as a source of financing for property purchases. Either of those measures or the

suspension of mortgage financing may adversely affect the affordability of residential properties, which in turn could have a material adverse effect on our business, financial condition and results of operations.

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

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

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

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

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

#### **We may not be able to successfully manage our growth**

We have been rapidly expanding our operations in recent years, including our expansion to Malaysia in December 2011 and Australia in October 2013. As we continue to grow, we must continue to improve our managerial, technical and operational knowledge and allocation of resources, and to implement an effective management information system. To effectively manage our expanded operations, especially projects outside Guangdong Province and operations outside China, we need to recruit and strengthen internal training for managerial, accounting, internal audit, engineering, technical, sales and other staff to satisfy our development needs. As of December 31, 2013, 2014 and 2015 and June 30, 2016, we had approximately 64,772, 64,869, 68,150 and 79,967 full-time employees, respectively. In order to fund our ongoing operations and future growth, we need to have sufficient internal sources of liquidity or access to additional financing from external sources. Further, we will be required to manage relationships with a greater number of customers, suppliers, contractors, service providers, lenders and other third parties, which may have a different background and local practices than those in our traditional markets. We will need to further strengthen our internal control and compliance functions to ensure that we are able to comply with our legal and contractual obligations and reduce our operational and compliance risks including the risk of fraud or other misconduct by employees or third parties. We cannot assure you that we will not experience issues such as capital constraints, construction delays, operational difficulties at new operational locations or difficulties in adapting to local regulatory environment market conditions or culture, expanding existing business and operations and training an increasing

number of personnel to manage and operate the expanded business or that our properties will be well received by the residents of the new markets. We also cannot assure you that our expansion plans will not adversely affect our existing operations and thereby have a material adverse effect on our business, financial condition, results of operations and future prospects.

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

The global economic slowdown and turmoil in the global financial markets that started in the second half of 2008 have had a negative impact on the world economy, which in turn affected the PRC real estate industry and many other industries. Subsequently, global markets and economic conditions were adversely affected by the credit crisis in Europe, the credit rating downgrade of the United States and heightened market volatility in major stock markets. In addition, on June 23, 2016, the United Kingdom held a remain-or-leave referendum on its membership within the European Union, the result of which favored the exit of the United Kingdom from the European Union (“Brexit”). A process of negotiation will determine the future terms of the United Kingdom’s relationship with the European Union, as well as whether the United Kingdom will be able to continue to benefit from the European Union’s free trade and similar agreements. Given the lack of precedent, it is unclear how Brexit would affect the fiscal, monetary and regulatory landscape within the UK, the EU and globally. This event has resulted in a downgrade of the credit ratings of the United Kingdom and the uncertainty before, during and after the period of negotiation may also create a negative economic impact and increase volatility in global markets.

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

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

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

On September 28, 2007, the Ministry of Land and Resources issued revised Rules on the Grant of State-owned Land Use Rights through Public Tender, Auction and Listing-for-sale (招標拍賣掛牌出讓國有建設用地使用權規定), which provide that property developers must fully pay the land premium for the entire parcel under the land grant contract before they can receive a land use rights certificate and commence development on the land. This regulation became effective on November 1, 2007. As a result, property developers are no longer allowed to bid for a large piece of land, make partial payment, and then apply for a land use rights certificate for the corresponding portion of land in order to commence development, as had previously been the



practice in many Chinese cities. On November 18, 2009, the Ministry of Finance, the Ministry of Land and Resources, PBOC, the PRC Ministry of Supervision and the PRC National Audit Office issued the “Notice on Further Enhancing the Revenue and Expenditure Control over Land Grant” (關於進一步加強土地出讓收支管理的通知), which raised the minimum down payment to 50% of the total land premium and required the land premium to be fully paid within one year of signing a land grant contract, subject to limited exceptions. On March 8, 2010, the Ministry of Land and Resources issued the Circular on Strengthening Real Estate Land Supply and Supervision (關於加強房地產用地供應和監管有關問題的通知), under which the minimum price for a given land transfer is required to be at least 70% of the benchmark price for land in the surrounding locality and the bidding deposit for such land transfer is required to be at least 20% of the applicable minimum transfer price. Property developers are also required to pay 50% of the land premium (taking into account any deposits previously paid) as a down payment within one month of signing a land grant contract and to pay the balance within one year of the contract date. On January 26, 2011, the State Council circulated Notice on Further Regulating the Real Estate Market (國務院辦公廳關於進一步做好房地產市場調控工作有關問題的通知), which provides stricter management of housing land supply, among other things, that participants or individual bidding on any land unit shall show proof of funding sources. On May 13, 2011, the Ministry of Land and Resources issued the “Opinions on Maintaining and Improving the System for the Grant of Land by way of Tender, Auction and Listing” (《關於堅持和完善土地招標拍賣掛牌出讓制度的意見》). According to the opinions, the base price for the land grant will take into consideration factors such as applicable laws, the proposed development and utilization of the land, land price, time of payment, development and construction duration, construction methods, the usage of land and previous dealings with the enterprise. The implementation of these regulations may increase land transfer prices and require property developers to maintain a higher level of working capital. We cannot assure you that we will be able to acquire land suitable for development at reasonable cost or that our cash flow position, financial condition or business plans will not be materially and adversely affected by the implementation of these regulations.

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

We have entered into land grant contracts or land grant confirmation letters or sale and purchase agreements to acquire certain parcels of land for which we have not yet obtained land use rights certificates or land title and we have not paid up all the land grant premium for some of these land parcels. As of June 30, 2016, these parcels of land occupied an aggregate site area of approximately 12,257,125 sq.m. with an aggregate expected GFA of approximately 23,460,338 sq.m. for future development. If we fail to complete the acquisition of these parcels of land in a timely manner, or at all, we will not be able to develop and sell properties on such land. We may not be able to acquire new land in replacement on terms acceptable to us, or at all. This would have a material adverse effect on our business, financial condition, results of operations and business prospects going forward. See “Business—Description of our property projects.”

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

The property industry is subject to extensive regulations whether in the PRC or in the overseas markets such as Malaysia and Australia. For example, to establish a property development subsidiary in China, we must go through various PRC governmental approval and filing procedures and obtain the requisite approvals and licenses for our investment in such subsidiary

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

We are currently applying for approval of the property development for certain projects. We cannot assure you that we will not encounter significant problems in satisfying the conditions to the approvals necessary for our business operations or property development, or that we will be able to adapt ourselves to new laws, regulations or policies that may come into effect from time to time and to which we are subject or the particular processes related to the granting of the approvals. There may also be delays on the part of the administrative bodies in reviewing our applications and granting approvals. There have been instances where we did not obtain approvals on time. If we fail to obtain, or experience material delays in obtaining, the requisite governmental approvals, licenses and filings, our investment in our subsidiaries and the schedule of development and sale of our developments could be substantially disrupted, resulting in a material adverse effect on our business, financial condition and results of operations.

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

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

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

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

Property developers in the PRC must obtain a formal qualification certificate (資質證書) in order to develop property in the PRC. According to the Provisions on Administration of Qualification of Real Estate Developers (房地產開發企業資質管理規定), newly established developers must first apply for a temporary qualification certificate (暫定資質證書), which can be renewed for a maximum of two additional one-year periods, by which time a formal qualification certificate must have been issued. Before commencing their business operations, entities engaged in property management, construction, or fitting and decoration are required to obtain qualification certifications in accordance with the Measures on Administration of Qualification of Property Service Enterprises (物業服務企業資質管理辦法) and the Provisions on Administration of Qualification of Construction Enterprises (建築業企業資質管理規定). Property developers in the PRC are required to produce a valid qualification certificate when they apply for a pre-sale permit. If the newly established property developer fails to commence a property development project within the one-year period when the provisional qualification certificate is in effect, it will not be allowed to extend its provisional qualification certificate. Experienced property developers must also apply for renewal of their qualification certificates every two to three years in most cities, subject to an annual verification by relevant governmental authorities. It is mandatory under government regulations that developers fulfill all statutory requirements before obtaining or renewing their qualification certificates.

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

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

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

We cannot assure you that the qualification certificates of all of our existing project companies will continue to be renewed or extended or that formal qualification certificates for new project companies and our other non-property development related subsidiaries will be obtained in a timely manner, or at all. If our project companies or our other non-property development related subsidiaries are unable to obtain or renew their qualification certificates, as applicable, they will

not be permitted to engage in or continue their businesses, which could have a material adverse effect on our business and financial condition.

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

Property developments typically require substantial capital outlays during the construction periods, and it may take months or years before positive cash flows, if any, can be generated by pre-sales or sales. The time and costs required to complete a property development may increase substantially due to many factors beyond our control, including the shortage or increased cost of material, equipment, technical skills and labor, adverse weather conditions, natural disasters, labor disputes, disputes with contractors, accidents, changes in government priorities and policies, changes in market conditions, delays in obtaining the requisite licenses, permits and approvals from the relevant authorities and other unforeseeable problems and circumstances. Any of these factors, individually or in the aggregate, may lead to a delay in completing, or failure to complete a property development and result in costs substantially exceeding those originally budgeted. Failure to complete a property development according to its original plan, if at all, may have an adverse effect on our reputation and could give rise to potential liabilities. As a result, our returns on investments, if any, might not be timely recognized or might be lower than originally expected.

### **Our investment properties are illiquid**

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

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

Our results of operations tend to fluctuate from period to period. The number of properties that we can develop or complete during any particular period is limited due to the substantial capital required for land acquisition, demolition and resettlement and construction, as well as limited land supplies and lengthy development periods before positive cash flows may be generated. In addition, in recent years, we have begun to develop larger-scale property developments and, as a

result, we develop properties in multiple phases over the course of several years. Typically, as the overall development moves closer to completion, the sales prices of the properties in such larger-scale property developments tend to increase because a more established residential community is offered to purchasers. In addition, seasonal variations have caused fluctuations in our revenues and profits from quarter to quarter. For example, our revenue and profits, recognized upon the delivery of properties, are often lower in the first half of a year than in the second half, and we will continue to experience fluctuations in revenue and profits on an interim basis. As a result, our results of operations fluctuate and our interim results do not proportionally reflect our annual results.

#### **We rely on independent contractors**

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

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

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

Proceeds from the pre-sales of our properties are an important source of funds for our property developments and have an impact on our liquidity position. On August 5, 2005, PBOC recommended in the "2004 Real Estate Financing Report" that the practice of pre-selling uncompleted properties be discontinued, on the grounds that it creates significant market risks and generates transactional irregularities. At the "two meetings" (the plenary session of the National People's Congress and that of the Chinese People's Political Consultative Conference) held in March 2006, a total of 33 delegates to the National People Congress, including Bai Hexiang, head of the Nanning Central Sub-Branch of PBOC put forward a motion to abolish the system for sale of forward delivery housing. In May 2006, Cheng Jiansheng, head of the Real Estate Finance Division of the Financial Market Department of PBOC, published an article pointing out that the way to perfect the system for pre-sale of commodity properties (商品房) of China is to abolish the financing function of presale. On July 24, 2007, an economy research group under the National Development and Reform Commission ("NDRC") proposed to change the existing system for sale of forward delivery housing into one for sale of completed housing. These recommendations have not been adopted by any PRC governmental authority and have no mandatory effect. On April 13, 2010, the Ministry of Housing and Urban-Rural Development of PRC (the "MOHURD") issued the Notice on Further Strengthening the Supervision of Real Estate Market and Improving the Pre-Sale System of Commodity Housing (關於進一步加強房地產市場監管完善商品住房預售制度有關問題的通知). The notice urges local governments to enact regulations on sale of completed commodity properties in light of local conditions, and encourages property developers to sell completed commodity properties. No local government has promulgated any such regulation for sale of completed commodity properties yet. We cannot assure you that PRC government authorities will not ban the practice of pre-selling uncompleted properties or implement further restrictions on the pre-sale of properties, such as imposing additional conditions for a pre-sale permit or further restrictions on the use of pre-sale proceeds. Proceeds from the pre-sale of our properties are an important source of financing for our property developments. Consequently, any restrictions on our ability to pre-sell our properties, including any increase in the amount of up-front expenditure we must incur prior to obtaining a pre-sale permit, would extend the time period required for recovery of our capital outlay and would result in our needing to seek alternative means to finance the various stages of our property developments. This, in turn, could have a material and adverse effect on our business, cash flow, financial condition and results of operations.

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

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

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

In certain cases where we are interested in acquiring land, we assist local governments in clearing the land and relocating the original residents so that the land is ready for tender, auction and listing-for-sale. In such cases, we enter into land clearance agreements with the relevant land authorities, pursuant to which the relevant authorities are responsible for land planning, resident relocation and constructing municipal supporting facilities and we are responsible for providing funding for the land clearance and relocation and offering management services. After the land clearance is complete and the land is otherwise suitable for public land sale, the relevant land authority will organize a sale through a public tender, auction or listing-for-sale process. Under the land clearance agreements, we are reimbursed for expenses we incur for land clearance and relocation and we are entitled to a portion of the profit realized by the local government on the land sale. According to the land clearance agreements, we have exclusive rights to clear the land, but do not have the exclusive right to acquire the land. We do not control the timing of the sale of the land use rights in the land that we have cleared, nor do we set the price for which such land use rights are sold. Sales of the land use rights are conducted by the relevant local government land authorities, through a bidding, auction or listing-for-sale process and we are required to participate in such process if we want to acquire the land. We cannot assure you that we will win the bid in a timely manner or at all; nor can we assure you that the relevant land authority will achieve an optimal price for the sale of such land use rights. We cannot assure you that we will be reimbursed for the expenses that we incur in connection with such land clearance, nor can we assure you that we will receive any profit from such land use rights sales. In addition, we cannot assure you that the PRC government will not issue new laws or regulations which may revoke the reimbursement, profit allocation or other arrangements in the land clearance agreements that we have entered into with the local governments and, as a result, we may not be able to receive compensation for expenses we incurred in connection with the land clearance and allocation work. Further, the PRC State Council on January 3, 2008 issued the Notice to Enhance the Economical and Intensive Use of Land (關於促進節約集約用地的通知), which requires the use of a public bidding process in selecting companies to assist the local governments with land clearance work. This requirement may limit our ability to participate in such land clearance work in the future.

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

We arrange for various banks to provide mortgage services to the purchasers of our properties in the PRC. In accordance with market practice, domestic banks require us to provide guarantees in respect of these mortgages. The majority of these guarantees are guarantees which are released upon the earlier of the issuance of the individual property ownership certificate (房產所有權證) to the owner of the property or the certificate of other rights of property (房地產他項權證) to the mortgage bank by the relevant housing administration department, which generally takes place within three months after we deliver the relevant property to the purchasers, or the full settlement of the mortgaged loans by the purchasers. Prior to 2003, we also provided guarantees for the mortgage loans of some of our customers which are discharged two years from the day the mortgage loans become due. In line with industry practice, we do not conduct independent credit checks on our customers but rely instead on the credit checks conducted by the mortgage banks. For further information on our outstanding guarantees for the mortgage loans of our customers, see note 37 to our consolidated financial statements as of and for the years ended December 31, 2014 and 2015 and note 29 to our unaudited interim condensed consolidated

financial information as of and for the six months ended June 30, 2016, each of which is included elsewhere in this offering memorandum.

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

#### **Disputes with joint venture partners may adversely affect our business**

We have, and expect to have in the future, interests in joint venture entities in connection with our property development plans, including the Asian Games City JV, the project companies of our Malaysian projects and other joint venture entities described in this offering memorandum. In certain circumstances, our existing joint venture entities have relied on our financial support, and we expect they will continue to do so. In addition, in accordance with PRC law, certain matters relating to joint ventures require the consent of all parties to the joint venture. Our joint ventures may involve risks associated with the possibility that our joint venture partners may:

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

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

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

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

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

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

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



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

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

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

#### **We are exposed to construction disputes and litigation**

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

We are not engaged in any litigation or arbitration of material importance and we are not aware of any material litigation or claim pending or threatened by or against us. However, we cannot assure you that we will not be engaged in any litigation or arbitration of material importance in

the future. Although we have purchased insurance policies to cover potential litigation or arbitration claims, such claims may fall outside the scope or limit of our insurance coverage and our financial condition and results of operations may be adversely affected.

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

Property developers in the PRC are typically required to assist the purchasers to get the relevant individual property ownership certificates within 90 days of delivering the properties unless otherwise specified in the relevant sale and purchase agreements. Property developers, including us, generally elect to specify the deadline to apply for the individual property ownership certificates upon the provision of the necessary documents by the customers to allow sufficient time for the relevant application processes.

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

No material claim has been brought against us by any purchasers for late application for individual property ownership certificates on behalf of our customers in the years ended December 31, 2013, 2014 and 2015 and the six months ended June 30, 2016. However, we cannot assure you that we will not become liable to purchasers in the future for late application for individual property ownership certificates on behalf of our customers due to our own fault or reasons beyond our control, which may have a material adverse effect on our business.

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

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

**Our hotel operations involve uncertainties**

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

Our approach to our hotel business is not focused on the profit contribution derived directly from our hotel operations. Rather, we consider our hotel business a value enhancer to our brand

recognition in the property market and an integral component of our overall residential project marketing strategy.

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

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

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

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

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

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

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

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

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

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

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

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

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

On May 19, 2010, the SAT issued the Circular on Issues Concerning Settlement of Land Appreciation Tax (關於土地增值稅清算有關問題的通知) to clarify and strengthen the settlement of

LAT. Furthermore, on May 25, 2010, the SAT issued the Notice on Strengthening the Collection of Land Appreciation Tax (關於加強土地增值稅徵管工作的通知), which requires that the minimum LAT prepayment rate shall be 2% for provinces in the eastern region, 1.5% for provinces in the central and northeastern regions, and 1% for provinces in the western region.

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

For the years ended December 31, 2013, 2014 and 2015 and the six months ended June 30, 2016, our LAT expense was RMB1,634.8 million, RMB1,644.9 million, RMB1,111.1 million (US\$167.2 million) and RMB827.4 million (US\$124.5 million), respectively. We estimate and make provision for the amount of applicable LAT at the time the relevant property sales revenue is recognized and recorded in our books, but actual LAT payment will only be made at the time specified by the relevant PRC tax laws and regulations. We cannot assure you that the local tax authorities will agree with the basis on which we calculate our LAT obligations. In addition, we cannot assure you that the applicable tax rate for LAT will not increase, or that the PRC government or local tax authorities will not abolish the authorized taxation method, or that we will be able to obtain approval in the future to use the authorized taxation method. If the relevant tax authorities determine that a higher amount of LAT should be paid, our business, financial condition and results of operations may be materially and adversely affected.

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

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

**Potential liability for environmental problems could result in substantial costs**

We are subject to a variety of laws and regulations concerning environmental protection. The particular environmental laws and regulations that apply to any given development site vary greatly according to the site's location and environmental condition, the present and former uses of the site and the nature of the adjoining properties. Requirements under environmental laws and conditions may result in delays to development schedules, may cause us to incur substantial

compliance and other costs and may prohibit or severely restrict project development activity in environmentally-sensitive areas.

The PRC environmental regulations provide that each project developed by a property developer must undergo an environmental assessment, and an environmental impact assessment report be submitted to the relevant government authorities for approval before construction is commenced. If we fail to comply with such requirements, the local environmental authority may order us to suspend project construction until an environmental impact assessment report is submitted to and approved by such authority. The local environmental authority may also impose on us a fine of RMB50,000 to RMB200,000 in respect of such project. We are currently applying for the approval of environmental assessment for certain of our projects. We cannot assure you that we will be able to obtain these approvals in a timely manner.

In addition, PRC law requires environmental facilities included in property developments to pass inspection by the environmental authorities in order to obtain completion approval before commencing operations. Some of our property projects have environmental facilities that are subject to this requirement and are currently applying for inspection by the environmental authorities. We cannot assure you that we will be able to pass such inspections in a timely manner. If we fail to comply with this inspection requirement, the local environmental authorities may order us to suspend construction or use of the relevant facilities, which may disrupt our operations and adversely affect our business. Such authorities may also impose on us a fine below RMB100,000 in respect of such project. We cannot assure you that we will obtain such approvals in a timely manner. In the event that such completion approvals cannot be obtained or if a fine is imposed on us, our business and our financial condition may be adversely affected.

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

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

Country Garden Forest City ("Forest City") is a vertical and multi-tiered city project situated in Iskandar Malaysia and linked to Singapore by a bridge. It is being developed by a joint venture that we formed with the government of Johor State in Malaysia. It is an urban development project with an expected total development term of 20 years. We hold a 60% equity interest in the joint venture. It has a site area of 20 sq.km. under its development plan. Such a long-term and significant development exposes us to potential liability based on claims of damage to the environment and related claims. As a specific example, Forest City has drawn criticism from certain international and local environmental activist groups, in addition to the environmental ministry in Singapore. These activists are concerned that several development projects in Johor,

which include Forest City project, will result in damage to the intertidal seagrass meadow on Merambong shoal off Johor. This, in addition to other potential environmental claims, potentially expose us to liability that is specific to the Forest City project. We are unable at this juncture to assess whether the related criticism, scrutiny or liability claims would result in negative consequences in the future, including the disruption of construction and development of the project, affect our reputation or lead to potential legal action against us. Any of the foregoing may have a material adverse effect to our business, financial condition or results of operations.

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

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

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

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

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

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

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

Our controlling shareholder, Yang Huiyan, beneficially owned approximately 56.10% of our Company as of the date of this offering memorandum. The interests of our controlling shareholder may differ from our interests or the interests of our creditors, including the holders of the Notes. Our controlling shareholder could have significant influence in determining the outcome of any corporate transactions or other matters submitted to the shareholders for approval, including mergers, consolidations and the sale of all or substantially all of our assets, the election of directors and other significant corporate actions. Our controlling shareholder also has the power to prevent or cause a change in control. Without the consent of our controlling shareholder, we may be prevented from entering into transactions that could be beneficial to us. As a company listed on the Hong Kong Stock Exchange, we are also required to maintain robust internal control and corporate governance procedures to ensure that our personnel will maintain confidentiality of sensitive and confidential information. Leakage of any confidential or price sensitive information, and the trading of our shares on the basis of such information, including by our controlling shareholder, may contravene relevant insider trading regulations. In addition, our controlling shareholder also holds interest in companies other than us. We cannot assure you that our controlling shareholder will act entirely in our interest or that any potential conflicts of interest will be resolved in our favor.

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

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

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

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

Under the Enterprise Income Tax Law (企業所得稅法)("EIT Law") and the implementation rules which both took effect on January 1, 2008, enterprises established outside the PRC whose "de facto management bodies" are located in China are considered "resident enterprises" for PRC tax purposes. The implementation rules define the term "de facto management body" as a management body that exercises full and substantial control and management over the business, personnel, accounts and properties of an enterprise. In April 2009, the State Administration of



Taxation specified certain criteria for the determination of the “de facto management bodies” for foreign enterprises that are controlled by PRC enterprises. However, there have been no official implementation rules regarding the determination of the “de facto management bodies” for foreign enterprises that are not controlled by PRC enterprises (including companies such as ourselves).

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

Although it is unclear under PRC tax law whether we have a “de facto management body” located in China for PRC tax purposes, we take the position that we are not a PRC resident enterprise for tax purposes. We cannot assure you that the tax authorities will agree with our position. If we are deemed to be a PRC resident enterprise for EIT purposes, we would be subject to the PRC enterprise income tax at the rate of 25% on our worldwide income. Furthermore, we would be obligated to withhold PRC income tax of up to 7% on payments of interest and certain other amounts on the Notes to investors that are non-resident enterprises located in Hong Kong or 10% on payments of interest and other amounts on the Notes to investors that are non-resident enterprises located outside Hong Kong, because the interest and other amounts would be regarded as being derived from sources within the PRC. In addition, if we fail to do so, we may be subject to fines and other penalties. Similarly, any gain realized by such non-resident enterprise investors from the transfer of the Notes would be regarded as being derived from sources within the PRC and would accordingly be subject to a 10% PRC withholding tax.

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

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

Circular No. 37 and other relevant SAFE rules require PRC residents, including both legal and natural persons, to register with the banks before making capital contribution to any company outside of China (an “offshore SPV”) with onshore or offshore assets and equity interests legally owned by PRC residents. In addition, any PRC individual resident who is the shareholder of an offshore SPV is required to update its registration with banks with respect to that offshore SPV in connection with change of basic information of the offshore SPV such as its company name,

business term, the shareholding by individual PRC resident, merger, division and with respect to the individual PRC resident in case of any increase or decrease of capital in the offshore SPV, transfer of shares or swap of shares by the individual PRC resident. Failure to comply with the required registration and updating requirements described above may result in restrictions being imposed on the foreign exchange activities of the PRC subsidiaries of such offshore SPV, including increasing the registered capital of, payment of dividends and other distributions to, and receiving capital injections from the offshore SPV. Failure to comply with Circular No. 37 may also subject the relevant PRC residents or the PRC subsidiaries of such offshore SPV to penalties under PRC foreign exchange administration regulations for evasion of applicable foreign exchange restrictions.

Due to uncertainty concerning the reconciliation of these SAFE rules with other approval or registration requirements, it remains unclear how these rules, and any future legislation concerning offshore or cross-border transactions, will be interpreted, amended and implemented by the relevant government authorities. We attempt to comply, and attempt to ensure that our shareholders who are subject to these rules comply, with the relevant requirements. However, we cannot assure you that all of our shareholders who are PRC residents will comply with our request to make or update any applicable registrations or comply with other requirements of these or other related rules. The failure or inability of our PRC resident shareholders to make any required registrations or comply with other requirements may subject such shareholders to fines and legal sanctions and may also limit our ability to contribute additional capital or provide loans to (including using the proceeds from any equity or debt securities offerings) our PRC subsidiaries, limit our PRC subsidiaries' ability to increase their registered capital, pay dividends or otherwise distribute profits to us, or otherwise adversely affect us.

#### **Our investments in the PRC are subject to the PRC government's control over foreign investment in the property sector**

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

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

In June 2008, to strengthen regulation of foreign-invested real estate enterprises, MOFCOM issued the “Notice Regarding Completing the Registration of Foreign Investment in the Real Estate Sector” (關於做好外商投資房地產備案工作的通知). According to this notice, when a foreign-invested real estate enterprise is established or increases its registered capital, the provincial level of MOFCOM is required to verify all filing materials regarding such foreign-invested real estate enterprise and to make a report to the national level of MOFCOM. This notice also requires that each foreign-invested real estate enterprise undertake only one approved property project. In November 2010, MOFCOM promulgated the Notice on Strengthening Administration of the Approval and Registration of Foreign Investment into the Real Estate Industry (關於加強外商投資房地產審批備案管理的通知), which reiterated these limitations on foreign-invested real estate enterprises. On June 24, 2014, MOFCOM and SAFE jointly issued the Circular on Improving the Record-filing for Foreign Investment in Real Estate (關於改進外商投資房地產備案工作的通知), effective on August 1, 2014. According to this circular, the provincial branch of MOFCOM, instead of MOFCOM, will be in charge of the filing work of the foreign-invested real estate enterprises. On November 11, 2015, MOFCOM and SAFE jointly issued the “Circular on Further Improving the Record-filing for Foreign Investment in Real Estate” (關於進一步改進外商投資房地產備案工作的通知). According to this circular, the record-filing procedure has been cancelled.

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

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

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

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

regarding the scope of industries subject to the special administrative measures for foreign investment entry, according to which the M&A Provisions still apply to convert the domestic non-foreign-invested enterprises into foreign invested enterprises.

Our PRC legal advisors have advised us that there are uncertainties as to how the M&A Provisions will be interpreted or implemented after the revision of the law of foreign invested companies.

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

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

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

**The national and regional economies in China and the places where we conduct our operations and our prospects may be adversely affected by natural disasters, acts of God, and occurrence of epidemics**

Our business is subject to general economic and social conditions in the places where we conduct our operations. Natural disasters, epidemics and other acts of God which are beyond our control may adversely affect the economy, infrastructure and livelihood of the people in such places. Some regions in China, Malaysia and Australia, including certain cities where we operate, are under the threat of floods, earthquakes, sandstorms, snowstorms, fires, droughts, or epidemics such as Severe Acute Respiratory Syndrome, or SARS, H5N1 avian flu or the human swine flu, also known as Influenza A (H1N1). For instance, a serious earthquake and its successive aftershocks hit Sichuan province in May 2008 and subsequently, resulting in tremendous loss of lives, injuries and destruction of assets in the region. In addition, past occurrences of epidemics, depending on their scale, have caused different degrees of damage to the national and local economies in China. A recurrence of SARS or an outbreak of any other epidemics in China or the places where we conduct our operations, such as the Ebola virus, the H5N1 avian flu or the human swine flu, may result in material disruptions to our property development and our sales, which in turn may adversely affect our business, financial condition and results of operations.

## **Risks relating to the property sector in the PRC**

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

Our business is subject to extensive governmental regulation. As with other PRC property developers, we must comply with various requirements mandated by the PRC laws and regulations, including the policies and procedures established by local authorities designed to implement such laws and regulations. In particular, the PRC government exerts considerable direct and indirect influence on the development of the PRC property sector by imposing industry policies and other economic measures, such as control over the supply of land for property development, foreign exchange, property financing, taxation and foreign investment.

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

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

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

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

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

The PRC government has continued to increase regulation over the property market since 2010. Policies restricting property purchases were adopted in nearly 50 cities in 2011, as compared to fewer than 25 cities in 2010. To support the demand of purchasers of residential property and to promote the sustainable development of the real estate market, the PBOC and the CBRC jointly

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

In addition, the State Council has recently approved on a trial basis the launch of property tax scheme in selected cities. The detailed measures will be formulated by the governments of the pilot provinces, autonomous regions or municipalities directly under the central government. On January 27, 2011, the governments of Shanghai and Chongqing issued their respective measures for implementing pilot property tax schemes, which became effective on January 28, 2011. Under the measures issued by the Shanghai government, property tax will be imposed on any purchase of a second (or further) residential property by local residents or any purchase of a residential property by non-local residents on or after January 28, 2011, at rates ranging from 0.4% to 0.6% based on 70% of the purchase price of the property. Under the measures issued by the Chongqing government, property tax will be imposed within the nine major districts of Chongqing, on (i) stand-alone residential properties (such as villas) owned by individuals, (ii) high-end residential properties purchased by individuals on or after January 28, 2011, the purchase prices per square meter of which are two or more times of the average price of new residential properties developed within the nine major districts of Chongqing in the last two years and (iii) the second or further ordinary residential properties purchased on or after January 28, 2011 by non-resident individuals who are not employed in and do not own an enterprise in Chongqing, at rates ranging from 0.5% to 1.2% of the purchase price of the property. These two governments may issue additional measures to tighten the levy of property tax. It is also expected that more local governments will follow Shanghai and Chongqing to impose property tax on commodity properties. The imposition of property tax on commodity properties will increase the purchasing cost of properties and is expected to have a negative impact on demand for properties in China, which in turn could have a material adverse effect on our business, financial condition and results of operations. Furthermore, the governments of Beijing and Guangzhou have recently adopted additional restrictive policies to curb property price increases. In September 2012, the Guangzhou government imposed restrictions on the pre-sale of certain high-priced properties, while the Beijing government issued a new requirement that local purchasers must present the original copy of the “second generation” personal identification cards for the review of their eligibility to purchase residential properties in Beijing.

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

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

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

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

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

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



## **Risks relating to the PRC**

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

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

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

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

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

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

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

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

The PRC government imposes controls on the convertibility of Renminbi into foreign currencies and, in certain cases, the remittance of currency to jurisdictions outside China. We receive

substantially all of our revenue in Renminbi. Under our current structure, our income is primarily derived from dividend payments from our PRC subsidiaries. Under existing PRC foreign exchange regulations, payments of certain current account items can be made in foreign currencies without prior approval from the local branch of SAFE, by complying with certain procedural requirements. However, approval from the appropriate government authorities is required where Renminbi is to be converted into foreign currency and remitted to a jurisdiction outside China to pay capital expenses such as the repayment of bank loans denominated in foreign currencies. The PRC government may also, at its discretion, restrict access to foreign currencies for current account transactions in the future. If the PRC foreign exchange control system prevents us from obtaining sufficient foreign currency to satisfy our currency demands, our PRC subsidiaries may not be able to pay dividends in foreign currencies to us and we may not be able to service our debt obligations denominated or settled in foreign currencies, such as the 2023 Notes, the 2021 Notes, the 2019 Notes, the Private Notes, the 2020 Notes, the September 2023 Notes, the 2014 Club Loan, the 2015 Club Loan and the Notes.

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

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

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

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

China has not developed a fully integrated legal system and recently-enacted laws and regulations may not sufficiently cover all aspects of economic activities in China. The relative inexperience of China’s judiciary in many cases also creates additional uncertainty as to the

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

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

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

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

#### **Risks relating to the Notes**

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

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

Creditors, including trade creditors of our Non-Guarantor Subsidiaries and any holders of preferred shares in such entities, would have a claim on the Non-Guarantor Subsidiaries' assets that would be prior to the claims of the holders of the Notes. As a result, our payment obligations under the Notes will be effectively subordinated to all existing and future obligations of our Non-Guarantor Subsidiaries (including their obligations under guarantees issued in connection with our business), and all claims of creditors of our Non-Guarantor Subsidiaries will have priority as to the assets of such entities over our claims and those of our creditors, including holders of the Notes. As of June 30, 2016, indebtedness of our PRC subsidiaries constituted more

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

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

As a holding company, we depend on the receipt of dividends and the interest or principal payments on intercompany loans or advances from our subsidiaries, including our PRC subsidiaries, to satisfy our obligations, including our obligations under the Notes. The ability of our subsidiaries to pay dividends and make payments on intercompany loans or advances to their shareholders is subject to, among other things, distributable earnings, cash flow conditions, restrictions contained in the articles of association of our subsidiaries, applicable laws and restrictions contained in the debt instruments of such subsidiaries. In addition, if any of our subsidiaries raises capital by issuing equity securities to third parties, dividends declared and paid with respect to such shares would not be available to us to make payments on the Notes. These restrictions could reduce the amounts that we receive from our subsidiaries, which would restrict our ability to meet our payment obligations under the Notes and the Subsidiary Guarantees.

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

In addition, under the EIT Law and its implementation rules, dividends paid by our PRC subsidiaries to their non-PRC parent companies are subject to a 10% withholding tax, unless there is a tax treaty between the PRC and the jurisdiction in which the overseas parent company is incorporated, which specifically exempts or reduces such withholding tax. Currently, there is no such treaty between the PRC and the British Virgin Islands, where substantially all of our non-PRC subsidiaries are incorporated. Pursuant to an avoidance of double taxation arrangement between Hong Kong and the PRC, if the non-PRC parent company is a Hong Kong resident and directly holds a 25% or more interest in the PRC enterprise, such withholding tax rate may be lowered to 5%. As a result of such limitations, dividend payments from our PRC subsidiaries may not be sufficient to meet our payment obligations required by the Notes or to satisfy the obligations of the Subsidiary Guarantors under the Subsidiary Guarantees, and there could be restrictions on payments required to pay off the Notes at maturity or as required for any early redemption.

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

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

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

The Notes are denominated in U.S. dollars, while substantially all of our revenues are generated by our PRC operating subsidiaries and are denominated in Renminbi. Pursuant to reforms of the exchange rate system announced by PBOC on July 21, 2005, Renminbi-to-foreign currency exchange rates are allowed to fluctuate within a narrow and managed band against a basket of foreign currencies, rather than being effectively linked to the U.S. dollar. Further on May 18, 2007, PBOC enlarged the floating band for the trading prices in the inter-bank foreign exchange market of the Renminbi against the U.S. dollar from 0.3% to 0.5% around the central parity rate, effective on May 21, 2007. This allows the Renminbi to fluctuate against the U.S. dollar by up to 0.5% above or below the central parity rate published by PBOC. The floating band was further widened to 1.0% on April 16, 2012 and 2.0% on March 17, 2014. The International Monetary Fund announced on September 30, 2016 that, effective October 1, 2016, the Renminbi will be added to its Special Drawing Rights currency basket. Such change and additional future changes may increase the volatility in the trading value of the Renminbi against foreign currencies. The PRC government may adopt further reforms of its exchange rate system, including making the Renminbi freely convertible in the future. If such reforms were implemented and resulted in devaluation of Renminbi against the U.S. dollar, our financial condition and results of operations could be adversely affected because of our substantial U.S. dollar denominated indebtedness and other obligations. Such a devaluation could also adversely affect the value, translated or converted to U.S. dollars or otherwise, of our earnings and our ability to satisfy our obligations under the Notes.

There are limited hedging instruments available in China to reduce our exposure to exchange rate fluctuations between the Renminbi and other currencies. Following the offering of the Notes, we may enter into foreign exchange or interest rate hedging agreements in respect of our U.S. dollar-denominated liabilities under the Notes. These hedging agreements may require us to pledge or transfer cash and other collateral to secure our obligations under the agreements, and

the amount of collateral required may increase as a result of mark-to-market adjustments. The Initial Purchasers and their affiliates may enter into such hedging agreements permitted under the Indenture governing the Notes, 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.

In June 2016, we entered into the ISDA Agreement with Goldman Sachs International, our obligations under which are guaranteed by the Subsidiary Guarantors under the Guarantee and secured by the Collateral. Going forward, we may enter into further swap arrangements that require us to provide guarantees and security. Any default or termination under such swap arrangements could result in cross defaults under our other debt agreements or bond indentures, leading to enforcement of the Collateral.

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

Holders of the Notes have a put option under the terms of the Indenture to require us to repurchase their Notes on December 15, 2021 at a repurchase price equal to 100% of the principal amount of the Notes to be repurchased, plus accrued and unpaid interest, if any, as described under "Description of the Notes—Repurchase of Notes at the Option of the Holders." However, we cannot assure you that we will have sufficient cash or be able to obtain financing in time to pay for such repurchases of the Notes. In addition, our ability to repurchase the Notes may be limited by law, by regulatory authority or by agreements governing our future indebtedness. Our failure to repurchase the Notes pursuant to the put option in accordance with the terms of the Indenture would constitute a default under the Indenture.

**We may not be able to repurchase the 2023 Notes, the 2021 Notes, the 2019 Notes, the Private Notes, the 2020 Notes, the September 2023 Notes or the Notes upon a change of control triggering event**

We must offer to purchase the 2023 Notes, the 2021 Notes, the 2019 Notes, the Private Notes, the 2020 Notes, the September 2023 Notes and the Notes upon the occurrence of a change of control triggering event, at a purchase price equal to 101% of the principal amount plus accrued and unpaid interest. See "Description of the Notes," "Description of other material indebtedness—2023 Notes—Change of control," "Description of other material indebtedness—2021 Notes—Change of control," "Description of other material indebtedness—2019 Notes—Change of control," "Description of other material indebtedness—Private Notes—Change of control", "Description of other material indebtedness—2020 Notes—Change of control" and "Description of other material indebtedness—September 2023 Notes—Change of control."

The source of funds for any such purchase would be our available cash or third-party financing. However, we may not have enough available funds at the time of the occurrence of any change of control triggering event to make purchases of the outstanding 2023 Notes, 2021 Notes, 2019 Notes, Private Notes, the 2020 Notes or the Notes. Our failure to make the offer to purchase or purchase the outstanding 2023 Notes, 2021 Notes, 2019 Notes, Private Notes, the 2020 Notes, the September 2023 Notes or the Notes would constitute an event of default under the 2023 Notes, the 2021 Notes, the 2019 Notes, the Private Notes, the 2020 Notes, the September 2023 Notes and the Notes, respectively. The event of default may, in turn, constitute an event of default under other indebtedness, any of which could cause the related debt to be accelerated after any applicable notice or grace periods. If our other debt were to be accelerated, we may not have sufficient funds to purchase or otherwise satisfy our obligations under the 2023 Notes, the 2021 Notes, the 2019 Notes, the Private Notes, the 2020 Notes, the September 2023 Notes and the Notes and repay the debt.

In addition, the definition of change of control triggering event for purposes of the indenture governing the Notes does not necessarily afford protection for the holders of the Notes in the event of some highly leveraged transactions, including certain acquisitions, mergers, refinancings, restructurings or other recapitalizations, although these types of transactions could increase our indebtedness or otherwise affect our capital structure or credit ratings. The definition of change of control triggering event for purposes of the indenture governing the Notes also includes a phrase relating to the sale of “all or substantially all” of our assets. Although there is a limited body of case law interpreting the phrase “substantially all,” there is no precise established definition under applicable law. Accordingly, our obligation to make an offer to purchase the 2023 Notes, the 2021 Notes, the 2019 Notes, the Private Notes, the 2020 Notes, the September 2023 Notes and the Notes, and the ability of a holder of the 2023 Notes, the 2021 Notes, the 2019 Notes, the Private Notes, the 2020 Notes, the September 2023 Notes or the Notes to require us to purchase its notes pursuant to the offer as a result of a highly-leveraged transaction or a sale of less than all of our assets may be uncertain.

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

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

#### **Under the terms of the Notes, we are not subject to the restrictions related to “Permitted Business”**

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

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

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

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

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

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

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

**We may be unable to obtain and remit foreign exchange**

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



due, on the relevant intercompany loans, which may affect our ability to satisfy our obligations under the Notes.

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

We now have, and will continue to have after the offering of the Notes, a substantial amount of indebtedness. Our total borrowings, including bank and other borrowings, receipts under securitization arrangements, the 2023 Notes, the 2021 Notes, the 2019 Notes, the Private Notes, the 2020 Notes and the corporate bonds, as of June 30, 2016 was RMB103,112.0 million (US\$15,515.1 million), respectively.

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

- limit our ability to satisfy our obligations under the Notes, the 2023 Notes, the 2021 Notes, the 2019 Notes, the Private Notes, the 2020 Notes, the September 2023 Notes, the 2014 Club Loan, the 2015 Club Loan and other debt;
- increase our vulnerability to adverse general economic and industry conditions;
- require us to dedicate a substantial portion of our cash flow from operations to servicing and repaying our indebtedness, thereby reducing the availability of our cash flow to fund working capital, capital expenditures and other general corporate purposes;
- limit our flexibility in planning for or reacting to changes in our businesses and the industry in which we operate;
- place us at a competitive disadvantage compared to our competitors that have less debt;
- limit, along with the financial and other restrictive covenants of our indebtedness, among other things, our ability to borrow additional funds; and
- increase the cost of additional financing.

In the future, we may from time to time incur substantial additional indebtedness and contingent liabilities. Although the indentures governing the Notes, the 2023 Notes, the 2021 Notes, the 2019 Notes, the Private Notes, the 2020 Notes and the September 2023 Notes restrict us and our Restricted Subsidiaries from incurring additional debt and contingent liabilities, these restrictions are subject to important exceptions and qualifications. Under the Notes, our ability to incur additional debt is subject to the limitation on indebtedness and preferred stock covenant. Under such covenant, we may incur (i) certain Permitted Indebtedness or (ii) additional indebtedness if we can, among other things, satisfy the Fixed Charge Coverage Ratio. The Fixed Charge Coverage Ratio is derived by dividing consolidated EBITDA by Consolidated Fixed Charges. Because our definition of Consolidated EBITDA includes our unrealized gains on valuation adjustments on our investment properties, our Consolidated EBITDA and therefore our ability to incur additional debt under such covenant, could be substantially larger when compared to other similarly situated PRC-based issuers of high-yield bonds whose covenant does not typically include unrealized gains in the calculation of their respective consolidated EBITDA. In addition, Consolidated Fixed Charges comprises of Consolidated Interest Expense and dividends paid on any Disqualified Stock or Preferred Stock of the Company or any Restricted

Subsidiary. Because our definition of Consolidated Interest Expense, with respect to interest accruing on indebtedness of any person other than the Company or any Restricted Subsidiary that is guaranteed by, or secured by a lien on any asset of, the Company or any Restricted Subsidiary only includes interest that has become due and payable by the Company or any Restricted Subsidiary, as the case maybe, our Consolidated Fixed Charges would be substantially lower, and therefore our ability to incur additional debt under such covenant could be substantially larger, when compared to other similarly situated PRC high yield issuers whose covenant typically includes such interest regardless of whether it has become due and payable by the Company or any Restricted Subsidiary or not. If we or our subsidiaries incur additional debt, the risks that we face as a result of our already substantial indebtedness and leverage could intensify.

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

In addition, the terms of the indentures governing the Notes, the 2023 Notes, the 2021 Notes, the 2019 Notes, the Private Notes, the 2020 Notes and the September 2023 Notes prohibit us from incurring additional indebtedness unless we are able to satisfy certain financial ratios, and contain other restrictions. Our ability to meet our financial ratios may be affected by events beyond our control. We cannot assure you that we will be able to meet these ratios. Certain of our financing arrangements also impose operating and financial restrictions on our business. See "Description of other material indebtedness." Such restrictions in the Notes, the 2023 Notes, the 2021 Notes, the 2019 Notes, the Private Notes, the 2020 Notes, the September 2023 Notes and our other financing arrangements may negatively affect our ability to react to changes in market conditions, take advantage of business opportunities we believe to be desirable, obtain future financing, fund needed capital expenditures, or withstand a continuing or future downturn in our business or the economy in general. Any of these factors could materially and adversely affect our ability to satisfy our obligations under the Notes, the 2023 Notes, the 2021 Notes, the 2019 Notes, the Private Notes, the 2020 Notes, the September 2023 Notes and other debt.

**If we are unable to comply with the restrictions and covenants in our debt agreements, the indentures governing the 2023 Notes, the 2021 Notes, the 2019 Notes, the Private Notes, the 2020 Notes, the September 2023 Notes, the Notes, the credit agreement governing the 2014 Club Loan or the facility agreement governing the 2015 Club Loan, there could be a default under the terms of these agreements, which could cause repayment of our debt to be accelerated**

If we are unable to comply with the restrictions and covenants in the Indenture governing the Notes, or our current or future debt and other agreements (including the indentures governing the 2023 Notes, the 2021 Notes, the 2019 Notes, the Private Notes, the 2020 Notes, the September 2023 Notes, the credit agreement governing the 2014 Club Loan or the facility agreement governing the 2015 Club Loan), there could be a default under the terms of these

agreements. Under the terms of the credit agreement governing the 2014 Club Loan and the 2015 Club Loan, it is also required that Mr. Yeung Kwok Keung or Ms. Yang Huiyan remain as our chairperson. In the event of a default under these agreements, the holders of the debt could terminate their commitments to lend to us, accelerate the debt and declare all amounts borrowed due and payable or terminate the agreements, as the case may be. Furthermore, some of our debt agreements, including the indentures governing the 2023 Notes, the 2021 Notes, the 2019 Notes, the Private Notes, the 2020 Notes, the September 2023 Notes, the Notes, the credit agreement governing the 2014 Club Loan and the facility agreement governing the 2015 Club Loan, contain cross-acceleration or cross-default provisions. As a result, our default under one debt agreement may cause the acceleration of debt, including the 2023 Notes, the 2021 Notes, the 2019 Notes, the Private Notes, the 2020 Notes, the September 2023 Notes, the Notes, the 2014 Club Loan and the 2015 Club Loan, or result in a default under our other debt agreements. If any of these events occur, we cannot assure you that our assets and cash flow would be sufficient to repay in full all of our indebtedness, or that we would be able to find alternative financing. Even if we could obtain alternative financing, we cannot assure you that it would be on terms that are favorable or acceptable to us.

**Our operations are restricted by the terms of the 2023 Notes, the 2021 Notes, the 2019 Notes, the Private Notes, the 2020 Notes, the September 2023 Notes and the Notes, which could limit our ability to plan for or to react to market conditions or meet our capital needs, which could increase your credit risk**

The indentures governing the 2023 Notes, the 2021 Notes, the 2019 Notes, the Private Notes, the 2020 Notes, the September 2023 Notes and the Notes include a number of significant restrictive covenants. These covenants restrict, among other things, our ability, and the ability of our restricted subsidiaries, to:

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

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

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

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

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

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

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

The Notes are expected to be rated Ba1 by Moody's Investors Service and BB+ by Fitch Ratings. The ratings address our ability to perform our obligations under the terms of the Notes

and credit risks in determining the likelihood that payments will be made when due under the Notes. Additionally, we have been rated BB with a stable outlook by Standard & Poor's Ratings Services, Ba1 with a stable outlook by Moody's Investors Service and BB+ with a stable outlook by Fitch Ratings. On August 30, 2016, Moody's issued a credit opinion update, which reiterated our credit rating of Ba1 and a stable outlook. Moody's noted that we experienced weaker credit metrics in the first half of 2016 but that our credit metrics should improve over the next 12 to 18 months. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time. We cannot assure you that a rating will remain for any given period of time or that a rating will not be lowered or withdrawn entirely by the relevant rating agency if in its judgment circumstances in the future so warrant. We have no obligation to inform holders of the Notes of any such revision, downgrade or withdrawal. A suspension, reduction or withdrawal at any time of the rating assigned to the Notes may adversely affect the market price of the Notes.

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

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

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

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

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

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

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

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

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

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

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

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

The Notes will initially only be issued in global certificated form and held through Euroclear and Clearstream. Interests in the Notes represented by global notes will trade in book-entry form only, and the Notes in definitive registered form, or definitive registered notes, will be issued in exchange for book-entry interests only in very limited circumstances. Owners of book-entry interests will not be considered owners or holders of the Notes. The nominee of the common depositary for Euroclear and Clearstream will be the sole registered holder of the global note representing the Notes. Payments of principal, interest and other amounts owing on or in respect of the global note representing the Notes will be made to the paying agent, which will make

payments to Euroclear and Clearstream. Thereafter, these payments will be credited to accounts of participants that hold book-entry interests in the global note representing the Notes and credited by such participants to indirect participants. After payment to the nominee of the common 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, and if you are not a participant in Euroclear and Clearstream, on the procedures of the participant through which you own your interest, to exercise any rights and obligations of a holder of Notes under the Indenture.

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

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

## **Risks relating to the Subsidiary Guarantees and the Collateral**

### **Our initial Subsidiary Guarantors do not currently have significant operations**

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

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

Under the terms of the Notes, a Subsidiary Guarantor may be able to release its Subsidiary Guarantee if it sells or issues more than 20% of the Capital Stock of such Subsidiary Guarantor to a third party, as long as the consolidated assets of all Restricted Subsidiaries organized outside

the PRC (other than Exempted Subsidiaries) that are not Subsidiary Guarantors (including the New Non-Guarantor Restricted Subsidiaries) do not account for more than 20% of the our total assets.

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

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

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

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

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

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

In an attempt to limit the applicability of insolvency and fraudulent transfer laws in certain jurisdictions, the obligations of the Subsidiary Guarantors under the Subsidiary Guarantees will be limited to the maximum amount that can be guaranteed by the applicable Subsidiary Guarantor without rendering the guarantee, as it relates to such Subsidiary Guarantor, voidable under such applicable insolvency or fraudulent transfer laws. We cannot assure you that such limitation will be effective in preserving the enforceability of any of the Subsidiary Guarantees.

If a court voided a Subsidiary Guarantee, subordinated such guarantee to other indebtedness of the Subsidiary Guarantor, or held the Subsidiary Guarantee unenforceable for any other reason,



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

#### **The charge of certain Collateral may in certain circumstances be voidable**

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

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

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

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

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

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

Subject to the Intercreditor Agreement, the Collateral will be shared on a *pari passu* basis by the holders of the Notes, the 2023 Notes, the 2021 Notes, the 2019 Notes, the Private Notes, the 2020 Notes, the September 2023 Notes, the lenders of the 2014 Club Loan, the lenders of the 2015 Club Loan and Goldman Sachs International. Accordingly, in the event of a default on the Notes, the 2023 Notes, the 2021 Notes, the 2019 Notes, the Private Notes, the 2020 Notes, the September 2023 Notes, the 2014 Club Loan, the 2015 Club Loan, the Hedging Obligations and a foreclosure on the Collateral, any foreclosure proceeds would be shared by holders of secured

indebtedness in proportion to the outstanding amounts of each class of secured indebtedness. The value of the Collateral securing the Notes and the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors is unlikely to be sufficient to satisfy the Company's and each of the Subsidiary Guarantor Pledgors' obligations under the Notes, the Subsidiary Guarantees and other pari passu secured indebtedness, and the Collateral securing the Notes and such Subsidiary Guarantee may be reduced or diluted under certain circumstances, including the issuance of Additional Notes and the disposition of assets comprising the Collateral, subject to the terms of the Indenture and the Intercreditor Agreement.

**The pledge of certain Collateral may be released under certain circumstances**

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

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

If so instructed by the holders of the Notes, the 2023 Notes, the 2021 Notes, the 2019 Notes, the Private Notes, the 2020 Notes, the September 2023 Notes, the lenders of the 2014 Club Loan, the lenders of the 2015 Club Loan, Goldman Sachs International or other permitted pari passu secured indebtedness (or their trustees or representatives) given under and in accordance with the Intercreditor Agreement, the Intercreditor/Collateral Agent is required to take action to enforce the Collateral. Any such enforcement action will adversely affect our entitlement to receive dividend or other distributions from the Collateral, which will, in turn, have an adverse impact on our ability to fulfill our payment obligations under the Notes. Similarly, the Subsidiary Guarantors' ability to pay under the Subsidiary Guarantees will be adversely affected.

The Intercreditor Agreement limits the ability of holders of the Notes to enforce the Collateral, as only the Intercreditor/Collateral Agent is permitted to take enforcement actions. The Intercreditor/Collateral Agent, pursuant to the Intercreditor Agreement, the Security Documents and underlying indentures, has duties with respect to the Collateral pledged, assigned or granted. Under certain circumstances, such duties may conflict with the interests of the holders of the Notes and other secured parties.

If an Event of Default occurs under the Notes, the 2023 Notes, the 2021 Notes, the 2019 Notes, the Private Notes, the 2020 Notes, the September 2023 Notes, the 2014 Club Loan, the 2015 Club Loan, the Hedging Obligations or other permitted pari passu secured indebtedness, the holders of such indebtedness must decide whether to take any enforcement action with respect to the Collateral. Thereafter they may, through their respective trustee or representative, instruct the Intercreditor/Collateral Agent to take such action pursuant to the terms of the Intercreditor Agreement and the Security Documents. Such action may be adverse to holders of the Notes. In that event, the holders of the Notes would retain only the remedy to sue for payment on the Notes and the Subsidiary Guarantees.

## **Use of proceeds**

We estimate that the net proceeds from this offering, after deducting the underwriting discount and other estimated expenses payable by us in connection with this offering will be approximately US\$346.6 million. We intend to use the net proceeds from this offering solely for refinancing certain of our existing indebtedness and for general working capital purposes.

## Capitalization

The following table sets forth on an actual basis our consolidated cash and cash equivalents and capitalization as of June 30, 2016 and as adjusted to give effect to the Notes now being issued after deducting the discounts and commission and other estimated expenses of this offering. The following table should be read in conjunction with the selected consolidated financial and other data, the audited consolidated financial statements, the unaudited interim condensed consolidated financial information and related notes included elsewhere in this offering memorandum. Except as otherwise disclosed in this offering memorandum, there has been no material change in our capitalization since June 30, 2016.

(in millions)	As of June 30, 2016			
	Actual		As Adjusted	
	(RMB)	(US\$)	(RMB)	(US\$)
<b>Cash and cash equivalents<sup>(1)</sup></b> .....	30,800.2	4,634.5	33,103.7	4,981.1
<b>Short-term borrowings</b>				
Bank and other borrowings .....	17,757.5	2,671.9	17,757.5	2,671.9
Receipts under securitization arrangements .....	6,211.0	934.6	6,211.0	934.6
Total short-term borrowings <sup>(2)(3)</sup> .....	23,968.5	3,606.5	23,968.5	3,606.5
<b>Long-term borrowings<sup>(3)(4)(5)</sup></b>				
Bank and other borrowings .....	34,077.6	5,127.5	34,077.6	5,127.5
2023 Notes, 2021 Notes, 2019 Notes, Private Notes and 2020 Notes .....	21,348.4	3,212.3	21,348.4	3,212.3
Notes to be issued .....	—	—	2,303.5	346.6
Corporate bonds <sup>(6)</sup> .....	23,717.5	3,568.8	23,717.5	3,568.8
Total long-term borrowings .....	79,143.5	11,908.6	81,447.0	12,255.2
<b>Equity attributable to owners of the Company</b>				
Issued share capital (HK\$0.1 par value per share, 22,325,391,782 shares issued and fully paid) <sup>(7)</sup> .....	2,094.8	315.2	2,094.8	315.2
Share premium .....	26,839.3	4,038.5	26,839.3	4,038.5
Treasury shares .....	(531.0)	(79.9)	(531.0)	(79.9)
Other reserves .....	4,453.9	670.2	4,453.9	670.2
Retained earnings .....	35,743.1	5,378.2	35,743.1	5,378.2
Total equity attributable to owners of the Company .....	68,600.1	10,322.2	68,600.1	10,322.2
<b>Total capitalization<sup>(8)</sup></b> .....	171,712.1	25,837.3	174,015.6	26,183.9

### Notes:

(1) Cash and cash equivalents exclude restricted cash of RMB18,592.3 million (US\$2,797.6 million). On August 18, 2016, our board of directors declared the payment of a 2016 interim dividend of RMB6.92 cents (US\$1.04 cents) per share totaling approximately RMB1,538.0 million (US\$231.6 million), which has not been recognized as a liability in our unaudited interim condensed consolidated financial information as of and for the six months ended June 30, 2016. On November 1, 2016, our board of directors announced that such 2016 interim dividend will be paid wholly in cash and the capitalization table above has not been adjusted to reflect this. A final dividend with respect to 2015 of RMB6.47 cents (US\$0.97 cents) per share totaling RMB1,454.5 million (US\$218.9 million) was approved in our annual general meeting on May 24, 2016 and paid in cash in July 2016. The capitalization table above has not been adjusted to reflect the payment of dividend in July 2016.

(2) Short-term borrowings include the current portion of long-term bank and other borrowings and receipts under securitization arrangements of RMB6,211.0 million.

(3) As of June 30, 2016, our consolidated capital commitments were RMB82,755.9 million (US\$12,452.2 million) and our contingent liabilities, most of which were in the form of guarantees that we have provided to our customers in relation to their purchase of our properties, amounted to approximately RMB90,650.5 million (US\$13,640.1 million). See “Management’s discussion and analysis of financial conditions and results of operations—Liquidity and capital resources—Contingent liabilities” and “—Capital commitments.”

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

(5) We issued the September 2023 Notes on September 28, 2016. See “Description of other material indebtedness—September 2023 Notes.” The capitalization table above has not been adjusted to reflect the issuance of the September 2023 Notes.

(6) As of June 30, 2016, we had a series of domestic corporate bonds outstanding, including Zengcheng RMB6,000,000,000 Domestic Corporate Bonds, Zengcheng RMB8,000,000,000 Domestic Corporate Bonds, the Company Domestic Corporate Bonds, and Islamic medium term notes. See “Description of other material indebtedness—Domestic Corporate Bonds.” In August 2016, we issued the third tranche of the Company Domestic Corporate Bonds issued in 2016 in the principal amount of RMB1.0 billion (US\$150.5 million) with a coupon rate of 4.60% per annum and a term of five years. In September 2016, we issued the fourth tranche of the Company Domestic Corporate Bonds issued in 2016 in the principal amount of RMB10.0 billion (US\$1.5 billion) with a coupon rate of 4.15% per annum and a term of four years for the principal amount of RMB4,170,000,000 and a coupon rate of 5.65% per annum and a term of seven years for the principal amount of RMB5,830,000,000. In October 2016, Giant Leap Construction Co., our wholly-owned subsidiary in the PRC, issued the Guangdong Giant Leap Domestic Corporate Bonds. The capitalization table above has not been adjusted to reflect the issuance of domestic corporate bonds subsequent to June 30, 2016. See “Description of other material indebtedness—Domestic Corporate Bonds.”

(7) We bought back 320,580,000 of our shares during the six months ended June 30, 2016, of which 262,628,000 shares have been cancelled as of June 30, 2016. The total consideration paid to buy back the shares was approximately RMB809.5 million (US\$121.8 million), which has been deducted from shareholders equity. Subsequent to June 30, 2016, we have on different dates been buying back our shares. The capitalization table above has not been adjusted to reflect our various share purchases.

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

In October 2016, we entered into an asset backed securitization arrangement in relation to one of our Malaysian projects. See “Description of Other Material Indebtedness—Asset-backed Securities.”

We continue to enter into short-term and long-term borrowings in the ordinary course of business, such as construction and project loans. In addition, we may from time to time enter into other financing arrangements, such as corporate bonds, securitization arrangements, offshore facilities, trust financing arrangements and perpetual loan arrangements. See “Management’s discussion and analysis of financial condition and results of operations—Liquidity and capital resources—Capital resources” and “Description of other material indebtedness.”

## **Selected consolidated financial and other data**

The following tables present our selected financial and other data. The selected financial data as of and for each of the fiscal years ended December 31, 2013, 2014 and 2015 (except for EBITDA data) is derived from our audited consolidated financial statements as of and for the years ended December 31, 2014 and 2015 and included elsewhere in this offering memorandum. The summary financial data as of and for each of the six months ended June 30, 2015 and 2016 (except for EBITDA data) is derived from our unaudited but reviewed interim condensed consolidated financial information as of and for the six months ended June 30, 2016 and included elsewhere in this offering memorandum. Results for interim period are not indicative of the results for the full year. Our financial information has been prepared and presented in accordance with HKFRS, which differ in certain material respects from generally accepted accounting principles in other jurisdictions. The summary financial data below should be read in conjunction with “Management’s discussion and analysis of financial condition and results of operations” and the consolidated financial information and the related notes included elsewhere in this offering memorandum.

## Selected consolidated statement of comprehensive income information

(in millions, except percentages)	For the year ended December 31,				For the six months ended June 30,		
	2013	2014	2015	2015	2015	2016	2016
	(RMB)	(RMB)	(RMB)	(US\$)	(RMB)	(RMB)	(US\$)
Revenue <sup>(1)</sup> .....	62,724.7	84,548.8	113,222.6	17,036.5	47,327.6	57,362.5	8,631.3
Cost of sales .....	(43,713.3)	(62,493.7)	(90,359.3)	(13,596.3)	(36,353.0)	(45,336.5)	(6,821.8)
<b>Gross profit</b> .....	19,011.4	22,055.1	22,863.3	3,440.2	10,974.6	12,026.0	1,809.5
Other income and gains—net <sup>(1)</sup> .....	21.5	186.0	424.0	63.8	103.1	263.9	39.7
Gains arising from changes in fair value of and transfer to investment properties .....	-	1,880.0	809.8	121.8	467.0	360.6	54.3
Selling and marketing costs .....	(4,303.8)	(4,356.2)	(4,688.7)	(705.5)	(1,641.2)	(1,981.8)	(298.2)
Administrative expenses .....	(2,033.3)	(3,159.9)	(3,230.0)	(486.0)	(1,307.3)	(1,844.8)	(277.6)
<b>Operating profit</b> .....	12,695.9	16,605.0	16,178.4	2,434.3	8,596.2	8,823.9	1,327.7
Finance income .....	803.2	254.7	221.1	33.3	74.5	269.9	40.6
Finance costs .....	-	(450.3)	(1,510.6)	(227.3)	(386.8)	(263.5)	(39.6)
Finance income/(costs)—net .....	803.2	(195.6)	(1,289.5)	(194.0)	(312.3)	6.4	1.0
Share of results of associates and joint ventures .....	(25.9)	(40.3)	(55.8)	(8.4)	(16.7)	378.9	57.0
<b>Profit before income tax</b> .....	13,473.2	16,369.1	14,833.1	2,231.9	8,267.2	9,209.2	1,385.7
Income tax expenses .....	(4,625.2)	(5,757.2)	(5,121.4)	(770.6)	(2,894.7)	(3,004.3)	(452.1)
<b>Profit for the year/period</b> .....	8,848.0	10,611.9	9,711.7	1,461.3	5,372.5	6,204.9	933.6
<b>Other comprehensive income:</b>							
Items that will not be reclassified subsequently to profit or loss:							
—Revaluation gains on properties upon transfer from property, plant and equipment and land use rights to investment properties, net of tax <sup>(1)</sup> .....	-	1,464.2	-	-	-	-	-
—Change in fair value of financial assets at fair value through other comprehensive income, net of tax .....	-	-	-	-	-	4.0	0.6
Items that may be reclassified subsequently to profit or loss:							
—Change in value of available-for-sale financial assets, net of tax .....	6.3	2.3	4.7	0.7	(3.3)	-	-
—Deferred gains on cash flow hedges, net of tax .....	-	-	-	-	-	25.5	3.8
—Deferred costs of hedging, net of tax .....	-	-	-	-	-	(300.3)	(45.1)
—Currency translation differences .....	(78.9)	6.5	(899.0)	(135.3)	(5.7)	589.0	88.6
<b>Other comprehensive (loss)/income for the year/period, net of tax</b> .....	(72.6)	1,473.0	(894.3)	(134.6)	(9.0)	318.1	47.9
<b>Total comprehensive income for the year/period, net of tax</b> .....	8,775.4	12,084.9	8,817.4	1,326.7	5,363.5	6,523.0	981.5
<b>Profit attributable to:</b>							
—Owners of the Company .....	8,514.1	10,229.2	9,276.5	1,395.8	4,929.8	5,389.6	811.0
—Non-controlling interests .....	333.9	382.7	435.2	65.5	442.7	815.3	122.6
	8,848.0	10,611.9	9,711.7	1,461.3	5,372.5	6,204.9	933.6
<b>Total comprehensive income attributable to:</b>							
Owners of the Company .....	8,476.6	11,700.2	8,453.4	1,272.0	4,923.1	5,755.8	866.1
Non-controlling interests .....	298.8	384.7	364.0	54.7	440.4	767.2	115.4
	8,775.4	12,084.9	8,817.4	1,326.7	5,363.5	6,523.0	981.5
Dividends .....	3,105.8	3,001.9	2,912.2	438.2	1,463.7	1,538.0	231.4
<b>Other Financial Data (unaudited)</b>							
EBITDA <sup>(2)</sup> .....	14,089.8	17,174.9	15,860.6	2,386.5	9,010.0	9,252.2	1,392.2
EBITDA Margin <sup>(3)</sup> .....	22.5%	20.3%	14.0%	14.0%	19.0%	16.1%	16.1%

### Notes:

(1) In 2014, our management approved a business plan and reclassified certain properties from properties under development, properties held for sale or self-use to investment properties. To reflect this reclassification, we have designated a separate

business segment for property investment since 2014. In addition, rental income included in other income and gains for 2013 was reclassified to revenue to conform to the new presentation format in 2014.

In 2014, we changed our accounting policy on investment properties. Prior to June 30, 2014, our investment properties were stated at historical cost less accumulated depreciation and impairment loss. Subsequent to the change in accounting policy, investment properties are carried at fair value. If an item of property, plant and equipment or land use rights becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognized in equity as a revaluation gain or loss.

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

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



## Selected consolidated statement of financial position information

(in millions)	As of December 31,				As of June 30, 2016	
	2013 (RMB)	2014 (RMB)	2015 (RMB)	2015 (US\$) (unaudited)	(RMB) (unaudited)	(US\$) (unaudited)
<b>Non-current assets</b>						
Property, plant and equipment <sup>(1)</sup>	15,828.3	18,642.5	20,019.8	3,012.4	20,510.5	3,086.2
Investment properties <sup>(1)</sup>	112.3	7,035.6	8,686.3	1,307.0	9,638.8	1,450.3
Intangible assets	43.5	29.2	121.5	18.3	113.1	17.0
Land use rights	1,865.1	2,034.5	2,052.2	308.8	2,028.8	305.3
Properties under development	40,080.1	44,638.7	52,727.1	7,933.8	46,252.8	6,959.6
Investment in an associate	56.8	34.5	884.5	133.1	1,952.8	293.8
Investment in a joint venture	33.3	21.4	803.9	121.0	5,039.7	758.3
Financial assets at fair value through other comprehensive income	-	-	-	-	485.8	73.1
Deferred income tax assets	1,800.0	2,770.1	3,786.9	569.8	4,353.0	655.0
Available-for-sale financial assets	206.3	208.7	215.0	32.4	-	-
Derivative financial instruments	-	-	-	-	78.2	11.8
Trade and other receivables	-	-	643.0	96.8	15.5	2.3
	60,025.7	75,415.2	89,940.2	13,533.2	90,469.1	13,612.8
<b>Current assets</b>						
Properties under development <sup>(1)</sup>	67,473.8	105,994.0	135,107.0	20,329.4	167,077.3	25,139.9
Completed properties held for sale <sup>(1)</sup>	18,919.8	23,203.2	34,114.1	5,133.1	34,353.4	5,169.1
Inventories	572.9	2,095.1	1,978.4	297.7	2,399.1	361.0
Trade and other receivables	26,378.4	25,370.9	42,242.1	6,356.1	64,728.9	9,739.7
Prepaid taxes	6,189.2	8,739.7	9,490.4	1,428.0	14,534.2	2,186.9
Restricted cash	7,769.9	8,453.5	11,637.1	1,751.0	18,592.3	2,797.6
Cash and cash equivalents	18,909.7	18,760.6	36,240.8	5,453.1	30,800.2	4,634.5
Financial assets at fair value through profit or loss	-	-	1,188.1	178.8	1,210.1	182.1
Derivative financial instruments	-	-	18.0	2.7	43.9	6.6
	146,213.7	192,617.0	272,016.1	40,929.9	333,739.6	50,217.4
<b>Current liabilities</b>						
Advanced proceeds received from customers	63,418.0	91,792.5	96,516.1	14,522.6	126,169.0	18,984.5
Trade and other payables	30,914.6	40,925.0	73,385.2	11,042.2	86,510.2	13,017.1
Receipts under securitization arrangements	-	-	-	-	6,211.0	934.6
Dividend payable	-	-	-	-	1,454.5	218.9
Income taxes payable	8,137.5	8,976.1	8,905.4	1,340.0	8,663.6	1,303.6
Senior notes	2,348.0	2,538.8	-	-	-	-
Bank and other borrowings	10,086.2	12,390.7	22,778.0	3,427.4	17,757.5	2,672.0
Derivative financial instruments	-	-	10.2	1.5	72.1	10.9
	114,904.3	156,623.0	201,594.9	30,333.7	246,837.9	37,141.4
<b>Net current assets</b>	31,309.4	35,994.0	70,421.2	10,596.2	86,901.6	13,076.0
<b>Total assets less current liabilities</b>	91,335.1	111,409.2	160,361.4	24,129.4	177,370.7	26,688.7
<b>Non-current liabilities</b>						
Senior notes	20,711.5	19,735.0	20,878.2	3,141.5	21,348.4	3,212.3
Debenture	-	-	15,258.5	2,295.9	23,717.5	3,568.7
Bank and other borrowings	23,103.0	26,404.3	30,829.1	4,638.8	34,077.5	5,127.6
Deferred government grants	239.6	239.5	239.5	36.0	238.3	35.9
Deferred income tax liabilities	1,269.9	2,588.0	3,815.7	574.1	5,482.0	824.9
Derivative financial instruments	-	-	-	-	31.9	4.8
	45,324.0	48,966.8	71,021.0	10,686.4	84,895.7	12,774.1
<b>Equity attributable to owners of the Company</b>						
Share capital and premium	20,169.0	24,262.0	29,212.6	4,395.6	28,403.1	4,273.8
Other reserves	2,194.1	4,243.4	3,942.1	593.2	4,453.9	670.2
Retained earnings	21,590.5	28,180.7	32,136.0	4,835.5	35,743.1	5,378.2
	43,953.6	56,686.2	65,290.7	9,824.2	68,600.1	10,322.2
<b>Non-controlling interests</b>	2,057.5	5,756.2	24,049.7	3,618.7	23,874.9	3,592.4
<b>Total equity</b>	46,011.1	62,442.4	89,340.4	13,442.9	92,475.0	13,914.6
<b>Total equity and non-current liabilities</b>	91,335.1	111,409.2	160,361.4	24,129.4	177,370.7	26,688.7

Note:

(1) In 2014, our management approved a business plan and reclassified certain properties from properties under development, properties held for sale or self-use to investment properties. To reflect this reclassification, we have designated a separate business segment for property investment since 2014. In addition, rental income included in other income and gains for 2013 was reclassified to revenue to conform to the new presentation format in 2014.

In 2014, we changed our accounting policy on investment properties. Prior to June 30, 2014, our investment properties were stated at historical cost less accumulated depreciation and impairment loss. Subsequent to the change in accounting policy, investment properties are carried at fair value. If an item of property, plant and equipment or land use rights becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognized in equity as a revaluation gain or loss.

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

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

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

*Unless the context otherwise requires, references to "2013," "2014" and "2015" in this offering memorandum are to our financial years ended December 31, 2013, 2014 and 2015, respectively. Unless the context otherwise requires, reference to "the first half of 2015" and to "the first half of 2016" in this offering memorandum are to our interim financial period for the six months ended June 30, 2015 and June 30, 2016, respectively. References to "associate" or "associates" and "joint venture" or "joint ventures" in this section are to associates and joint ventures as respectively defined in HKFRS.*

### Overview

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

As of June 30, 2016, we had 536 projects at various stages of development. Of these projects, 190 were located in Guangdong Province: 31 in Guangzhou City, 31 in Dongguan City, 26 in Foshan City, 18 in Jiangmen City, 18 in Huizhou City, 12 in Zhaoqing City, 12 in Meizhou City and the remaining in various other cities. We also had 346 projects located outside Guangdong Province, spanning 21 provinces, two autonomous regions, three municipalities in the PRC as well as two projects in the State of Selangor, Malaysia, two projects in the State of Johor, Malaysia and one project in Sydney, Australia.

As of June 30, 2016, our projects had an aggregate completed GFA of approximately 90,456,910 sq.m. We had an aggregate GFA under development of approximately 50,940,205 sq.m. and an aggregate GFA of approximately 64,045,683 sq.m. relating to properties

held for future development as of the same date. We have obtained land use rights certificates, development and operation rights or land title in respect of the completed GFA, GFA under development and GFA held for future development. In addition, as of June 30, 2016, we had entered into land grant contracts or sale and purchase agreements in respect of land located in 104 cities in the PRC with an aggregate site area of approximately 12,257,125 sq.m. and an aggregate expected GFA of approximately 23,460,338 sq.m. for future development.

We also develop hotels to complement our residential properties. Most of these hotels are located in our large-scale residential community projects, which we believe have added value to such residential projects and enhanced our brand recognition. As of June 30, 2016, we had developed and were operating eight five-star hotels and two four-star hotels, as well as 37 hotels which were developed in accordance with the five-star rating standard set forth in the “Star-Rating Standard for Tourist Hotels” (旅遊飯店星級的劃分與評定) issued by the PRC National Tourism Administration and four hotels which were developed in accordance with the four-star standard of the “Star-Rating Standard for Tourist Hotels.” In addition, we had seven hotels under construction in accordance with the five-star rating standard and one hotel under construction in accordance with the four-star rating standard set forth in the “Star-Rating Standard for Tourist Hotels.”

## Certain profit or loss items

### Revenue

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

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

	For the year ended December 31,						For the six months ended June 30,			
	2013		2014		2015		2015		2016	
	Amount	Percentage of total revenue	Amount	Percentage of total revenue	Amount	Percentage of total revenue	Amount	Percentage of total revenue	Amount	Percentage of total revenue
	(RMB in thousands)	(RMB in thousands)	(RMB in thousands)	(RMB in thousands)	(RMB in thousands)	(RMB in thousands)	(RMB in thousands)	(RMB in thousands)	(RMB in thousands)	(RMB in thousands)
Property development	60,043,348	95.7	81,897,856	96.9	109,460,370	96.7	45,502,636	96.1	55,406,431	96.6
Construction, fitting and decoration	866,871	1.4	467,872	0.6	746,355	0.7	261,870	0.6	192,326	0.3
Property Investment <sup>(1)</sup>	42,854	0.1	86,714	0.1	91,747	0.1	47,339	0.1	52,771	0.1
Property management	777,129	1.2	964,066	1.1	1,469,307	1.3	904,824	1.9	969,036	1.7
Hotel operation	994,527	1.6	1,132,295	1.3	1,454,861	1.3	610,905	1.3	741,928	1.3
<b>Total</b>	<b>62,724,729</b>	<b>100.0</b>	<b>84,548,803</b>	<b>100.0</b>	<b>113,222,640</b>	<b>100.0</b>	<b>47,327,574</b>	<b>100.0</b>	<b>57,362,492</b>	<b>100.0</b>

Note:

(1) In 2014, our management approved a business plan and reclassified certain properties from properties held for sale or self-use to investment properties. To reflect this reclassification, we have designated a separate business segment for property investment since 2014. In addition, rental income included in other income and gains for 2013 was reclassified to revenue to conform to the period presentation since 2014.

Revenue from property development represents proceeds from the sale of our properties. As we derive a substantial amount of our total revenue from the property development segment, our results of operations for a given period are dependent upon the type and GFA of properties we have completed during that period, the market demand for those properties and the price we are able to obtain for such properties. Conditions in the property markets in which we operate change from period to period and are significantly affected by the general economic, political and regulatory developments in the PRC. See “—Key factors affecting our performance.”

We recognize revenue from the sales of properties when the construction has been completed and the properties have been delivered to the purchasers with the collectability of related receivables reasonably assured. For each of the years ended December 31, 2013, 2014 and 2015 and the six months ended June 30, 2016, we recognized revenue of RMB60,043.3 million, RMB81,897.9 million, RMB109,460.4 million (US\$16,470.4 million) and RMB55,406.4 million (US\$8,336.9 million) in connection with the delivery of an aggregate GFA of 9.2 million sq.m., 12.2 million sq.m., 17.7 million sq.m. and 8.9 million sq.m. of property, respectively.

Consistent with customary practice in the property development industry in the PRC, after satisfying the conditions for pre-sales according to PRC laws and regulations, we typically enter into purchase contracts with customers while the properties are still under development. See “Business—Property development—Pre-sales.” Generally there is a time difference typically ranging from several months to one year between the time we commence pre-selling of properties under development and the delivery of properties to the purchasers. We do not recognize any revenue from the pre-sales of our properties until the development of such properties is completed and the properties are delivered to the purchasers, even though a portion of the purchase price for a property is typically paid at various stages prior to the delivery of properties. Before the delivery of a pre-sold property upon the completion of development, deposits, installments and purchase price or portions thereof received from our customers are recorded as “advanced proceeds received from customers,” a current liability on our statement of financial position.

Revenue from construction services is recognized in the accounting period in which the services are rendered by reference to completion of the specific transaction and assessed on the basis of the contract costs incurred up to the end of the reporting period as a percentage of the total estimated costs for each contract. Revenue from decoration, property management and hotel operation is recognized in the accounting period in which the services are rendered. The revenue generated by certain of our subsidiaries comprising the construction, fitting and decoration, property management and hotel operation segments from services provided to our projects is eliminated in our consolidated financial statements. For each of the three years ended December 31, 2013, 2014 and 2015 and the six months ended June 30, 2016, our construction, fitting and decoration segment generated revenue of RMB866.9 million, RMB467.9 million, RMB746.4 million (US\$112.3 million) and RMB192.3 million (US\$28.9 million), respectively; our property management segment generated revenue of RMB777.1 million, RMB964.1 million, RMB1,469.3 million (US\$221.1 million) and RMB969.0 million (US\$145.8 million), respectively; and our hotel operation segment generated revenue of RMB994.5 million, RMB1,132.3 million, RMB1,454.9 million (US\$218.9 million) and RMB741.9 million (US\$111.6 million), respectively.

In 2014, our management approved a business plan and reclassified certain properties from properties held for sale or self-use to investment properties. To reflect this reclassification, we have designated a separate business segment for property investment format 2014. As of June 30, 2016, the total GFA of the investment properties held amounted to approximately 1.2 million sq.m., and the fair value of these investment properties amounted to RMB9,638.8 million,

including RMB8,959.6 million of completed investment properties and RMB679.2 million of investment properties under construction. For each of the years ended December 31, 2014 and 2015 and the six months ended June 30, 2016, our property investment segment generated revenue of RMB86.7 million, RMB91.7 million (US\$13.8 million) and RMB52.8 million (US\$7.9 million), respectively.

## Cost of sales

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

	For the year ended December 31,						For the six months ended June 30,			
	2013		2014		2015		2015		2016	
	Amount	Percentage of total cost of sales	Amount	Percentage of total cost of sales	Amount	Percentage of total cost of sales	Amount	Percentage of total cost of sales	Amount	Percentage of total cost of sales
	(RMB in thousands)	%	(RMB in thousands)	%	(RMB in thousands)	%	(RMB in thousands)	%	(RMB in thousands)	%
Property development . . . .	41,451,840	94.8	60,081,424	96.1	87,621,756	97.0	34,872,854	95.9	43,949,409	96.9
Construction, fitting and decoration . . . . .	667,491	1.5	412,730	0.7	560,304	0.6	156,836	0.4	142,279	0.3
Property Investment <sup>(1)</sup> . . . .	-	-	-	-	-	-	-	-	-	-
Property management . . . .	764,578	1.8	1,058,005	1.7	1,012,853	1.1	824,329	2.3	667,996	1.5
Hotel operation . . . .	829,347	1.9	941,511	1.5	1,164,428	1.3	498,943	1.4	576,837	1.3
<b>Total . . . . .</b>	<b>43,713,256</b>	<b>100.0</b>	<b>62,493,670</b>	<b>100.0</b>	<b>90,359,341</b>	<b>100.0</b>	<b>36,352,962</b>	<b>100.0</b>	<b>45,336,521</b>	<b>100.0</b>

Note:

(1) In 2014, our management approved a business plan and changed the holding intention of certain properties from holding for sale or self use to long-term rental. To reflect this change in intention, we have designated a separate business segment of property investment since 2014. In addition, rental income included in other income and gains in the prior period is reclassified to revenue to conform to the new presentation format in 2014.

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

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

	For the year ended December 31,						For the six months ended June 30,			
	2013		2014		2015		2015		2016	
	Amount	Percentage of total cost of sales	Amount	Percentage of total cost of sales	Amount	Percentage of total cost of sales	Amount	Percentage of total cost of sales	Amount	Percentage of total cost of sales
	(RMB in thousands)	%	(RMB in thousands)	%	(RMB in thousands)	%	(RMB in thousands)	%	(RMB in thousands)	%
Construction, decoration and design costs . . . .	31,935,283	77.0	45,121,102	75.1	66,590,644	76.0	26,479,600	75.9	31,408,245	71.5
Land use rights cost . . . . .	6,118,926	14.8	10,418,114	17.3	14,853,771	17.0	5,859,243	16.8	9,194,978	20.9
Business taxes and levies . . . . .	3,397,631	8.2	4,542,208	7.6	6,177,341	7.0	2,534,011	7.3	3,346,187	7.6
<b>Total . . . . .</b>	<b>41,451,840</b>	<b>100.0</b>	<b>60,081,424</b>	<b>100.0</b>	<b>87,621,756</b>	<b>100.0</b>	<b>34,872,854</b>	<b>100.0</b>	<b>43,949,410</b>	<b>100.0</b>

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

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

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

*Business taxes.* Our PRC subsidiaries are subject to local business taxes. The effective business tax rate for each of our property development, construction, fitting and decoration, property investment, property management and hotel operation businesses as of June 30, 2016 was 5%, 3%, 5%, 5% and 5%, respectively. Business tax is levied on the revenue from the sales of properties or rendering of services. Accordingly, the total business tax recognized in our cost of sales increases or decreases along with the movement of revenue recognized.

#### **Other income and gains—net**

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

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

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

#### **Selling and marketing costs**

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

### **Administrative expenses**

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

### **Finance costs**

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

### **Income tax expenses**

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

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

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

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

minimum LAT prepayment rate shall be 2% for provinces in the eastern region, 1.5% for provinces in the central and northeastern regions, and 1% for provinces in the western region. We estimate and make provisions for the full amount of applicable LAT in accordance with the requirements set forth in the relevant PRC tax laws and regulations, but only pay a portion of such provisions each year as required by the local tax authorities under prevailing practice.

Our LAT expense for 2013, 2014 and 2015 and the first half of 2016 was RMB1,634.8 million, RMB1,644.9 million, RMB1,111.1 million (US\$167.2 million) and RMB827.4 million (US\$124.5 million), respectively.

Our effective income tax rate is affected by PRC enterprise income tax expense and LAT as described above. Our effective income tax rate is also affected by expenses incurred outside the PRC, such as the interest and other expenses incurred on the Convertible Bonds and senior notes, which are not deductible for purposes of PRC income tax. Our effective income tax rate was 34.3% in 2013, 35.2% in 2014, 34.5% in 2015 and 32.6% in the six months ended June 30, 2016.

### **Non-controlling interests**

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

### **Key factors affecting our performance**

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

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

Economic growth, urbanization and rising standards of living in China have been the main driving forces behind the increasing market demand for residential properties. The growth in demand for residential properties in the PRC, including Guangdong Province, in the last decade has often been coupled with volatility in market conditions and fluctuations in property prices. Developments in the economy and the rate of urbanization have in the past increased the demand for residential properties and affected pricing trends in the property sector in the cities and regions where we operate in China. We believe that these factors will continue to significantly affect our results of operations. China's rate of economic growth has slowed in recent years, and a portion of continuing economic growth has been driven by increased borrowing by local governments and corporations. During 2015, China's economy grew 6.9% from a year earlier, which was the lowest annual growth rate in 25 years. Further slowing in China's economic growth (including as a result of measures designed to control liquidity in the economy) could also affect our results of operations. See "Risk factors—Risks relating to our business—We are heavily dependent on the performance of the property market in the PRC, particularly in Guangdong Province, and may be affected by the performance of the property market in other places where we conduct our operations."

The slowdown of the worldwide economy from 2008 to early 2009, including that of China, resulted in the decline in real estate market sentiment, which have adversely affected property demand and average selling prices in many areas of China. In 2010, a financial crisis emerged in Europe, creating concerns about the ability of certain European nations to continue to service their sovereign debt obligations. On August 6, 2011, S&P downgraded the rating for long-term



United States debt to “AA+” from “AAA” for the first time in 70 years and on December 1, 2014, Moody’s downgraded the debt rating of Japan to “A1” from “Aa3.” These events, including the uncertainties surrounding Brexit, coupled with ongoing political unrest in the Middle East, Eastern Europe and Africa, particularly the crisis in Crimea, have resulted in an environment of macroeconomic uncertainty. It is difficult to determine the impact that any global economic slowdown and financial crisis may have on the property industry in China. If any global economic slowdown or financial market crisis eventuates, continues or worsens, our business prospects, revenues, cash flows and financial condition could be materially and adversely affected.

### **Regulatory measures in the property industry in China**

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

We are also highly susceptible to any regulations or measures adopted by PBOC that may restrict bank lending to enterprises, particularly to property developers. Moreover, a substantial portion of our purchasers depend on mortgage financing to purchase our properties. Regulations or measures adopted by the PRC government that are intended to restrict the ability of purchasers to obtain mortgages or that increase the costs of mortgage financing may decrease market demand for our properties and adversely affect our sales revenue.

#### **Ability to acquire suitable land for future property development**

Our continuing growth will depend in large part on our ability to acquire quality land at prices that can yield reasonable returns. Based on our current development plans, we believe we have sufficient land reserves for property developments for the next three to five years. Assuming that the PRC economy continues to grow at a relatively high speed and demand for residential properties remains strong, we expect that competition among developers for land reserves that are suitable for property development will intensify. In addition, the public tender, auction and listing-for-sale practice in respect of the grant of state-owned land use rights is also likely to increase competition for land development and to increase land acquisition costs. Furthermore, in November 2009, the PRC government raised the minimum down-payment of land premium to 50% and required the land premium to be fully paid within one year after the signing of a land grant contract, subject to limited exceptions. In March 2010, the Ministry of Land and Resources promulgated a notice to strictly regulate the transfer of land for commercial buildings. According to the notice, the area of a parcel of land granted for commodity residential development should be strictly restricted in accordance with the catalog of restricted use of land and the minimum price of the land transfer should not be less than 70% of the benchmark price of the place where the land being transferred is located, and the real estate developer's bid deposit should not be less than 20% of the minimum transfer price. See "Regulation." These changes of policy may materially and adversely affect our cash flow and our ability to acquire suitable land for our operations. In addition, as we expand to overseas markets, our ability to obtain suitable land in those markets will also become increasingly important to our operations and liquidity.

#### **Pre-sales**

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

#### **Access to and cost of financing**

Bank borrowing is another important source of funding for our property developments. As of December 31, 2013, 2014 and 2015 and June 30, 2016, our outstanding bank and other borrowings amounted to RMB33,189.2 million, RMB38,794.9 million, RMB53,607.1 million (US\$8,066.2 million) and RMB51,835.1 million (US\$7,799.6 million), respectively. As commercial

banks in China link the interest rates on their bank loans to benchmark lending rates published by PBOC, any increase in such benchmark lending rates will increase the interest costs related to our developments. Our access to capital and cost of financing are also affected by restrictions imposed from time to time by the PRC government on bank lending for property development.

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

### **Timing of property development**

The number of property developments that a developer can undertake during any particular period is limited due to the substantial amount of capital required for land acquisitions and construction costs as well as limited land supply. Property developments may take many months, or possibly years, before any pre-sale occurs. While pre-sales generate positive cash flow for us, no sales revenue is recognized in respect of such presold properties until development and the property is delivered to the purchaser. We aim to time the launch of pre-sales of our properties to coincide with strong periods of expected demand. As market demand is not stable, sales revenue in a particular period therefore depends on our ability to gauge the expected demand in the market at the launch time for completion of a particular project. As a result, our results of operations have fluctuated in the past and are likely to continue to fluctuate in the future.

### **Price volatility of construction materials**

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

### **Changes in product mix**

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

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

## **LAT**

Our property developments are subject to LAT with respect to the appreciated value of the related land and improvements on such land. LAT applies to both domestic and foreign investors of property in China, irrespective of whether they are corporate entities or individual investors. Our LAT expense recognized on our statements of comprehensive income for each of the three years ended December 31, 2013, 2014 and 2015 and the six months ended June 30, 2016 was RMB1,634.8 million, RMB1,644.9 million, RMB1,111.1 million (US\$167.2 million) and RMB827.4 million (US\$124.5 million), respectively. We prepay LAT with reference to our pre-sales proceeds and the tax rates set out by local tax authorities. See “Risk factors—Risks relating to our business—The relevant PRC tax authorities may challenge the basis on which we calculate our LAT obligations,” “—Certain profit or loss items—Cost of sales” and “—Certain profit or loss items—Income tax expenses.”

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

## **Labor costs**

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

## **Interim fluctuation of results of operations**

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

## **Critical accounting policies**

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

Our consolidated financial statements have been prepared in accordance with HKFRS. HKFRS requires that we adopt accounting policies and make estimates that, our directors believe, are the most appropriate under the circumstances for the purposes of giving a true and fair view of our results and financial condition. In preparing our consolidated financial statements, we made certain estimates and assumptions about future events based on our experience. The resulting accounting estimates will, by definition, seldom equal the actual results. The estimates and assumptions that may have a significant effect on the carrying amounts of assets and liabilities mainly include those related to property development activities. For more details about our critical accounting estimates and judgments, see note 4 to our audited financial information as of and for the year ended December 31, 2015 and note 5 to our reviewed financial information as of and for the six months ended June 30, 2016 included elsewhere in this offering memorandum.

*Revenue recognition.* Revenue comprises primarily the proceeds from property development, construction, fitting decoration, property investment, property management and hotel operation after the elimination of intra-group transactions. Revenue from property sales is recognized when the construction has been completed and the properties have been delivered to the purchasers with the collectability of related receivables is reasonably assured. Deposits and installments received on properties sold prior to the date of revenue recognition are included in our consolidated statement of financial position as advanced proceeds received from customers under current liabilities. Revenue arising from construction services is recognized in the accounting period in which the services are rendered by reference to completion of the specific transaction and assessed on the basis of the contract costs incurred up to the end of the reporting period as a proportion of the total estimated costs for each contract. Revenues arising from decoration service, hotel operation and property management are recognized in the accounting period in which the services are rendered.

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

*Properties under development and completed properties held for sale.* Properties under development which have either been pre-sold or which are intended for sale and are expected to be completed within a normal operating cycle are classified as current assets. Properties under development are stated at the lower of cost and net realizable value. Net realizable value for our properties under development is determined by reference to management estimates of the selling price based on prevailing market conditions, less applicable variable selling expenses and the anticipated costs to completion.

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

Completed properties remaining unsold at the end of each financial period are stated at the lower of cost and net realizable value. Net realizable value for our completed properties held for sale is determined by reference to management estimates of the selling price based on prevailing market conditions, less applicable variable selling expenses.

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

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

*Change in accounting policy on investment properties.* In 2014, we changed our accounting policy on investment properties. Prior to 2014, our investment properties were stated at historical cost less accumulated depreciation and impairment loss. They were depreciated using the straight line method over estimated useful life of 20 years. Subsequent to the change in accounting policy, investment properties are carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, we use alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Changes in fair values are recorded in profit or loss as part of a valuation gain or loss in "other gains—net."

If an item of property, plant and equipment or land use rights becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognized in equity as a revaluation gain or loss. However, if a fair value gain reverses a previous impairment loss, the gain is recognized in profit or loss to the extent the impairment provision previous made. For a transfer from inventories to investment property that will be carried at fair value, any difference between the fair value of the property at that date and its previous carrying amount shall be recognized in profit or loss.

*Change in accounting policy on the classification, measurement and derecognition of financial assets and liabilities.* In January 2016, we early adopted HKFRS 9, which was issued in July 2014 and introduced new rules for hedge accounting and a new impairment model for financial assets. Our adoption of this accounting policy resulted in adjustments to the amounts recognized in our financial statements. In accordance with the transitional provisions in HKFRS 9, comparative figures have not been restated. As a result, any adjustments to carrying amounts of financial assets or liabilities are recognized at the beginning of the current reporting period, with the difference recognized in opening retained earnings. Provisions for impairment have not been restated in the comparative period as well. See notes 3 and 4 to the unaudited interim condensed consolidated financial information as of and for the six months ended June 30, 2016 included elsewhere in this offering memorandum.

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

*Estimated fair value of investment properties.* The best evidence of fair value is the current prices in an active market for the properties with similar lease and other contracts. In the absence of

such information, our management determines the amount within a range of reasonable fair value estimates. In making its judgment, our management considers information from a variety of sources including:

(i) current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences;

(ii) recent prices of similar properties in less active markets, with adjustments to reflect any changes in the economic conditions since the date of the transactions that occurred at those prices; and

(iii) discounted cash flow projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

Our management assesses the fair value of our investment properties based on valuations determined by independent and professional qualified valuer.

## Results of operations

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

(in millions, except percentages)	For the year ended December 31,				For the six months ended June 30,		
	2013	2014	2015	2015	2015	2016	2016
	(RMB)	(RMB)	(RMB)	(US\$)	(RMB)	(RMB)	(US\$)
Revenue <sup>(1)</sup> .....	62,724.7	84,548.8	113,222.6	17,036.5	47,327.6	57,362.5	8,631.3
Cost of sales .....	(43,713.3)	(62,493.7)	(90,359.3)	(13,596.3)	(36,353.0)	(45,336.5)	(6,821.8)
<b>Gross profit</b> .....	<b>19,011.4</b>	<b>22,055.1</b>	<b>22,863.3</b>	<b>3,440.2</b>	<b>10,974.6</b>	<b>12,026.0</b>	<b>1,809.5</b>
Other income and gains—net <sup>(1)</sup> .....	21.5	186.0	424.0	63.8	103.1	263.9	39.7
Gains arising from changes in fair value of and transfer to investment properties .....	-	1,880.0	809.8	121.8	467.0	360.6	54.3
Selling and marketing costs .....	(4,303.8)	(4,356.2)	(4,688.7)	(705.5)	(1,641.2)	(1,981.8)	(298.2)
Administrative expenses .....	(2,033.2)	(3,159.9)	(3,230.0)	(486.0)	(1,307.3)	(1,844.8)	(277.6)
<b>Operating profit</b> .....	<b>12,695.9</b>	<b>16,605.0</b>	<b>16,178.4</b>	<b>2,434.3</b>	<b>8,596.2</b>	<b>8,823.9</b>	<b>1,327.7</b>
Finance income .....	803.2	254.7	221.1	33.3	74.5	269.9	40.6
Finance costs .....	-	(450.3)	(1,510.6)	(227.3)	(386.8)	(263.5)	(39.6)
Finance income/(costs)—net .....	803.2	(195.6)	(1,289.5)	(194.0)	(312.3)	6.4	1.0
Share of results of associates and joint ventures .....	(25.9)	(40.3)	(55.8)	(8.4)	(16.7)	378.9	57.0
<b>Profit before income tax</b> .....	<b>13,473.2</b>	<b>16,369.1</b>	<b>14,833.1</b>	<b>2,231.9</b>	<b>8,267.2</b>	<b>9,209.2</b>	<b>1,385.7</b>
Income tax expenses .....	(4,625.2)	(5,757.2)	(5,121.4)	(770.6)	(2,894.7)	(3,004.3)	(452.1)
<b>Profit for the year/period</b> .....	<b>8,848.0</b>	<b>10,611.9</b>	<b>9,711.7</b>	<b>1,461.3</b>	<b>5,372.5</b>	<b>6,204.9</b>	<b>933.6</b>
<b>Other comprehensive income:</b>							
Items that will not be reclassified subsequently to profit or loss:							
—Revaluation gains on properties upon transfer from property, plant and equipment and land use rights to investment properties, net of tax <sup>(1)</sup> .....	-	1,464.2	-	-	-	-	-
—Change in fair value of financial assets at fair value through other comprehensive income, net of tax .....	-	-	-	-	-	4.0	0.6
Items that may be reclassified subsequently to profit or loss:							
—Change in value of available-for-sale financial assets, net of tax .....	6.3	2.3	4.7	0.7	(3.3)	-	-
—Deferred gains on cash flow hedges, net of tax .....	-	-	-	-	-	25.5	3.8
—Deferred costs of hedging, net of tax .....	-	-	-	-	-	(300.3)	(45.1)
—Currency translation differences .....	(78.9)	6.5	(899.0)	(135.3)	(5.7)	589.0	88.6
<b>Other comprehensive (loss)/income for the year/period, net of tax</b> .....	<b>(72.6)</b>	<b>1,473.0</b>	<b>(894.3)</b>	<b>(134.6)</b>	<b>(9.0)</b>	<b>318.1</b>	<b>47.9</b>
<b>Total comprehensive income for the year/period, net of tax</b> .....	<b>8,775.4</b>	<b>12,084.9</b>	<b>8,817.4</b>	<b>1,326.7</b>	<b>5,363.5</b>	<b>6,523.0</b>	<b>981.5</b>
<b>Profit attributable to:</b>							
—Owners of the Company .....	8,514.1	10,229.2	9,276.5	1,395.8	4,929.8	5,389.6	811.0
—Non-controlling interests .....	333.9	382.7	435.2	65.5	442.7	815.3	122.6
	<b>8,848.0</b>	<b>10,611.9</b>	<b>9,711.7</b>	<b>1,461.3</b>	<b>5,372.5</b>	<b>6,204.9</b>	<b>933.6</b>
<b>Total comprehensive income attributable to:</b>							
Owners of the Company .....	8,476.6	11,700.2	8,453.4	1,272.0	4,923.1	5,755.8	866.1
Non-controlling interests .....	298.8	384.7	364.0	54.7	440.4	767.2	115.4
	<b>8,775.4</b>	<b>12,084.9</b>	<b>8,817.4</b>	<b>1,326.7</b>	<b>5,363.5</b>	<b>6,523.0</b>	<b>981.5</b>
Dividends .....	3,105.8	3,001.9	2,912.2	438.2	1,463.7	1,538.0	231.4
<b>Other Financial Data (unaudited)</b>							
EBITDA <sup>(2)</sup> .....	14,089.8	17,174.9	15,860.6	2,386.5	9,010.0	9,252.2	1,392.2
EBITDA Margin <sup>(3)</sup> .....	22.5%	20.3%	14.0%	14.0%	19.0%	16.1%	16.1%



Notes:

(1) In 2014, we changed our accounting policy on investment properties. Prior to 2014, our investment properties were stated at historical cost less accumulated depreciation and impairment loss. Subsequent to the change in accounting policy, investment properties are carried at fair value. If an item of property, plant and equipment or land use rights becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognized in equity as a revaluation gain or loss.

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

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

## First Half of 2016 Compared to the First Half of 2015

*Revenue.* Our revenue increased by 21.2% to RMB57,362.5 million (US\$8,631.3 million) in the first half of 2016 from RMB47,327.6 million in the corresponding period in 2015, primarily attributable to the increase in sales of properties.

- **Property development.** Revenue generated from property development increased by 21.8% to RMB55,406.4 million (US\$8,336.9 million) in the first half of 2016 from RMB45,502.6 million in the corresponding period in 2015, primarily attributable to a 22.8% increase in total GFA recognized to 8.9 million sq.m. in the first half of 2016 from 7.3 million sq.m. in the corresponding period in 2015. The recognized average selling price of property was approximately RMB6,228 (US\$937) per sq.m. in the first half of 2016, compared to approximately RMB6,272 per sq.m. in the corresponding period in 2015.

The following table sets forth the revenue generated from certain projects and the percentage of the total revenue it represented in each of the six months ended June 30, 2016 and 2015, respectively.

Property Development	For the six months ended June 30,			
	2016		2015	
	Revenue RMB'000	Percentage of revenue %	Revenue RMB'000	Percentage of revenue %
Country Garden—Coral Palace . . . . .	2,703,863	4.9%	-	0.0%
Sanming Country Garden . . . . .	2,595,878	4.7%	-	0.0%
Lu' an Country Garden . . . . .	2,520,854	4.5%	329,596	0.7%
Country Garden—Ten Miles Beach . . . . .	1,906,661	3.4%	2,950,540	6.5%
Huangjiang Country Garden . . . . .	1,590,898	2.9%	275,035	0.6%
Nanchong Country Garden . . . . .	1,294,053	2.3%	538,310	1.2%
Daliang Country Garden . . . . .	1,136,531	2.1%	-	0.0%
Shanwei Country Garden . . . . .	1,105,318	2.0%	210,092	0.5%
Fengshun Country Garden . . . . .	1,085,562	2.0%	773,199	1.7%
Country Garden—Jade Bay (Wuwei) . . . . .	1,081,942	2.0%	159,332	0.4%
Country Garden Hill Lake City (Qingcheng) . . . . .	1,077,494	1.9%	210,472	0.5%
Shunde Country Garden—including Country Garden West Court . . . . .	1,070,933	1.9%	1,545,326	3.4%
Country Garden—Grand Palace—Phase Two . . . . .	1,036,223	1.9%	-	0.0%
Country Garden—Jade Hill . . . . .	974,774	1.8%	53,484	0.1%
Nanling Country Garden . . . . .	971,626	1.8%	-	0.0%
Huaxi Country Garden . . . . .	967,084	1.7%	593,762	1.3%
Country Garden—City Garden (Zengcheng) . . . . .	966,253	1.7%	-	0.0%
Daye Country Garden . . . . .	924,282	1.7%	372,284	0.8%
Shaoguan Country Garden . . . . .	906,873	1.6%	580,534	1.3%
Lanzhou Country Garden . . . . .	806,724	1.5%	-	0.0%
Qidong Country Garden . . . . .	803,054	1.4%	-	0.0%
Country Garden—Phoenix City (Jurong) . . . . .	769,759	1.4%	1,065,761	2.3%
Changsha Country Garden . . . . .	735,321	1.3%	72,078	0.2%
Country Garden—Grand Palace . . . . .	732,919	1.3%	-	0.0%
Country Garden—Kowloon Bay . . . . .	697,347	1.3%	-	0.0%
Others . . . . .	24,944,205	45.0%	35,772,831	78.6%
<b>Total . . . . .</b>	<b>55,406,431</b>	<b>100.0%</b>	<b>45,502,636</b>	<b>100.0%</b>

- Construction, fitting and decoration. Revenue generated from construction, fitting and decoration decreased by 26.6% to RMB192.3 million (US\$28.9 million) in the first half of 2016 from RMB261.9 million in the corresponding period in 2015, primarily due to a decrease in the volume of construction, fitting and decoration services rendered to our related parties and third parties.

- Property investment. Revenue generated from property investment increased by 11.6% to RMB52.8 million (US\$7.9 million) in the first half of 2016 from RMB47.3 million in the corresponding period in 2015, primarily due to an increase in our rental area.

- Property management. Revenue generated from property management increased by 7.1% to RMB969.0 million (US\$145.8 million) in the first half of 2016 from RMB904.8 million in the corresponding period in 2015, primarily due to an increase in

the cumulative GFA under management resulting from the completion of construction and delivery of our properties, which was in line with the expansion of our operations.

- **Hotel operation.** Revenue generated from hotel operation increased by 21.4% to RMB741.9 million (US\$111.6 million) in the first half of 2016 from RMB610.9 million in the corresponding period in 2015, primarily due to increased revenues from existing hotels.

*Cost of sales.* Cost of sales increased by 24.7% to RMB45,336.5 million (US\$6,821.8 million) in the first half of 2016 from RMB36,353.0 million in the corresponding period in 2015. The increase in cost of sales outpaced the increase in revenue primarily due to (i) an increase in average land cost per sq.m. and (ii) an increase in construction costs as a result of an increase in the percentage of properties sold with renovation or decoration.

*Gross profit.* Gross profit increased by 9.6% to RMB12,026.0 million (US\$1,809.5 million) in the first half of 2016 from RMB10,974.6 million in the corresponding period in 2015. The gross profit margin in the first half of 2016 decreased to 21.0% from 23.2% in the corresponding period in 2015, primarily attributable to (i) an increase in average land cost per sq.m. and (ii) an increase in construction costs as a result of an increase in the percentage of properties sold with renovation or decoration.

*Other income and gains—net.* Other income and gains—net significantly increased by 155.9% to RMB263.9 million (US\$39.7 million) in the first half of 2016 from RMB103.1 million in the corresponding period in 2015, primarily due to (i) other income of RMB111.3 million (US\$16.7 million), (ii) an increase in governments grants to RMB86.7 million (US\$13.0 million) in the first half of 2016 from RMB16.1 million in the corresponding period in 2015 and (iii) an increase in forfeiture of deposits received from customers to RMB47.5 million (US\$7.2 million) in the first half of 2016 from RMB14.2 million in the corresponding period in 2015.

*Gains arising from changes in fair value of and transfer to investment properties.* Gains arising from changes in fair value of and transfer to investment properties decreased by 22.8% to RMB360.6 million (US\$54.3 million) in the first half of 2016 from RMB467.0 million in the corresponding period in 2015. The decrease was primarily attributable to the slower growth of fair value of existing investment properties.

*Selling and marketing costs.* Selling and marketing costs increased by 20.8% to RMB1,981.8 million (US\$298.2 million) in the first half of 2016 from RMB1,641.2 million in the corresponding period in 2015. The increase was primarily attributable to an increase in salaries and bonuses we offered to our sales staff to RMB844.5 million (US\$127.1 million) in the first half of 2016 from RMB455.2 million in the corresponding period in 2015.

*Administrative expenses.* Administrative expenses increased by 41.1% to RMB1,844.8 million (US\$277.6 million) in the first half of 2016 from RMB1,307.3 million in the corresponding period in 2015, primarily due to a significant increase in employee benefits by 65.0% to RMB997.6 million (US\$150.1 million) in the first half of 2016 from RMB603.6 million in the corresponding period in 2015, as a result of an increase in the average number of employee to 79,967 in the first half of 2016 from 57,357 in the corresponding period in 2015, as well as an increase in salaries and bonuses for our employees in the first half of 2016.

*Finance income/(costs)—net.* We recorded finance income—net of RMB6.4 million (US\$1.0 million) in the first half of 2016, compared to finance costs—net of RMB312.3 million in

the corresponding period in 2015, primarily due to costs related to the early redemption of the 2018 Notes of RMB307.4 million in the first half of 2015, while we did not incur such costs in the first half of 2016.

*Share of results of associates and joint ventures.* We recorded a share of gain of associates and joint ventures of RMB378.9 million (US\$57.0 million) in the first half of 2016, compared to a share of loss of associates and joint ventures of RMB16.7 million in the corresponding period in 2015.

*Income tax expenses.* Income tax expenses increased to RMB3,004.3 million (US\$452.1 million) in the first half of 2016 from RMB2,894.7 million in the corresponding period in 2015. Our effective income tax rate decreased to 32.6% in the first half of 2016 from 35.0% in the corresponding period in 2015, as a result of a decrease in the land appreciation tax rate.

*Total comprehensive income for the period.* Total comprehensive income for the period increased by 21.6% to RMB6,523.0 million (US\$981.5 million) in the first half of 2016 from RMB5,363.5 million in the corresponding period in 2015. Our net profit margin decreased to 10.8% in the first half of 2016 from 11.4% in the corresponding period in 2015, as a result of the cumulative effects of the foregoing factors.

## **2015 Compared to 2014**

*Revenue.* Our revenue increased by 33.9% to RMB113,222.6 million (US\$17,036.5 million) in 2015 from RMB84,548.8 million in 2014, primarily attributable to the increase in sales of properties, the increase in our rendering of construction, fitting and decoration services and the increase in our rendering of property management services.

- **Property development.** Revenue generated from property development increased by 33.7% to RMB109,460.4 million (US\$16,470.4 million) in 2015 from RMB81,897.9 million in 2014, primarily attributable to a 45.1% increase in total GFA recognized to 17.7 million sq.m. in 2015 from 12.2 million sq.m. in 2014. However, the recognized average selling price of property decreased by 7.9% to approximately RMB6,194 (US\$932) per sq.m. in 2015, compared to approximately RMB6,724 per sq.m. in 2014 mainly because the recognized high-rise building GFA increased to 78.6% of total GFA in 2015 from 69.2% in 2014.

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

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

- Construction, fitting and decoration. Revenue generated from construction, fitting and decoration increased by 59.5% to RMB746.4 million (US\$112.3 million) in 2015 from RMB467.9 million in 2014, primarily due to an increase in the volume of construction, fitting and decoration services rendered to our related parties and third parties.
- Property investment. Revenue generated from property investment increased by 5.8% to RMB91.7 million (US\$13.8 million) in 2015 from RMB86.7 million in 2014, due to an increase in our rental area.
- Property management. Revenue generated from property management increased by 52.4% to RMB1,469.3 million (US\$221.1 million) in 2015 from RMB964.1 million in 2014, primarily due to an increase in the cumulative GFA under management resulting from the

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

- **Hotel operation.** Revenue generated from hotel operation increased by 28.5% to RMB1,454.9 million (US\$218.9 million) in 2015 from RMB1,132.3 million in 2014, primarily due to the increased revenue from existing hotels and the opening of new hotels.

*Cost of sales.* Cost of sales increased by 44.6% to RMB90,359.3 million (US\$13,596.3 million) in 2015 from RMB62,493.7 million in 2014. The increase in cost of sales outpaced the increase in revenue primarily due to an increase in total GFA recognized.

*Gross profit.* Gross profit increased by 3.7% to RMB22,863.3 million (US\$3,440.2 million) in 2015 from RMB22,055.1 million in 2014. The gross profit margin in 2015 decreased to 20.2% from 26.1% in 2014, primarily attributable to a decrease of the recognized average selling price of property, as well as the average cost of sales per sq.m. being flat compared to 2014.

*Other income and gains—net.* Other income and gains—net increased by 128.0% to RMB424.0 million (US\$63.8 million) in 2015 from RMB186.0 million in 2014, primarily due to (i) gains on bargain purchase of RMB118.3 million (US\$17.8 million) in 2015, as compared to nil in 2014; and (ii) an increase in refund of land usage tax and other government grants to RMB183.7 million (US\$27.6 million) in 2015 from RMB68.5 million in 2014. The gains on bargain purchase arose mainly from our acquisition in 2015 of equity interests in various companies from various third party sellers at a discount to fair value.

*Gains arising from changes in fair value of and transfer to investment properties.* Gains arising from changes in fair value of and transfer to investment properties decreased by 56.9% to RMB809.8 million (US\$121.9 million) in 2015 from RMB1,880.0 million in 2014. The decrease was primarily attributable to a decrease in the amount of investment properties transferred from properties under development and completed properties held for sale.

*Selling and marketing costs.* Selling and marketing costs increased by 7.6% to RMB4,688.7 million (US\$705.5 million) in 2015 from RMB4,356.2 million in 2014. The increase was primarily attributable to an increase in the amount of commissions we offered to our sales staff during the year due to higher contracted sales as compared to 2014.

*Administrative expenses.* Administrative expenses increased by 2.2% to RMB3,230.0 million (US\$486.0 million) in 2015 from RMB3,159.9 million in 2014, primarily due to an increase in employee benefit expenses to RMB1,229.0 million (US\$184.9 million) in 2015 from RMB1,105.5 million in 2014 as we increased salaries and bonuses for our employees during the year.

*Finance costs—net.* Finance costs—net increased by 559.3% to RMB1,289.5 million (US\$194.0 million) in 2015 from RMB195.6 million in 2014, primarily due to (i) the cost of RMB307.4 million resulting from the early redemption of the 2018 Notes, (ii) the increase in foreign exchange loss of approximately RMB942.4 million resulting from the depreciation of the exchange rate of RMB against U.S. dollars and (iii) an increase in interest expense on bank and other borrowings and

debentures to RMB3,180.7 million (US\$478.6 million) from RMB2,634.8 million (US\$396.5 million) in 2014 primarily due to an increase in bank and other borrowings and our issuance of debentures at an aggregate par value of RMB15,174.0 million (US\$2,283.2 million) in 2015. Total interest expenses increased to approximately RMB5,061.7 million (US\$761.6 million) from approximately RMB4,879.4 million in 2014 due to an increase in the amount of bank and other borrowings and debentures. We recorded net foreign exchange losses of RMB1,640.8 million (US\$246.9 million) in 2015, compared to net foreign exchange losses of RMB260.8 million in 2014.

*Share of results of associates and joint ventures.* Our share of loss of associates joint ventures increased to RMB55.8 million (US\$8.4 million) in 2015 from RMB40.3 million in 2014.

*Income tax expenses.* Income tax expenses decreased slightly to RMB5,121.4 million (US\$770.6 million) in 2015 from RMB5,757.2 million in 2014. Our effective income tax rate decreased from 35.2% in 2014 to 34.5% in 2015, as a result of a decrease in the land appreciation tax rate.

*Total comprehensive income for the year.* Total comprehensive income for the year decreased by 27.0% to RMB8,817.4 million (US\$1,326.7 million) in 2015 from RMB12,084.9 million in 2014. Our net profit margin decreased to 8.5% in 2015 from 12.5% in 2014, as a result of the cumulative effects of the foregoing factors.

## **2014 Compared to 2013**

*Revenue.* Our revenue increased by 34.8% to RMB84,548.8 million in 2014 from RMB62,724.7 million in 2013, primarily attributable to the increase in sales of properties.

- **Property Development.** Revenue generated from property development increased by 36.4% to RMB81,897.9 million in 2014 from RMB60,043.3 million in 2013, primarily attributable to (i) a 31.8% increase in total GFA recognized to 12.2 million sq.m. in 2014 from 9.2 million sq.m. in 2013, and (ii) a 2.5% increase in recognized average selling price of property to RMB6,724 per sq.m. in 2014 from RMB6,498 per sq.m. in 2013.

The following table sets forth the revenue generated from certain projects and the percentage of the total revenue it represented in each of the years ended December 31, 2014 and 2013, respectively.

Property Development	For the year ended December 31,			
	2014		2013	
	Revenue RMB'000	Percentage of revenue %	Revenue RMB'000	Percentage of revenue %
Country Garden Phoenix City (Zengcheng) . . . . .	5,115,922	6.2%	3,299,170	5.5%
Country Garden—Phoenix City (Jurong) . . . . .	4,254,787	5.2%	2,094,375	3.5%
Nansha Country Garden . . . . .	3,210,552	3.9%	148,583	0.2%
Shaoguan Country Garden . . . . .	2,559,792	3.1%	828,232	1.4%
Country Garden—Eco City . . . . .	2,224,650	2.7%	925,246	1.5%
Country Garden Grand Garden (Dongguan) . . . . .	2,187,608	2.7%	200,497	0.3%
Country Garden Forest Hill Garden . . . . .	1,659,798	2.0%	1,979,205	3.3%
Shaoguan Country Garden—Sun Palace . . . . .	1,696,826	2.1%	886,414	1.5%
Country Garden—Phoenix City (Zhangqiu) . . . . .	1,593,141	1.9%	-	0.0%
Country Garden—Ten Miles Beach . . . . .	1,591,891	1.9%	5,658,556	9.4%
Xinhui Country Garden—Phase Four . . . . .	1,486,127	1.8%	586,723	1.0%
Danyang Country Garden . . . . .	1,455,758	1.8%	-	0.0%
Country Garden—City Garden . . . . .	1,424,190	1.7%	955,852	1.6%
Xianning Country Garden . . . . .	1,407,717	1.7%	815,692	1.4%
Country Garden—Galaxy Palace . . . . .	1,258,769	1.5%	1,647,713	2.7%
Meijiang Country Garden . . . . .	1,237,615	1.5%	1,363,165	2.3%
Country Garden—Dongjiang Phoenix City . . . . .	1,217,888	1.5%	701,652	1.2%
Country Garden—Europe City . . . . .	1,212,141	1.5%	685,751	1.1%
Xingning Country Garden . . . . .	1,168,966	1.4%	-	0.0%
Shilou Country Garden . . . . .	1,128,452	1.4%	-	0.0%
Country Garden—Parklane Bay . . . . .	1,094,452	1.3%	739,159	1.2%
Country Garden City Garden (Maoming) . . . . .	1,072,228	1.3%	537,126	0.9%
Jingmen Country Garden . . . . .	1,070,906	1.3%	513,940	0.9%
Country Garden—Jade Bay (Kaiping) . . . . .	1,061,951	1.3%	275,925	0.5%
Hangzhou Country Garden . . . . .	1,024,745	1.3%	-	0.0%
Others . . . . .	37,480,984	45.8%	35,200,371	58.6%
<b>Total . . . . .</b>	<b>81,897,856</b>	<b>100.0%</b>	<b>60,043,347</b>	<b>100.0%</b>

- Construction, fitting and decoration. Revenue generated from construction, fitting and decoration decreased by 46.0% to RMB467.9 million in 2014 from RMB866.9 million in 2013, primarily due to a decrease in the volume of construction, fitting and decoration services rendered to third parties.

- Property investment. In 2014, our management approved a business plan and reclassified certain properties from properties under development, properties held for sale or self use to investment properties. To reflect this reclassification, we have designated a separate business segment “property investment” since 2014. In addition, rental income included in other income and gains for 2013 was reclassified to revenue to conform to the new presentation format. Revenue generated from property investment increased by 102.3% to RMB86.7 million in 2014 from RMB42.9 million in 2013, due to an increase in our rental area.



- **Property management.** Revenue generated from property management increased by 24.1% to RMB964.1 million in 2014 from RMB777.1 million in 2013, primarily due to an increase in the cumulative GFA under management resulting from the completion of construction and delivery of our properties, which was in line with the expansion of our operations.
- **Hotel operation.** Revenue generated from hotel operation increased by 13.9% to RMB1,132.3 million in 2014 from RMB994.5 million in 2013, primarily due to increased revenue from existing hotels and the opening of new hotels.

*Cost of sales.* Cost of sales increased by 43.0% to RMB62,493.7 million in 2014 from RMB43,713.3 million in 2013. The increase in cost of sales outpaced the increase in revenue primarily due to (i) an increase in average land cost per sq.m. and (ii) an increase in construction costs as a result of an increase in the percentage of properties sold with renovation or decoration.

*Gross profit.* Gross profit increased by 16.0% to RMB22,055.1 million in 2014 from RMB19,011.4 million in 2013. Our gross profit margin in 2014 decreased to 26.1% from 30.3% in 2013, primarily attributable to the increase in cost of sales outpacing the increase in revenue.

*Other income and gains—net.* Other income and gains—net significantly increased by 765.9% to RMB186.0 million in 2014 from RMB21.5 million in 2013, primarily due to (i) an increase of refund of land usage tax to RMB68.5 million in 2014 from RMB3.9 million in 2013, (ii) a gain on disposal of properties under development of RMB43.3 million in 2014, as compared to nil in 2013 and (iii) an increase in other income to RMB52.9 million in 2014 from RMB2.8 million in 2013.

*Gains arising from changes in fair value of and transfer to investment properties.* In 2014, our management approved a business plan and reclassified certain properties from properties under development, properties held for sale or self use to investment properties. We recorded gains arising from changes in fair value of and transfer to investment properties in the amount of RMB1,880.0 million in 2014. We did not record gains arising from changes in fair value of and transfer to investment properties in 2013.

*Selling and marketing costs.* Selling and marketing costs increased by 1.2% to RMB4,356.2 million in 2014 from RMB4,303.8 million in 2013. The increase was primarily attributable to an increase in salary we offered to our sales staff to RMB1,661.0 million in 2014 from RMB1,529.5 million in 2013.

*Administrative expenses.* Administrative expenses increased by 55.4% to RMB3,159.9 million in 2014 from RMB2,033.3 million in 2013, primarily due to a significant increase in employee benefits by 55.9% to RMB1,105.5 million in 2014 from RMB708.9 million in 2013, as a result of an increase in the average number of employee to 64,869 in 2014 from 64,772 in 2013, as well as an increase in salaries and bonuses for our employees in 2014.

*Finance income/(costs)—net.* We recorded finance costs—net of RMB195.6 million in 2014, compared to finance income—net of RMB803.2 million in 2013, primarily due to (i) the fluctuation of the Renminbi to U.S. dollar exchange rate and (ii) the cost of redemption of the 2017 Notes. We recorded net exchange loss of approximately RMB260.8 million in 2014, compared to net exchange gain of approximately RMB512.5 million in 2013. In addition, in 2014, we redeemed the 2017 Notes prior to their maturity and resulted in an additional finance cost of RMB189.5 million.

*Share of results of associates and a joint venture.* Our share of loss of an associate, Guangzhou Li He Property Development Company Limited, and a joint venture, Zhongshan Yahong Property Development Company Limited, increased by 55.1% to RMB40.3 million in 2014 from RMB25.9 million in 2013.

*Income tax expenses.* Income tax expense increased by 24.5% to RMB5,757.2 million in 2014 from RMB4,625.2 million in 2013. Our effective income tax rate increased to 35.2% in 2014 from 34.3% in 2013.

*Total comprehensive income for the year.* Total comprehensive income for the year increased by 37.7% to RMB12,084.9 million in 2014 from RMB8,775.4 million in 2013. Our net profit margin increased to 12.6% in 2014 from 14.0% in 2013, as a result of the cumulative effects of the foregoing factors.

## **Liquidity and capital resources**

### **Cash flows**

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

The following table presents selected cash flow data from our consolidated cash flow statement for each of the three years ended December 31, 2013, 2014 and 2015 and the six months ended June 30, 2015 and 2016.

(in thousands)	For the year ended December 31,				For the six months ended June 30,		
	2013 (RMB)	2014 (RMB)	2015 (RMB)	2015 (US\$)	2015 (RMB)	2016 (RMB)	2016 (US\$)
Net cash used in operating activities	(5,809,383)	(4,331,865)	(17,589,932)	(2,646,734)	(7,366,748)	(11,683,444)	(1,757,992)
Net cash used in investing activities	(4,993,162)	(4,687,277)	(6,665,787)	(1,002,992)	(1,857,342)	(5,035,672)	(757,711)
Net cash generated from financing activities	17,984,601	8,912,647	41,669,568	6,269,966	7,685,927	11,189,584	1,683,682
Cash and cash equivalents at the end of the year/period	18,909,719	18,760,590	36,240,752	5,453,099	17,164,167	30,800,244	4,634,472

### **Cash flows from operating activities**

**First half of 2016.** Our net cash used in operating activities of RMB11,683.4 million (US\$1,758.0 million) in the first half of 2016 was attributable to cash used in operations of RMB4,664.4 million (US\$701.8 million), income tax paid of RMB4,400.1 million (US\$662.1 million) and interest paid of RMB2,618.9 million (US\$394.1 million). Cash used in operations prior to changes in working capital was RMB9,710.6 million (US\$1,461.1 million). Changes in working capital contributed to a net cash outflow of RMB14,375.0 million (US\$2,163.0 million), comprising primarily of (i) property under development and completed properties held for sale of RMB22,189.8 million arising mainly from capitalized interest expenses attributable to properties under development and construction costs and land use rights, (ii) trade and other receivables of RMB29,025.1 million from contracted sales and (iii) prepaid taxes of RMB3,214.6 million (US\$483.7 million), partially offset by trade and other payables of RMB17,777.5 million (US\$2,675.0 million) arising mainly from properties under development and associated construction fees payables.

**2015.** Our net cash used in operating activities of RMB17,589.9 million in 2015 was attributable to cash used in operations of RMB6,488.6 million, income tax paid of RMB6,144.9 million and interest paid of RMB4,956.4 million. Cash generated from operations prior to changes in working capital was RMB15,913.9 million. Changes in working capital contributed to a net cash outflow of RMB22,402.5 million, comprising primarily of (i) property under development and completed properties held for sale of RMB38,279.0 million mainly due to construction costs, capitalized interest expenses and land use rights, (ii) in trade and other receivables of RMB14,797.0 million

mainly due to higher sales recognized as compared to 2014 and (iii) prepaid taxes of RMB272.8 million, partially offset by trade and other payables of RMB30,837.5 million arising from properties under development and associated construction fees payable.

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

**2013.** Our net cash used in operating activities of RMB5,809.4 million in 2013 was attributable to income tax paid of RMB4,817.4 million and interest paid of RMB3,814.4 million, partially offset by cash generated from operations of RMB2,822.4 million. Cash generated from operations prior to changes in working capital was RMB13,302.3 million. Changes in working capital contributed to a net cash outflow of RMB10,479.9 million, comprising primarily of (i) property under development and completed property held for sale of RMB40,195.4 million arising mainly from capitalized interest expenses attributable to properties under development and construction costs and land use rights, (ii) prepaid taxes of RMB1,258.3 million, (iii) trade and other receivables of RMB8,554.6 million mainly due to higher contracted sales relative to 2012, (iv) inventories of RMB225.3 million, and (v) restricted cash of RMB2,718.9 million partially offset by (a) advanced proceeds received from customers of RMB30,064.3 million, arising mainly from higher contracted sales and (b) trade and other payables of RMB12,408.3 million arising mainly from properties under development and associated construction fees payable.

#### ***Cash flows from investing activities***

**First half of 2016.** Our net cash used in investing activities of RMB5,035.7 million (US\$757.7 million) in the first half of 2016 was primarily attributable to (i) payments for acquisition of subsidiaries, net of cash acquired of RMB2,147.8 million (US\$323.2 million), (ii) investments in joint ventures of RMB1,930.8 million (US\$290.5 million), and (iii) purchases of property, plant and equipment of RMB1,060.3 million (US\$159.5 million) primarily relating to payments for construction of new hotels, partially offset by (i) proceeds from repayment of loans to related parties of RMB776.0 million (US\$116.8 million), (ii) interest received of RMB269.9 million (US\$40.6 million), and (iii) proceeds from disposal of property, plant and equipment of RMB155.9 million (US\$23.5 million).

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

partially offset by (i) proceeds from disposal of property, plant and equipment of RMB255.4 million and (ii) interest received of RMB221.1 million.

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

**2013.** Our net cash used in investing activities of RMB4,993.2 million in 2013 was primarily attributable to (i) purchase of property, plant and equipment of RMB4,777.2 million primarily relating to payments for construction of new hotels, (ii) purchase of intangible assets of RMB37.8 million, (iii) acquisition of subsidiaries (net of cash acquired) of RMB13.2 million, (iv) payment for investment property of RMB1.6 million, and (v) purchase of land use rights of RMB531.8 million, partially offset by (a) interest received of RMB290.7 million, (b) proceeds from disposal of property, plant and equipment of RMB27.6 million, and (c) government grants received of RMB50.0 million.

### ***Cash flows from financing activities***

**First half of 2016.** Our net cash generated from financing activities of RMB11,189.6 million (US\$1,683.7 million) in the first half of 2016 was primarily attributable to (i) proceeds from bank and other borrowings of RMB18,306.8 million (US\$2,754.6 million), (ii) net proceeds from the issuance of corporate bonds of RMB7,960.0 million (US\$1,197.7 million), (iii) proceeds received from securitization arrangements of RMB6,211.0 million (US\$934.6 million), and (iv) capital injections from non-controlling interests of RMB1,933.5 million (US\$290.9 million), partially offset primarily by repayments of bank and other borrowings of RMB18,751.2 million (US\$2,821.5 million) and redemption of perpetual capital securities of RMB2,928.0 million (US\$440.6 million).

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

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

**2013.** Our net cash generated from financing activities of RMB17,984.6 million in 2013 was primarily attributable to (i) proceeds from bank and other borrowings of RMB24,552.2 million, (ii) proceeds from the issuance of the 2023 Notes and the 2021 Notes of RMB9,136.3 million, and (iii) capital contributions from non-controlling interests of RMB562.0 million, partially offset by (a) repayments of bank and other borrowings of RMB13,268.6 million, (b) dividends paid to shareholders of RMB1,709.8 million, (c) dividends paid to non-controlling interests of RMB83.4 million, (d) redemption of the Convertible Bonds of RMB957.2 million and (e) payment of acquisition of non-controlling interest of RMB247.0 million.

### **Capital resources**

Property developments require substantial capital investment for land acquisition and construction and may take many months or years before positive cash flows can be generated. To

date we have funded our growth principally from internal funds, borrowings from banks, proceeds from sales and pre-sales of our developed properties and proceeds from issuance of both debt and equity securities, such as the issuance of our various senior notes. We have also entered into trust financing arrangements and a perpetual loan for our funding requirements. Our financing methods vary from project to project and are subject to limitations imposed by PRC regulations and monetary policies.

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

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

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

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

We intend to continue to fund our future development and debt servicing from existing financial resources and cash generated from operations. We may also raise additional funds through debt or equity offerings or sales or other dispositions of assets in the future to finance all or a portion of our future development, for debt servicing or for other purposes. In addition, we may consider

raising additional funds through perpetual loans and securities in the PRC. Such perpetual loans and securities in the PRC may be guaranteed by us or our other subsidiaries or secured by shares of such subsidiaries.

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

### **Borrowings**

#### *Bank and other borrowings*

The following table sets forth our bank and other borrowings as of December 31, 2013, 2014 and 2015 and June 30, 2016:

(RMB in thousands)	2013	As of December 31,		As of June 30,
		2014	2015	2016
<b>Borrowings included in non-current liabilities:</b>				
Bank and other borrowings				
—secured . . . . .	24,713,828	26,531,036	29,094,271	29,966,197
—unsecured . . . . .	6,485,764	10,581,878	17,504,067	19,721,868
Less: current portion of non-current borrowings . . . . .	(8,096,586)	(10,708,656)	(15,769,259)	(15,610,527)
Non-current borrowings . . . . .	23,103,006	26,404,258	30,829,079	34,077,538
<b>Borrowings included in current liabilities:</b>				
Bank and other borrowings				
—secured . . . . .	200,579	725,000	2,807,099	350,000
—unsecured . . . . .	1,789,062	957,023	4,201,680	1,796,997
Current portion of non-current borrowings . . . . .	8,096,586	10,708,656	15,769,259	15,610,527
Current borrowings . . . . .	10,086,227	12,390,679	22,778,038	17,757,524
<b>Total . . . . .</b>	<b>33,189,233</b>	<b>38,794,937</b>	<b>53,607,117</b>	<b>51,835,062</b>

Our bank and other borrowings as of December 31, 2013, 2014 and 2015 and June 30, 2016 bore a weighted average effective interest of 7.34%, 7.16%, 6.88% and 4.92% respectively.

As of June 30, 2016, most of our bank and other borrowings were secured by equity interests in certain subsidiaries, land use rights, properties and equipment that we owned and guaranteed by our subsidiaries. The maturity of our bank and other borrowings included in non-current liabilities as of December 31, 2013, 2014 and 2015 and June 30, 2016 is as follows:

(RMB in thousands)	As of December 31,			As of June 30,
	2013	2014	2015	2016
Within 1 year . . . . .	10,086,227	12,390,679	22,778,038	17,757,524
Between 1 and 2 years . . . . .	10,656,172	14,644,053	13,014,023	11,184,034
Between 2 and 5 years . . . . .	11,776,548	11,231,453	17,322,840	22,544,981
Beyond 5 years . . . . .	670,286	528,752	492,216	348,523
	33,189,233	38,794,937	53,607,117	51,835,062

Subsequent to June 30, 2016, we have, from time to time, in the ordinary course of business, entered into additional loan agreements to finance our property developments or for general corporate purposes. A substantial portion of these loans were PRC bank loans and were secured by land use rights and other assets and properties as well as guaranteed by certain of our PRC subsidiaries. We have also entered into certain offshore facilities to finance our operations. See "Description of other material indebtedness—Offshore facility agreements."

*Convertible Bonds and senior notes*

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



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

#### *Corporate bonds*

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

#### *Receipts under securitization arrangements*

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

#### **Restricted cash**

Pursuant to relevant regulations, certain of our project companies are required to deposit a portion of proceeds from the pre-sales of properties into specific bank accounts. Before the completion of the pre-sold properties, the proceeds deposited in the escrow accounts may only be used for the restricted purposes of purchasing construction materials, equipment, making interim construction payments and paying taxes, with the prior approval of the relevant local authorities. As of December 31, 2013, 2014 and 2015 and June 30, 2016, our restricted cash amounted to RMB7,769.9 million (solely comprising guarantee deposits for construction of pre-sold properties), RMB8,453.5 million (solely comprising guarantee deposits for construction of pre-sold properties), RMB11,637.1 million (US\$1,751.0 million) (comprising guarantee deposits for construction of pre-sold properties) and RMB18,592.3 million (US\$2,797.6 million) (comprising guarantee deposits for construction of pre-sold properties), respectively.

#### **Contingent liabilities**

As of June 30, 2016, we provided guarantees of approximately RMB83,485.2 million (US\$12,561.9 million) to PRC banks in respect of the mortgaged loans provided by the banks to purchasers of our developed properties. The majority of the guarantees are discharged upon the earlier of the issuance of the individual property ownership certificate to the owner of the property or the certificate of other rights of property to the mortgage bank which will generally be available within three months after we deliver the relevant property to the purchasers, or upon the full settlement of the mortgaged loans by the purchaser. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, we are responsible for repaying the outstanding mortgage principal together with accrued interest and penalty owed by the defaulted purchasers to the banks and we are entitled to take legal title to and possession of the relevant properties. Of the amounts as of June 30, 2016, approximately RMB24.3 million

(US\$3.7 million) was to be discharged two years from the day the mortgage loans become due; and approximately RMB83,460.9 million (US\$12,558.3 million) was to be discharged upon the earlier of (i) issuance of the property ownership certificates which will generally be available within three months after the purchasers take possession of the relevant properties and (ii) the full repayment of the mortgage loans by the purchasers.

As of June 30, 2016, we had not provided guarantees to Malaysian banks in respect of the mortgaged loans provided by the banks to purchasers of our developed properties.

In addition, we provided guarantees for certain borrowings of associates and joint ventures. As of June 30, 2016, our guarantees provided for associates and joint ventures for their borrowings amounted to RMB7,165.3 million (US\$1,078.1 million).

Subsequent to June 30, 2016, we entered into an asset backed securitization arrangement whereby the rights to receive payments for property sales for one of our Malaysian projects were assigned to a third party entity. The third party entity issued securities in an aggregate principal amount of US\$120,000,000 in October 2016, for which we provided a guarantee on payment shortfalls of the third party entity.

### Capital commitments

As of June 30, 2016, our capital commitments in connection with our property development activities amounted to RMB82,755.9 million (US\$12,452.2 million), primarily arising from contracted construction fees, and land premium for future property developments. We expect to fund such capital commitments principally from the pre-sale proceeds of our properties and partly from, bank borrowings. The following table shows a breakdown of our capital commitments with respect to our property developments as of June 30, 2016:

	Amount (RMB in million)	Percentage %
<b>Contracted but not provided for</b>		
Property, plant and equipment . . . . .	17.7	0.0
Property development expenditures (including land premium) . . . . .	82,738.2	100.0
	<u>82,755.9</u>	<u>100.0</u>

For additional information about our capital commitments, see note 30 to our interim condensed consolidated financial information as of and for the six months ended June 30, 2016 included elsewhere in this offering memorandum.

### Market risk

#### Interest rate risk

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

Currently, our borrowings primarily consist of loans from commercial banks, receipts under securitization arrangements, the 2023 Notes, the 2021 Notes, the 2019 Notes, the Private Notes, the 2020 Notes, the 2014 Club Loan, the 2015 Club Loan and the corporate bonds. As of

December 31, 2013, 2014 and 2015 and June 30, 2016, our total borrowings amounted to RMB56,248.8 million, RMB61,068.7 million, RMB89,743.8 million (US\$13,503.6 million) and RMB103,112.0 million (US\$15,515.1 million), respectively. We currently have some derivative instruments to hedge our interest rate risk. We designate some of our derivative instruments as hedges of foreign exchange and interest rate risks associated with the cash flows of our foreign currency borrowings.

Borrowings issued at variable rates expose us to cash flow interest rate risk while borrowings issued at fixed rates expose us to fair value interest rate risk. In addition, any increase of benchmark lending rates published by PBOC may result in an increase in our interest costs, as most of our bank borrowings bear floating interest rates linked to PBOC-published rates. PBOC-published benchmark one-year lending rates, which directly affect the property mortgage rates offered by commercial banks in China, as of December 31, 2013, 2014 and 2015 and June 30, 2016 was 6.00%, 5.60%, 4.35% and 4.35%, respectively. On November 21, 2014, the PBOC decreased the benchmark one-year lending rate to 5.60%. We cannot assure you that PBOC will not raise lending rates in the future or that our business, financial condition and results of operations will not be adversely affected as a result of these adjustments.

### **Foreign exchange risk**

We conduct most of our sales and purchases in Renminbi except for a small portion of our sales proceeds that are in other currencies. Our exposure to foreign exchange risk is principally due to our outstanding foreign currency borrowings that are mainly denominated in U.S. dollars, H.K. dollars, Malaysian ringgit, and Australia dollars. As of June 30, 2016, we had U.S. dollar-denominated debt totaling approximately US\$4,356.9 million, representing among others, the 2023 Notes in the aggregate principal amount of US\$750.0 million, the 2021 Notes in the aggregate principal amount of US\$750.0 million, the 2019 Notes in the aggregate principal amount of US\$550.0 million, the Private Notes in the aggregate principal amount of US\$250.0 million and the 2020 Notes in the aggregate principal amount of US\$900.0 million, H.K. dollar-denominated debt totaling approximately HK\$4,360.5 million (US\$562.0 million), representing primarily outstanding amounts under certain term loans and a relatively small amount of Malaysian-ringgit and Australian-denominated debt totaling approximately RMB2,300.2 million (US\$346.1 million). As of the same date, other than Renminbi, we had aggregate cash and bank balances denominated in H.K. dollars of RMB2,296.4 million (US\$345.5 million), in U.S. dollars of RMB338.1 million (US\$50.9 million), in Malaysian Ringgit of RMB696.2 million (US\$104.8 million) and in Australian dollars and other currencies of RMB34.7 million (US\$5.2 million). Since 2015, we have adopted foreign currency hedging instruments to better manage our foreign exchange risks, using a combination of foreign exchange forward contracts, foreign currency option contracts and foreign currency swap contracts. In June 2016, we entered into the ISDA Agreement with Goldman Sachs International, our obligations under which are guaranteed by the Subsidiary Guarantors under the Guarantee and secured by the Collateral. Going forward, we may enter into further swap arrangements that require us to provide guarantees and security.

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

Appreciation of the Renminbi against the U.S. dollar generally results in a gain arising from our U.S. dollar-denominated debt and a loss arising from our bank deposits in H.K. dollars and U.S.

dollars. A depreciation of the Renminbi against the U.S. dollar would have the opposite effect. In addition, a depreciation of Renminbi would negatively affect the value of dividends paid by our PRC subsidiaries, which may in turn affect our ability to service foreign currency-denominated debts.

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

### **Inflation**

According to the China Statistical Bureau, China’s overall national inflation rate, as represented by the general consumer price index, was approximately 2.6%, 2.0%, 1.4% and 2.1% in 2013, 2014, 2015 and the first half of 2016, respectively. Deflation could negatively affect our business as it would be a disincentive for prospective property buyers to make a purchase. Historically, we have not been materially affected by any inflation or deflation.

### **Non-GAAP financial measures**

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

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

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

The following table reconciles our operating profit under HKFRS to our definition of EBITDA for the periods indicated:

(RMB in millions)	For the year ended December 31,			For the six months ended June 30,	
	2013	2014	2015	2015	2016
Operating profit .....	12,695.9	16,605.0	16,178.4	8,596.3	8,823.9
<b>Adjustments :</b>					
Interest income .....	290.7	254.7	221.1	74.5	269.9
Depreciation of property, plant and equipment and investment property ...	516.9	509.2	596.6	387.4	383.8
Amortization of land use rights <sup>(1)</sup> .....	56.9	60.5	57.1	27.3	31.7
Amortization of intangible assets .....	16.9	6.3	10.6	3.9	6.4
Net foreign exchange gains/(loss) .....	512.5	(260.8)	(1,203.2)	(79.4)	(263.5)
<b>EBITDA</b> .....	<b>14,089.8</b>	<b>17,174.9</b>	<b>15,860.6</b>	<b>9,010.0</b>	<b>9,252.2</b>

Note:

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

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

## Industry overview

*The information in the section below has been derived, in part, from various government publications unless otherwise indicated. We have endeavored to obtain the most recent sources available. This information has not been independently verified by us, the Initial Purchasers, the Trustee, the Agents or any of our and their respective affiliates or advisors. The information may not be consistent with other information compiled within or outside the PRC.*

### The economy of the PRC

The PRC economy has grown significantly since the PRC government introduced economic reforms in the late 1970s. China's accession to the World Trade Organization in 2001 has further accelerated the reform of the PRC economy. China's nominal GDP has increased from approximately RMB41,303.0 billion in 2010 to approximately RMB68,550.6 billion in 2015 at a compound annual growth rate, or CAGR, of approximately 10.7%.

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

	2010	2011	2012	2013	2014	2015	5Y CAGR	3Y CAGR
Nominal GDP (RMB in billions) . . . . .	41,303.0	48,930.1	54,036.7	59,524.4	64,397.4	68,550.6	10.7%	8.3%
Real GDP growth rate (%) . . . . .	10.6%	9.5%	7.9%	7.8%	7.3%	6.9%		
Per capita GDP (RMB) . . . . .	30,876.0	36,403.0	40,007.0	43,852.0	47,203.0	49,992.0	10.1%	7.7%
Foreign Direct Investment (US\$ in billions) . . . . .	114.7	124	121.1	123.9	128.5	126.3	1.9%	1.4%
Fixed Asset Investment (RMB in billions) . . . . .	24,141.5	30,193.3	36,483.5	43,652.8	50,200.5	55,159.0	18.0%	14.8%

Source: CEIC

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

### The property industry in the PRC

#### Property reforms

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

1988 . . . . . The PRC government amended the national constitution to permit the transfer of state-owned land use rights

- 1992 . . . . . Public housing sales in major cities commenced
- 1994 . . . . . The PRC government further implemented property reform and established an employer/employee-funded housing fund
- 1995 . . . . . The PRC government issued regulations regarding the sales and pre-sales of property, establishing a regulatory framework for property sales
- 1998 . . . . . The PRC government abolished state-allocated housing policy
- The Guangdong government issued regulations on the administration of pre-sales of commodity properties in Guangdong Province
- 1999 . . . . . The PRC government extended maximum mortgage term to 30 years
- The PRC government increased maximum mortgage financing from 70% to 80%
- The PRC government formalized procedures for the sale of property in the secondary market
- 2000 . . . . . The PRC government issued regulations to standardize the quality of construction projects, establishing a framework for administering construction quality
- 2001 . . . . . The PRC government issued regulations relating to the sales of commodity properties
- 2002 . . . . . The PRC government promulgated the Rules Regarding the Grant of State-Owned Land Use Rights by Way of Tender, Auction and Listing-for-Sale
- The PRC government eliminated the dual system for domestic and overseas home buyers in China
- 2003 . . . . . The PRC government promulgated rules for more stringent administration of property loans with a view to reducing the credit and systemic risks associated with such loans
- The State Council issued a notice for sustainable and healthy development of the property market
- 2004 . . . . . The State Council issued a notice requiring that, with respect to property development projects (excluding ordinary standard residential houses), the proportion of capital funds should be increased from 20% to 35%. The Ministry of Construction amended Administrative Measures on the Pre-sale of Commercial Housing in Cities. CBRC issued the Guideline for Commercial Banks on Risks of Real Estate Loans to further strengthen the risk management of commercial banks on property loans
- 2005 . . . . . The PRC government instituted additional measures to discourage speculation in certain regional markets including increasing the minimum required down payment to 30% of the total purchase price, eliminating the preferential mortgage interest rate for residential housing, imposing a business tax of 5% for sales within two years of purchase, and prohibiting reselling unfinished properties before they are completed

- 2006 to mid-2008 . . . . . The PRC government implemented additional land supply, bank financing, foreign investment and other measures to curtail fast increases in property prices, to encourage the development of middle- to low-end housing and to promote healthy development of the PRC property industry
- The PRC government issued regulations to urge the full and effective use of existing construction land and the preservation of farming land and rules to control financial institutions' property financings to further curtail speculation, over development and fast increases in property prices
- Mid-2008 to third quarter of 2009 . . . . . The PRC government implemented a number of measures to combat the global economic slowdown. These measures include the lowering of the PBOC benchmark bank lending rates, the internal capital ratio for property projects and the down payment requirements for purchasing residential properties
- Fourth quarter of 2009 . . . . . The PRC government adjusted some of its policies in order to enhance regulation in the property market, to restrain property purchases for investment or speculation purposes and to keep property prices from rising too quickly in certain cities, including abolishing certain preferential treatment relating to business tax payable upon transfers of residential properties
- 2010 . . . . . The PRC government issued a number of measures and policies to curtail the overheating of the property market. Such policy adjustments include abolishment of certain preferential treatment relating to business taxes payable upon transfers of residential properties by property owners, suspending the grant of mortgage loans to non-residents who cannot provide any proof of local tax or social security payments for more than one year, and limiting the number of residential properties that one family can purchase in certain areas, such as Guangzhou, Shenzhen, Suzhou, Nanjing, Tianjin, Wuhan, Ningbo, Fuzhou, Nanchang, Hangzhou and Dalian. The PRC government also clarified certain issues with respect to the calculation, settlement and collection of LAT in order to enforce the settlement and collection of LAT, and the criteria for commercial banks to identify the second residential property when approving mortgage loans
- 2011 . . . . . The PRC government implemented measures aimed at further cooling the real estate property market. These measures include increasing the minimum down payment to at least 60% of the total purchase price, setting minimum mortgage lending interest rate of 110% of the benchmark rate, levying business tax on the full amount of transfer price if an individual owner transfers a residential property within five years of purchase. There are also other measures targeting certain cities restricting purchasers from acquiring second (or further) residential properties and restricting non-residents that cannot provide any proof of local tax or social security payments for more than a specified time period from purchasing any residential properties and imposing property tax. In addition, certain cities, including Beijing, Shanghai, Qingdao, Chengdu and Jinan, have promulgated measures further limiting the number of residential properties one family is allowed to purchase. Between February and July 2011, the People's Bank of China (PBOC) raised the one-year benchmark lending rate by 75 basis points from 5.81% to 6.56%



- 2012 . . . . . The PRC government continued to implement selected policies aimed at further cooling the real estate property market. The NDRC announced in February 2012 that the government intended to limit mortgage loans for home purchases by foreigners to reduce overseas investment in the local property market. However, the PRC government reiterated its support for first-time homebuyers, including the construction of affordable housing and the offer of differentiated loans by China's four biggest state-owned banks to first-time homebuyers and to fund affordable housing projects. Beginning in May 2012, the PRC government began to implement selected measures to support the growth of the Chinese economy. In May 2012, the government lowered banks' reserve requirement ratio by 50 basis points for the second time, lowering the reserve requirement ratio for the country's largest financial institutions to 20%. The PRC government also lowered the PBOC one-year benchmark lending rate for the first time since December 2008, reducing the one-year benchmark lending rate by 56 basis points to 6.0%. In August 2012, the PRC government began preparing the implementation of a broader property tax following initial trials in Shanghai and Chongqing, with tax governors from across the country undergoing a six-month training program organized by the State Administration of Taxation to prepare for the tax's implementation. In December 2012, the PRC government announced its affordable housing program for 2013, with plans to start construction on 6 million units and complete 4.6 million units in 2013.
- 2013 . . . . . On February 20, 2013, the PRC government released five new policies to regulate the real estate market, including new initiatives to control speculative property investments, increase housing and land supply and step up construction of affordable housing. On February 26, 2013, the State Council issued six property tightening measures, which included an income tax levy on homeowners of as high as 20 percent on profit made from selling their homes. The State Council also stated that local branches of the central bank in certain cities could increase their down payment rate and mortgage loan interest rate for homebuyers purchasing a second unit. Furthermore, the new measures stipulated that non-local families without a certain number of years of tax payment certificates would be banned from buying homes in the cities in which they currently reside. In the third quarter of 2013, the minimum down payment for the second purchase of residential properties has been raised to 70 percent by several cities.
- 2014 . . . . . To support the demand of purchasers of residential property and to promote the sustainable development of the real estate market, the PBOC and the CBRC jointly issued the Notice on Further Improving Financial Services for Residential Property on September 29, 2014, which provides that for any family that wishes to use a loan to purchase a residential property, the minimum down payment will be 30% of the property price and the minimum loan interest rate will be 70% of the benchmark lending interest rate, with the specific terms of such loan to be decided by the banking financial institution that provides the loan, based on the risk profile of the borrower. Where a family that owns a residential property and has paid off its existing mortgage loan applies for a new mortgage loan to purchase another residential property to improve living conditions, the bank may apply mortgage loan policy for first-time purchasers of residential property. In cities that have lifted restrictions on the purchase of

residential property by residents or those that have not imposed such restrictions, when a family that owns two residential properties or more and has paid off its existing mortgage loans applies for a new mortgage loan to purchase another residential property, the bank is required to assess the credit profile of the borrower, taking into consideration the solvency and credit standing of the borrower and other factors, to decide the down payment ratio and loan interest rate. In view of the local urbanization plan, banks may provide mortgage loans to non-local residents that meet the conditions required by the related policies.

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

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

On September 3, 2016, the NPCSC adopted a decision on amending the law of foreign invested companies which became effective from October 1, 2016. Upon the effectiveness of the decision, the establishment of a foreign invested enterprise and its subsequent changes will be required to be filed with the

relevant authorities instead of obtaining approvals from relevant commerce authorities, except for foreign invested enterprises which are subject to the special administrative measures regarding foreign investment entry. On September 30, 2016, the State Administration for Industry & Commerce issued a circular on relevant issues of the registration of foreign invested enterprises to implement the decision of NPCSC. On October 8, 2016, the NDRC and the MOFCOM jointly issued a notice regarding the scope of industries subject to the special administrative measures for foreign investment entry. On the same day, the MOFCOM promulgated the Provisional Measures for Filing Administration of Establishment and Changes of Foreign-invested Enterprises.

From September 30, 2016 to date, Beijing, Shanghai, Guangzhou, Shenzhen, Tianjin, Suzhou, Zhengzhou, Wuxi, Hefei, Wuhan, Nanjing, Foshan, Dongguan, Fuzhou, Huizhou, Hangzhou and other cities have issued new property market control policies, including restoring or strengthening the restriction on purchases of residential properties and tightening credit policy.

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

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

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

	2010	2011	2012	2013	2014	2015	5Y CAGR	3Y CAGR
Urban population (in millions) .....	669.8	690.8	711.8	731.1	749.2	767.5	2.8%	2.5%
Total population (in millions) .....	1,340.9	1,347.4	1,354.0	1,360.7	1,367.8	1,373.5	0.5%	0.5%
Urbanization rate (%) .....	49.9%	51.3%	52.6%	53.7%	54.8%	55.9%	2.3%	2.0%
Per capita disposable income of urban households (RMB) ..	19,109.4	21,809.8	24,564.7	26,467.0	28,843.9	31,194.8	10.3%	8.3%

Source: CEIC

## The property market in China

Prices for property in China increased from 2010 to 2015, with the average price of residential properties in China increasing from approximately RMB4,725.0 per sq.m. in 2010 to approximately RMB6,472.0 per sq.m. in 2015, while the average price for commodity properties in the same period increased from approximately RMB5,032.0 per sq.m. in 2010 to approximately RMB6,793.0 per sq.m. in 2015.

In addition, investment in property development increased from approximately RMB4,826.7 billion in 2010 to approximately RMB9,597.9 billion in 2015.

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

	2010	2011	2012	2013	2014	2015	5Y CAGR	3Y CAGR
Investment in property development (RMB in billions) . . . . .	4,826.7	6,173.9	7,180.4	8,601.3	9,503.6	9,597.9	14.7%	10.2%
Total GFA sold (sq.m. in millions) . . . . .	1,047.6	1,093.7	1,113.0	1,305.5	1,206.5	1,284.9	4.2%	4.9%
GFA of residential properties sold (sq.m. in millions) . . . . .	933.8	965.3	984.7	1,157.2	1,051.8	1,124.1	3.8%	4.5%
Average price of commodity properties (RMB per sq.m.) . . . . .	5,032.0	5,357.1	5,791.0	6,237.3	6,323.0	6,793.0	6.2%	5.5%
Average price of residential properties (RMB per sq.m.) . . . . .	4,725.0	4,993.2	5,429.9	5,849.8	5,932.0	6,472.0	6.5%	6.0%

Source: CEIC

### Real estate sales revenue

The upward trend in the China property industry is evidenced by the growth of revenue from the sale of properties in China. According to CEIC, the total GFA of residential properties sold in the PRC increased from approximately 933.8 million sq.m. in 2010 to approximately 1,124.1 million sq.m. in 2015. During the same period, total GFA sold increased from approximately 1,047.6 million sq.m. in 2010 to approximately 1,284.9 million sq.m. in 2015.

### The property market in Guangdong Province

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

	2010	2011	2012	2013	2014	2015	5Y CAGR	3Y CAGR
Nominal GDP (RMB in billions) . . . . .	4,601.3	5,321.0	5,706.8	6,247.5	6,781.0	7,281.3	9.6%	8.5%
Real GDP growth rate (%) . . . . .	12.5	10.0	8.2	8.5	7.8	8.0	(8.5)%	(0.8)%
Per capita GDP (RMB) . . . . .	44,735.6	50,807.0	54,095.0	58,833.0	63,469.0	67,503.0	8.6%	7.7%
Per capita disposable income of urban households . . . . .	23,897.8	26,897.5	30,226.7	29,537.3	32,148.1	34,757.2	7.8%	4.8%

Source: CEIC, Wind

According to the CEIC, properties with a total GFA of 60.4 million sq.m. were completed in Guangdong Province in 2015, representing a CAGR of 1.31% since 2010. A total of 116.8 million sq.m. of total GFA was sold. The table below sets out selected data relating to the property market in Guangdong Province for the periods indicated.

	2010	2011	2012	2013	2014	2015	5Y CAGR	3Y CAGR
Total GFA completed (sq.m. in millions) . . . . .	56.6	61.4	63.6	62.7	73.3	60.4	1.31%	(1.7)%
GFA of residential properties completed (sq.m. in millions) . . . . .	45.9	48.8	49.2	47.5	54.4	44.4	(0.7)%	(3.4)%
Total GFA sold (sq.m. in millions) . . . . .	73.2	74.3	79.0	98.4	93.2	116.8	9.8%	13.9%
% of total GFA sold in the PRC . . . . .	7.0%	6.8%	7.1%	7.5%	7.7%	9.1%	5.4%	8.6%
GFA of residential properties sold (sq.m. in millions) . . . . .	65.5	67.1	71.6	88.3	81.6	104.9	9.9%	13.6%
Total sales revenue (RMB in billions) . . . . .	548.1	585.3	640.8	894.1	846.2	1,144.3	15.9%	21.3%
Sales revenue from residential properties (RMB in billions) . . . . .	459.0	507.1	548.8	747.6	696.0	996.7	16.8%	22.0%
Average price of commodity properties (RMB per sq.m.) . . . . .	7,486.0	7,879.2	8,112.2	9,089.8	9,083.0	9,796.1	5.5%	6.5%
Average price of residential properties (RMB per sq.m.) . . . . .	7,004.0	7,560.8	7,667.9	8,465.8	8,526.0	9,494.8	6.3%	7.4%

Source: CEIC, Wind

## Guangzhou City

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

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

Source: CEIC

## Foshan City

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

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

Source: CEIC

## Jiangmen City

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

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

Source: CEIC

## Huizhou City

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

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

Source: CEIC

### Shaoguan City

Shaoguan is located in the northern region of Guangdong Province. In 2015, Shaoguan had a population of approximately 2.9 million. Shaoguan's GDP reached approximately RMB115.0 billion in 2015. The table below sets out selected economic statistics of Shaoguan for the periods indicated.

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

Source: CEIC

### Qingyuan City

Qingyuan is located northwestern region of Guangdong Province. In 2014, Qingyuan had a population of approximately 3.8 million. Qingyuan's GDP reached approximately RMB119.7 billion in 2015, representing a per capita GDP of RMB31,477.0. The table below sets out selected economic statistics of Qingyuan for the periods indicated.

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

Source: CEIC

### Zhaoqing City

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

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

Source: CEIC

### Meizhou City

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

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

Source: CEIC

### Maoming City

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

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

Source: CEIC

### Dongguan City

Dongguan is located in the central southern region of Guangdong Province, south of the provincial capital Guangzhou. In 2014, Dongguan had a population of approximately 8.3 million. Dongguan's GDP reached approximately RMB627.5 billion in 2015, representing a per capita GDP of approximately RMB75,616.0. The table below sets out selected economic statistics of Dongguan for the periods indicated.

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

Source: CEIC



## The property market in Hunan Province

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

	2010	2011	2012	2013	2014	2015	5Y CAGR	3Y CAGR
Nominal GDP (RMB in billions) .....	1,603.8	1,967.0	2,215.4	2,462.0	2,704.0	2,905.0	12.6%	9.5%
Real GDP growth rate (%) .....	14.6	12.8	11.3	10.1	9.5	8.6	(10.0)%	(8.7)%
Per capita GDP (RMB) ....	24,719.0	29,880.0	33,480.0	36,943.0	40,270.5	42,968.0	11.7%	8.7%
Per capita disposable income of urban households .....	16,565.7	18,844.1	21,318.8	24,352.0	26,570.2	28,838.1	11.7%	10.6%

Source: CEIC, Wind

According to CEIC, properties with a total GFA of 39.7 mm sq.m. were completed in Hunan Province in 2015. The total sales revenue amounted to approximately RMB273.9 billion, of which approximately RMB225.4 billion was from the sale of residential properties. The average price per sq.m. of commodity properties and residential properties in Hunan Province in 2015 was approximately RMB4,304.4 and RMB3,974.2, respectively, representing a CAGR of 5.7% and 6.5%, respectively, since 2010. The table below sets out selected data on the property market in Hunan Province for the periods indicated.

	2010	2011	2012	2013	2014	2015	5Y CAGR	3Y CAGR
Total GFA completed (sq.m. in millions) .....	33.5	41.5	44.6	45.9	40.2	39.7	3.5%	(3.8)%
GFA of residential properties completed (sq.m. in millions) .....	28.3	34.4	36.9	37.6	31.8	30.9	1.8%	(5.7)%
Total GFA sold (sq.m. in millions) .....	44.7	49.0	51.5	59.5	54.4	63.6	7.3%	7.3%
% of total GFA sold in the PRC .....	4.3%	4.5%	4.6%	4.6%	4.51%	4.95%	2.9%	2.5%
GFA of residential properties sold (sq.m. in millions) .....	41.4	44.6	46.6	54.1	45.5	56.7	6.5%	6.8%
Total sales revenue (RMB in billions) .....	140.6	185.7	208.5	252.6	229.9	273.9	14.3%	9.5%
Sales revenue from residential properties (RMB in billions) .....	124.8	157.0	171.2	211.5	185.9	225.4	12.6%	9.6%
Average price of commodity properties (RMB per sq.m.) ..	3,146.0	3,790.3	4,048.6	4,243.1	4,227.0	4,304.4	6.5%	2.1%
Average price of residential properties (RMB per sq.m.) ..	3,014.0	3,523.6	3,669.6	3,908.3	3,830.0	3,974.2	5.7%	2.7%

Source: CEIC, Wind

## Changsha City

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

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

Source: CEIC

## The property market in Jiangsu Province

Jiangsu Province is located along the east coast of China. It has an area of approximately 102,600 sq.km. In 2015, Jiangsu Province had a population of approximately 79.8 million. Jiangsu's per capita disposable income of urban households in 2015 was RMB37,173.5. The table below sets out selected economic statistics of Jiangsu Province for the periods indicated.

	2010	2011	2012	2013	2014	2015	5Y CAGR	3Y CAGR
Nominal GDP (RMB in billions)	4,142.5	4,911.0	5,405.8	5,975.3	6,508.8	7,011.6	11.1%	9.1%
Real GDP growth rate (%)	12.7	11.0	10.1	9.6	8.7	8.5	(7.7)%	(5.6)%
Per capita GDP (RMB)	52,840.0	62,290.0	68,347.0	75,354.0	81,874.0	87,995.0	10.7%	8.8%
Per capita disposable income of urban households	22,944.3	26,340.7	29,677.0	31,585.5	34,346.3	37,173.5	10.1%	7.8%

Source: CEIC, Wind

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

	2010	2011	2012	2013	2014	2015	5Y CAGR	3Y CAGR
Total GFA completed (sq.m. in millions)	87.0	84.5	98.5	97.1	96.2	102.9	3.4%	1.5%
GFA of residential properties completed (sq.m. in millions)	65.5	64.8	76.9	75.8	72.6	79.3	3.9%	1.0%
Total GFA sold (sq.m. in millions)	94.9	79.7	90.2	114.5	98.5	114.1	3.8%	8.2%
% of total GFA sold in the PRC	9.1%	7.3%	8.1%	8.8%	8.16%	8.88%	(0.5)%	3.1%
GFA of residential properties sold (sq.m. in millions)	81.1	67.7	79.2	101.9	88.0	102.8	4.9%	9.1%
Total sales revenue (RMB in billions)	554.0	522.4	606.7	791.4	689.8	839.6	8.7%	11.4%
Sales revenue from residential properties (RMB in billions)	453.7	415.9	508.9	677.8	596.9	737.5	10.2%	13.2%
Average price of commodity properties (RMB per sq.m.)	5,841.0	6,554.4	6,726.8	6,908.6	7,006.0	7,356.0	4.7%	3.0%
Average price of residential properties (RMB per sq.m.)	5,592.0	6,145.2	6,422.8	6,650.3	6,783.0	7,176.8	5.1%	3.8%

Source: CEIC, Wind

## Zhenjiang City

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

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

Source: CEIC

## The property market in Hubei Province

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

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

Source: CEIC, Wind

According to CEIC, properties with a total GFA of 27.9 sq.m. were completed in Hubei Province in 2015, representing a CAGR of 1.9% since 2010. In 2015, the total sales revenue amounted to approximately RMB366.1 billion. The average price per sq.m. of commodity properties in Hubei Province in 2015 was approximately RMB5,863.3, representing a CAGR of 9.4% since 2010. The table below sets out selected data on the property market in Hubei Province for the periods indicated.

	2010	2011	2012	2013	2014	2015	5Y CAGR	3Y CAGR
Total GFA completed (sq.m. in millions) . . . . .	25.4	32.2	32.7	30.4	34.3	27.9	1.9%	(5.2)%
GFA of residential properties completed (sq.m. in millions) . . . . .	21.3	27.3	28.0	25.5	28.1	21.9	0.6%	(7.9)%
Total GFA sold (sq.m. in millions) . . . . .	35.1	41.9	40.4	53.0	56.0	62.4	12.2%	15.6%
% of total GFA sold in the PRC . . . . .	3.3%	3.8%	3.6%	4.1%	4.6%	4.9%	8.0%	10.5%
GFA of residential properties sold (sq.m. in millions) . . . . .	32.4	37.9	36.2	47.7	50.0	56.5	11.8%	16.0%
Total sales revenue (RMB in billions) . . . . .	131.3	187.9	203.6	279.0	308.8	366.1	22.8%	21.6%
Sales revenue from residential properties (RMB in billions) . . . . .	113.5	156.9	169.0	231.0	254.4	319.8	23.0%	23.7%
Average price of commodity properties (RMB per sq.m.) . . . . .	3,743.0	4,486.4	5,042.8	5,266.2	5,513.0	5,863.3	9.4%	5.2%
Average price of residential properties (RMB per sq.m.) . . . . .	3,506.0	4,142.1	4,668.0	4,847.2	5,085.0	5,663.4	10.1%	6.7%

Source: CEIC, Wind

## Wuhan City

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

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

Source: CEIC

## The property market in Anhui Province

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

	2010	2011	2012	2013	2014	2015	5Y CAGR	3Y CAGR
Nominal GDP (RMB in billions)	1,235.9	1,530.1	1,721.2	1,923.9	2,084.9	2,200.6	12.2%	8.5%
Real GDP growth rate (%)	14.6	13.5	12.1	10.4	9.2	8.7	(9.84)%	(10.4)%
Per capita GDP (RMB)	20,887.8	25,659.3	28,792.0	32,000.9	34,424.6	35,997.0	11.5%	7.7%
Per capita disposable income of urban households	15,788.2	18,606.1	21,024.2	22,789.3	24,838.5	26,935.8	11.3%	8.6%

Source: CEIC, Wind

According to the CEIC, properties with a total GFA of 55.4 millions in sq.m. were completed in Anhui Province in 2015. The total sales revenue amounted to approximately RMB336.9 billion. The average price per sq.m. of commodity properties in Anhui Province in 2015 was approximately RMB5,457.4, representing a CAGR of 5.4% since 2010.

	2010	2011	2012	2013	2014	2015	5Y CAGR	3Y CAGR
Total GFA completed (sq.m. in millions)	30.3	36.3	39.7	51.8	51.9	55.4	12.8%	11.8%
GFA of residential properties completed (sq.m. in millions)	24.1	28.9	31.2	39.2	38.3	40.9	11.2%	9.4%
Total GFA sold (sq.m. in millions)	41.5	46.1	48.3	62.7	62.0	61.7	8.3%	8.5%
% of total GFA sold in the PRC	4.0%	4.2%	4.3%	4.8%	5.1%	4.8%	3.7%	3.8%
GFA of residential properties sold (sq.m. in millions)	36.4	39.9	42.8	55.7	53.7	53.6	8.0%	7.8%
Total sales revenue (RMB in billions)	174.7	220.0	233.0	318.3	334.5	336.9	14.0%	13.1%
Sales revenue from residential properties (RMB in billions)	142.0	174.5	192.2	266.2	269.2	271.4	13.8%	12.2%
Average price of commodity properties (RMB per sq.m.)	4,205.0	4,776.1	4,825.0	5,080.1	5,394.0	5,457.4	5.4%	4.2%
Average price of residential properties (RMB per sq.m.)	3,899.0	4,371.2	4,495.1	4,776.2	5,017.0	5,067.1	5.4%	4.1%

Source: CEIC, Wind

## Hefei City

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

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

Source: CEIC

## Chuzhou City

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

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

Source: CEIC

## The property market in Liaoning Province

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

	2010	2011	2012	2013	2014	2015	5Y CAGR	3Y CAGR
Nominal GDP (RMB in billions) .....	1,845.7	2,222.7	2,484.6	2,721.3	2,862.7	2,874.3	9.3%	5.0%
Real GDP growth rate (%) .....	14.2	12.2	9.5	8.7	5.8	3.0	(26.7)%	(31.9)%
Per capita GDP (RMB) .....	42,355.0	50,760.0	56,649.0	61,685.9	65,201.2	65,524.0	9.1%	5.0%
Per capita disposable income of urban households .....	17,712.6	20,466.8	23,222.7	26,697.0	29,081.7	31,125.7	11.9%	10.3%

Source: CEIC, Wind

According to the CEIC, the average price per sq.m. of commodity properties Liaoning Province in 2015 was approximately RMB5,758.1 representing a CAGR of 5.0% since 2010. The table below sets out selected data on the property market in Liaoning Province for the periods indicated.

	2010	2011	2012	2013	2014	2015	5Y CAGR	3Y CAGR
Total GFA completed (sq.m. in millions) . . . . .	45.0	63.2	64.4	61.5	61.5	32.4	(6.4)%	(20.5)%
GFA of residential properties completed (sq.m. in millions) . . . . .	36.9	52.3	51.3	50.3	49.4	25.3	(7.3)%	(21.0)%
Total GFA sold (sq.m. in millions) . . . . .	68.0	75.4	88.3	92.9	57.5	39.2	(10.4)%	(23.7)%
% of total GFA sold in the PRC . . . . .	6.5%	6.9%	7.9%	7.1%	4.8%	3.1%	(0.14)	(27.2)%
GFA of residential properties sold (sq.m. in millions) . . . . .	60.1	66.2	76.6	80.1	49.3	34.8	(10.4)%	(23.1)%
Total sales revenue (RMB in billions) . . . . .	306.3	356.9	436.3	475.9	309.2	225.5	(5.9)%	(19.7)%
Sales revenue from residential properties (RMB in billions) . . . . .	258.8	300.9	361.1	394.2	251.9	190.8	(5.9)%	(19.2)%
Average price of commodity properties (RMB per sq.m.) . . . . .	4,505.0	4,732.6	4,942.0	5,121.7	5,373.0	5,758.1	5.0%	5.2%
Average price of residential properties (RMB per sq.m.) . . . . .	4,303.0	4,542.9	4,717.2	4,918.2	5,107.0	5,486.0	5.0%	5.2%

Source: CEIC

## Shenyang City

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

	2010	2011	2012	2013	2014	2015	5Y CAGR	3Y CAGR
Nominal GDP . . . . .	501.8	591.6	660.3	715.9	709.9	728.1	7.7%	3.3%
Real GDP growth rate (%) . . . . .	14.1	12.3	10.0	8.8	5.9	103.5	49.0%	117.9%
Per capita GDP (RMB) . . . . .	62,357.0	72,648.0	80,480.1	86,850.0	85,816.0	87,833.0	7.1%	3.0%

Source: CEIC

## The property market in Hainan Province

Hainan Province is located in the southern region of China, in the South China Sea. It has an area of approximately 35,354 sq.km. In 2015, Hainan had a population of approximately 9.1 million. The table below sets out selected economic statistics of Hainan Province for the periods indicated.

	2010	2011	2012	2013	2014	2015	5Y CAGR	3Y CAGR
Nominal GDP (RMB in billions) . . . . .	206.5	252.3	285.6	317.8	350.1	370.3	12.4%	9.0%
Real GDP growth rate (%) . . . . .	16.0	12.0	9.1	9.9	8.5	7.8	(13.4)%	(5.0)%
Per capita GDP (RMB) . . . . .	23,831.0	28,898.0	32,377.0	35,663.0	38,923.7	40,818.0	11.4%	8.0%
Per capita disposable income of urban households . . .	15,581.1	18,369.0	20,917.7	22,411.4	24,486.5	26,356.4	11.1%	8.0%

Source: CEIC, Wind

According to the CEIC, the average price per sq.m. of commodity properties in Hainan Province in 2015 was approximately RMB9,339.3, representing a CAGR of 1.3% since 2010. The table below sets out selected data on the property market in Hainan Province for the periods indicated.

	2010	2011	2012	2013	2014	2015	5Y CAGR	3Y CAGR
Total GFA completed (sq.m. in millions) . . . .	6.1	4.5	8.6	6.1	12.0	10.7	11.9%	7.6%
GFA of residential properties completed (sq.m. in millions) . . . .	5.2	4.0	7.3	5.2	10.5	9.2	12.1%	8.0%
Total GFA sold (sq.m. in millions) . . . . .	8.5	8.7	9.3	11.9	10.0	10.5	4.3%	4.1%
% of total GFA sold in the PRC . . . . .	0.8%	0.8%	0.8%	0.9%	0.8%	0.8%	0.43%	0.7%
GFA of residential properties sold (sq.m. in millions) . . . . .	8.3	8.2	9.0	11.5	9.4	9.8	3.4%	2.9%
Total sales revenue (RMB in billions) . . . . .	74.7	77.4	73.6	103.3	93.5	98.3	5.6%	10.1%
Sales revenue from residential properties (RMB in billions) . . . . .	73.4	74.4	70.2	99.7	87.3	90.9	4.4%	9.0%
Average price of commodity properties (RMB per sq.m.) . . . . .	8,735.0	8,943.5	7,893.8	8,668.8	9,315.0	9,339.3	1.3%	5.8%
Average price of residential properties (RMB per sq.m.) . . . . .	8,800.1	9,083.1	7,811.3	8,633.1	9,262.0	9,226.4	1.0%	5.7%

Source: CEIC

## The property market in Guizhou Province

Guizhou Province is located in the southwestern region of China. It has an area of approximately 68,018 sq.km. In 2015, Guizhou had a population of approximately 35.0 million. The table below sets out selected economic statistics of Guizhou Province for the periods indicated.

	2010	2011	2012	2013	2014	2015	5Y CAGR	3Y CAGR
Nominal GDP (RMB in billions) .....	460.2	570.2	685.2	808.7	926.6	1,050.3	17.9%	15.3%
Real GDP growth rate (%) .....	12.8	15.0	13.6	12.5	10.8	10.7	(3.5)%	(7.7)%
Per capita GDP (RMB) .....	13,119.0	16,413.0	19,710.0	23,151.0	26,437.0	29,847.0	17.9%	14.8%
Per capita disposable income of urban households .....	14,142.7	16,495.0	18,700.5	20,564.9	22,548.2	24,579.6	11.7%	9.5%

Source: CEIC, Wind

According to the CEIC, the average price per sq.m. of commodity properties in Guizhou Province in 2015 was approximately RMB4,415.1, representing a CAGR of 5.6% since 2010. The table below sets out selected data on the property market in Guizhou Province for the periods indicated.

	2010	2011	2012	2013	2014	2015	5Y CAGR	3Y CAGR
Total GFA completed (sq.m. in millions) ..	10.5	14.6	14.2	17.6	28.4	25.8	19.7%	22.0%
GFA of residential properties completed (sq.m. in millions) .....	8.3	11.0	11.2	13.5	20.5	19.3	18.4%	19.9%
Total GFA sold (sq.m. in millions) .....	17.3	18.8	21.9	29.7	31.8	35.6	15.5%	17.6%
% of total GFA sold in the PRC .....	1.7%	1.7%	2.0%	2.3%	2.6%	2.8%	10.3%	11.5%
GFA of residential properties sold (sq.m. in millions) ..	16.0	17.0	20.0	26.5	27,070.9	29,433.7	349.7%	1037.5%
Total sales revenue (RMB in billions) ...	58.1	73.2	90.0	127.7	137.0	157.2	22.0%	20.4%
Sales revenue from residential properties (RMB in billions) .....	50.2	59.3	74.0	98.9	100.0	106.8	16.3%	13.0%
Average price of commodity properties (RMB per sq.m.) .....	3,357.1	3,888.8	4,115.7	4,295.3	4,312.0	4,415.1	5.6%	2.4%
Average price of residential properties (RMB per sq.m.) .....	3,142.4	3,489.7	3,695.4	3,735.5	3,694.0	3,629.0	2.9%	(0.6)%

Source: CEIC



## The property market in Hebei Province

Hebei Province is located in the northwestern region of China. It has an area of approximately 72,500 sq.km. In 2015, Hebei had a population of approximately 74.3 million. The table below sets out selected economic statistics of Hebei Province for the periods indicated.

	2010	2011	2012	2013	2014	2015	5Y CAGR	3Y CAGR
Nominal GDP (RMB in billions) . . . . .	2,039.4	2,451.6	2,657.5	2,844.3	2,942.1	2,980.6	7.9%	3.9%
Real GDP growth rate (%) . . . . .	12.2	11.3	9.6	8.2	6.5	6.8	(11.0)%	(10.9)%
Per capita GDP (RMB) . . . . .	28,668.0	33,969.0	36,584.0	38,909.0	39,984.0	40,255.0	7.0%	3.2%
Per capita disposable income of urban households . . . . .	16,263.4	18,292.2	20,543.4	22,226.7	24,141.3	26,152.2	10.0%	8.4%

Source: CEIC, Wind

According to the CEIC, the average price per sq.m. of commodity properties in Hebei Province in 2015 was approximately RMB5,758.8, representing a CAGR of 10.2% since 2010. The table below sets out selected data on the property market in Hebei Province for the periods indicated.

	2010	2011	2012	2013	2014	2015	5Y CAGR	3Y CAGR
Total GFA completed (sq.m. in millions) . . .	36.1	51.8	48.9	44.4	40.4	40.4	2.3%	(6.2)%
GFA of residential properties completed (sq.m. in millions) . . .	31.3	42.7	39.8	35.2	31.9	32.3	0.6%	(6.7)%
Total GFA sold (sq.m. in millions) . . . . .	46.6	58.9	51.4	56.8	57.1	58.5	4.7%	4.4%
% of total GFA sold in the PRC . . . . .	4.5%	5.4%	4.6%	4.3%	4.7%	4.6%	0.2%	(0.3)%
GFA of residential properties sold (sq.m. in millions) . . . . .	43.3	52.9	46.2	50.2	50.2	51.6	3.6%	3.8%
Total sales revenue (RMB in billions) . . . .	165.0	234.5	230.4	278.0	292.8	337.2	15.4%	13.5%
Sales revenue from residential properties (RMB in billions) . . . .	148.9	199.4	191.5	232.9	250.2	285.4	13.9%	14.2%
Average price of commodity properties (RMB per sq.m.) . . . . .	3,539.0	3,982.8	4,478.0	4,897.3	5,131.0	5,758.8	10.2%	8.7%
Average price of residential properties (RMB per sq.m.) . . . . .	3,442.0	3,766.8	4,142.0	4,639.6	4,988.0	5,529.6	9.9%	10.1%

Source: CEIC

## The property market in Henan Province

Henan Province is located in the central region of China. It has an area of approximately 64,000 sq.km. In 2015, Henan had a population of approximately 94.8 million. The table below sets out selected economic statistics of Henan Province for the periods indicated.

	2010	2011	2012	2013	2014	2015	5Y CAGR	3Y CAGR
Nominal GDP (RMB in billions) . . . . .	2,309.2	2,693.1	2,959.9	3,219.1	3,493.8	3,701.0	9.9%	7.7%
Real GDP growth rate (%) . . . . .	12.5	11.9	10.1	9.0	8.9	8.3	(7.9)%	(6.3)%
Per capita GDP (RMB) . . . . .	24,446.1	28,661.0	31,499.0	34,211.5	37,071.7	39,131.0	9.9%	7.5%
Per capita disposable income of urban households . . . . .	15,930.3	18,194.8	20,442.6	21,740.7	23,672.1	25,575.6	9.9%	7.8%

Source: CEIC, Wind

According to the CEIC, the average price per sq.m. of commodity properties in Henan Province in 2015 was approximately RMB4,611.3, representing a CAGR of 8.7% since 2010. The table below sets out selected data on the property market in Henan Province for the periods indicated.

	2010	2011	2012	2013	2014	2015	5Y CAGR	3Y CAGR
Total GFA completed (sq.m. in millions) . . . . .	44.3	55.3	58.7	59.7	73.2	53.9	4.0%	(2.8)%
GFA of residential properties completed (sq.m. in millions) . . . . .	38.5	48.1	48.9	49.2	57.7	42.4	1.9%	(4.6)%
Total GFA sold (sq.m. in millions) . . . . .	54.5	62.8	59.7	73.1	78.8	85.6	9.4%	12.8%
% of total GFA sold in the PRC . . . . .	5.2%	5.7%	5.4%	5.6%	6.5%	6.7%	5.1%	7.3%
GFA of residential properties sold (sq.m. in millions) . . . . .	50.9	57.3	54.6	65.6	70.1	76.5	8.5%	11.9%
Total sales revenue (RMB in billions) . . . . .	165.9	219.7	228.7	307.4	334.1	394.6	18.9%	19.9%
Sales revenue from residential properties (RMB in billions) . . . . .	145.5	178.8	191.6	251.6	273.9	330.0	17.8%	19.9%
Average price of commodity properties (RMB per sq.m.) . . . . .	3,042.4	3,500.8	3,831.2	4,205.3	4,366.0	4,611.3	8.7%	6.4%
Average price of residential properties (RMB per sq.m.) . . . . .	2,856.3	3,123.2	3,511.3	3,834.9	3,909.0	4,316.5	8.6%	7.1%

Source: CEIC

## The property market in Jiangxi Province

Jiangxi Province is located in the southeastern region of China. It has an area of approximately 64,400 sq.km. In 2015, Jiangxi had a population of approximately 45.7 million. The table below sets out selected economic statistics of Jiangxi Hainan Province for the periods indicated.

	2010	2011	2012	2013	2014	2015	5Y CAGR	3Y CAGR
Nominal GDP (RMB in billions) . . . . .	945.1	1,170.3	1,294.9	1,441.0	1,571.5	1,672.4	12.1%	8.9%
Real GDP growth rate (%) . . . . .	14.0	12.5	11.0	10.1	9.7	9.1	(8.3)%	(6.1)%
Per capita GDP (RMB) . . . . .	21,253.0	26,150.0	28,800.0	31,930.0	34,674.0	36,724.0	11.6%	8.4%
Per capita disposable income of urban households . . . . .	15,481.1	17,494.9	19,860.4	22,119.7	24,309.2	26,500.1	11.3%	10.1%

Source: CEIC, Wind

According to the CEIC, the average price per sq.m. of commodity properties in Jiangxi Province in 2015 was approximately RMB5,358.1, representing a CAGR of 11.3% since 2010. The table below sets out selected data on the property market in Jiangxi Province for the periods indicated.

	2010	2011	2012	2013	2014	2015	5Y CAGR	3Y CAGR
Total GFA completed (sq.m. in millions) . . . . .	18.2	19.1	17.5	17.9	18.7	19.1	1.0%	3.0%
GFA of residential properties completed (sq.m. in millions) . . . . .	15.5	16.2	14.4	14.3	15.1	15.3	(0.3)%	2.0%
Total GFA sold (sq.m. in millions) . . . . .	24.7	24.2	24.0	31.7	30.7	34.8	7.1%	13.2%
% of total GFA sold in the PRC . . . . .	2.4%	2.2%	2.2%	2.4%	2.5%	2.7%	2.5%	7.2%
GFA of residential properties sold (sq.m. in millions) . . . . .	22.7	21.6	21.3	28.5	27.8	31.5	6.8%	13.9%
Total sales revenue (RMB in billions) . . . . .	77.6	100.2	113.7	164.8	162.2	186.4	19.2%	17.9%
Sales revenue from residential properties (RMB in billions) . . . . .	67.0	82.4	93.1	139.6	137.9	160.7	19.1%	20.0%
Average price of commodity properties (RMB per sq.m.) . . . . .	3,143.7	4,147.7	4,744.7	5,203.2	5,288.0	5,358.1	11.3%	4.1%
Average price of residential properties (RMB per sq.m.) . . . . .	2,958.6	3,822.0	4,381.2	4,905.3	4,971.0	5,107.3	11.5%	5.2%

Source: CEIC

## The property market in Sichuan Province

Sichuan Province is located in the southwestern region of China. It has an area of approximately 187,000 sq.km. In 2015, Hainan had a population of approximately 82.0 million. The table below sets out selected economic statistics of Sichuan Province for the periods indicated.

	2010	2011	2012	2013	2014	2015	5Y CAGR	3Y CAGR
Nominal GDP (RMB in billions) . . . . .	1,718.5	2,102.7	2,387.3	2,639.2	2,853.7	3,010.3	11.9%	8.0%
Real GDP growth rate (%) . . . . .	15.1	15.0	12.6	10.0	8.5	7.9	(12.2)%	(14.4)%
Per capita GDP (RMB) . . . . .	21,182.0	26,133.0	29,608.0	32,617.0	35,128.0	36,836.0	11.7%	7.6%
Per capita disposable income of urban households . . . . .	15,461.2	17,899.1	20,307.0	22,227.5	24,234.4	26,205.3	11.1%	8.9%

Source : CEIC, Wind

According to the CEIC, the average price per sq.m. of commodity properties in Sichuan Province in 2015 was approximately RMB5,474.8, representing a CAGR of 5.8% since 2010. The table below sets out selected data on the property market in Sichuan Province for the periods indicated.

	2010	2011	2012	2013	2014	2015	5Y CAGR	3Y CAGR
Total GFA completed (sq.m. in millions) . . . . .	39.7	42.3	58.7	51.1	53.3	45.5	2.8%	(8.1)%
GFA of residential properties completed (sq.m. in millions) . . . . .	33.9	34.6	47.1	40.3	38.7	31.5	(1.5)%	(12.5)%
Total GFA sold (sq.m. in millions) . . . . .	64.0	65.4	64.6	73.1	71.4	76.7	3.7%	5.9%
% of total GFA sold in the PRC . . . . .	6.1%	6.0%	5.8%	5.6%	5.9%	6.0%	(0.4)%	1.0%
GFA of residential properties sold (sq.m. in millions) . . . . .	58.5	58.3	56.8	65.1	61.8	64.9	2.1%	4.5%
Total sales revenue (RMB in billions) . . . . .	264.7	321.8	351.8	402.0	399.7	419.9	9.7%	6.1%
Sales revenue from residential properties (RMB in billions) . . . . .	233.1	267.7	281.6	330.9	314.5	326.9	7.0%	5.1%
Average price of commodity properties (RMB per sq.m.) . . . . .	4,138.5	4,917.9	5,448.8	5,497.6	5,597.0	5,474.8	5.8%	0.2%
Average price of residential properties (RMB per sq.m.) . . . . .	3,984.8	4,595.1	4,959.2	5,086.0	5,092.0	5,033.6	4.8%	0.5%

Source: CEIC

## The property market in Yunnan Province

Yunnan Province is located in the southwestern region of China. It has an area of approximately 152,000 sq.km. In 2015, Yunnan had a population of approximately 47.4 million. The table below sets out selected economic statistics of Yunnan Province for the periods indicated.

	2010	2011	2012	2013	2014	2015	5Y CAGR	3Y CAGR
Nominal GDP (RMB in billions) . . . . .	722.4	889.3	1,030.9	1,183.2	1,281.5	1,371.8	13.7%	10.0%
Real GDP growth rate (%) . . . . .	12.3	13.7	13.0	12.1	8.1	8.7	(6.7)%	(12.5)%
Per capita GDP (RMB) . . . . .	15,752.0	19,265.0	22,195.0	25,322.0	27,263.6	29,015.0	13.0%	9.3%
Per capita disposable income of urban households . . . . .	16,064.5	18,575.6	21,074.5	22,460.0	24,299.0	26,373.2	10.4%	7.8%

Source: CEIC, Wind

According to the CEIC, the average price per sq.m. of commodity properties in Yunnan Province in 2015 was approximately RMB5,299.8, representing a CAGR of 10.9% since 2010. The table below sets out selected data on the property market in Yunnan Province for the periods indicated.

	2010	2011	2012	2013	2014	2015	5Y CAGR	3Y CAGR
Total GFA completed (sq.m. in millions) . . . . .	15.4	15.7	18.5	20.2	17.9	25.5	10.6%	11.3%
GFA of residential properties completed (sq.m. in millions) . . . . .	12.6	12.6	14.9	15.8	12.6	18.9	8.4%	8.2%
Total GFA sold (sq.m. in millions) . . . . .	29.6	32.2	32.4	33.1	31.9	31.5	1.3%	(0.9)%
% of total GFA sold in the PRC . . . . .	2.8%	2.9%	2.9%	2.5%	2.6%	2.5%	(2.6)%	(5.4)%
GFA of residential properties sold (sq.m. in millions) . . . . .	26.6	26.6	27.9	28.6	26.2	25.8	(0.6)%	(2.6)%
Total sales revenue (RMB in billions) . . . . .	93.5	117.2	136.3	148.7	159.6	166.7	12.3%	6.9%
Sales revenue from residential properties (RMB in billions) . . . . .	76.9	95.9	107.7	119.3	116.5	123.7	10.0%	4.7%
Average price of commodity properties (RMB per sq.m.) . . . . .	3,158.0	3,635.4	4,209.2	4,494.1	4,998.0	5,299.8	10.9%	8.0%
Average price of residential properties (RMB per sq.m.) . . . . .	2,893.3	3,388.4	3,861.0	4,176.3	4,451.0	4,799.8	10.7%	7.5%

Source: CEIC

## The tourism industry in the PRC

China's tourism industry and hotel industry have benefited from the strong economic growth in China which has resulted in higher disposable incomes of urban households, reflecting a more affluent domestic customer base. In addition, the increased number of international travelers also contributed to the growth of China's tourism and hotel sectors. In 2015, there were 4,133.8

million visits, of which there were 4,000.0 million visits from domestic travelers and 133.8 million visits from Hong Kong, Macau, Taiwan and other international travelers, representing a CAGR, of 13.7% and 0.0%, respectively, since 2010. Out of the 133.8 million visits, approximately 80.1% of such visits were from travelers from Hong Kong, Macau and Taiwan. The table below sets out the number of domestic visits and international visits in China from 2010 to 2015.

	2010	2011	2012	2013	2014	2015	5Y CAGR	3Y CAGR
Total visits (millions) . . . . .	2,236.8	2,776.4	3,089.4	3,391.1	3,739.5	4,133.8	13.1%	10.2%
Total domestic visits (millions) . . .	2,103.0	2,641.0	2,957.0	3,262.0	3,611.0	4,000.0	13.7%	10.6%
Total international visits (millions) . . . . .	133.8	135.4	132.4	129.1	128.5	133.8	0.0%	0.4%
From Hong Kong and Macau (millions) . . . . .	102.5	103.0	99.9	97.6	96.8	102.3	(0.0)%	0.8%
From Taiwan (millions) . . . . .	5.1	5.3	5.3	5.2	5.4	5.5	1.4%	1.0%
Foreigners (millions) . . . . .	26.1	27.1	27.2	26.3	26.4	26.0	(0.1)%	(1.5)%
Total increase / (decrease) . . . . .	10.3%	24.1%	11.3%	9.8%	10.3%	10.5%	0.5%	(2.2)%

Source: Wind

## Tourism industry in Guangdong Province

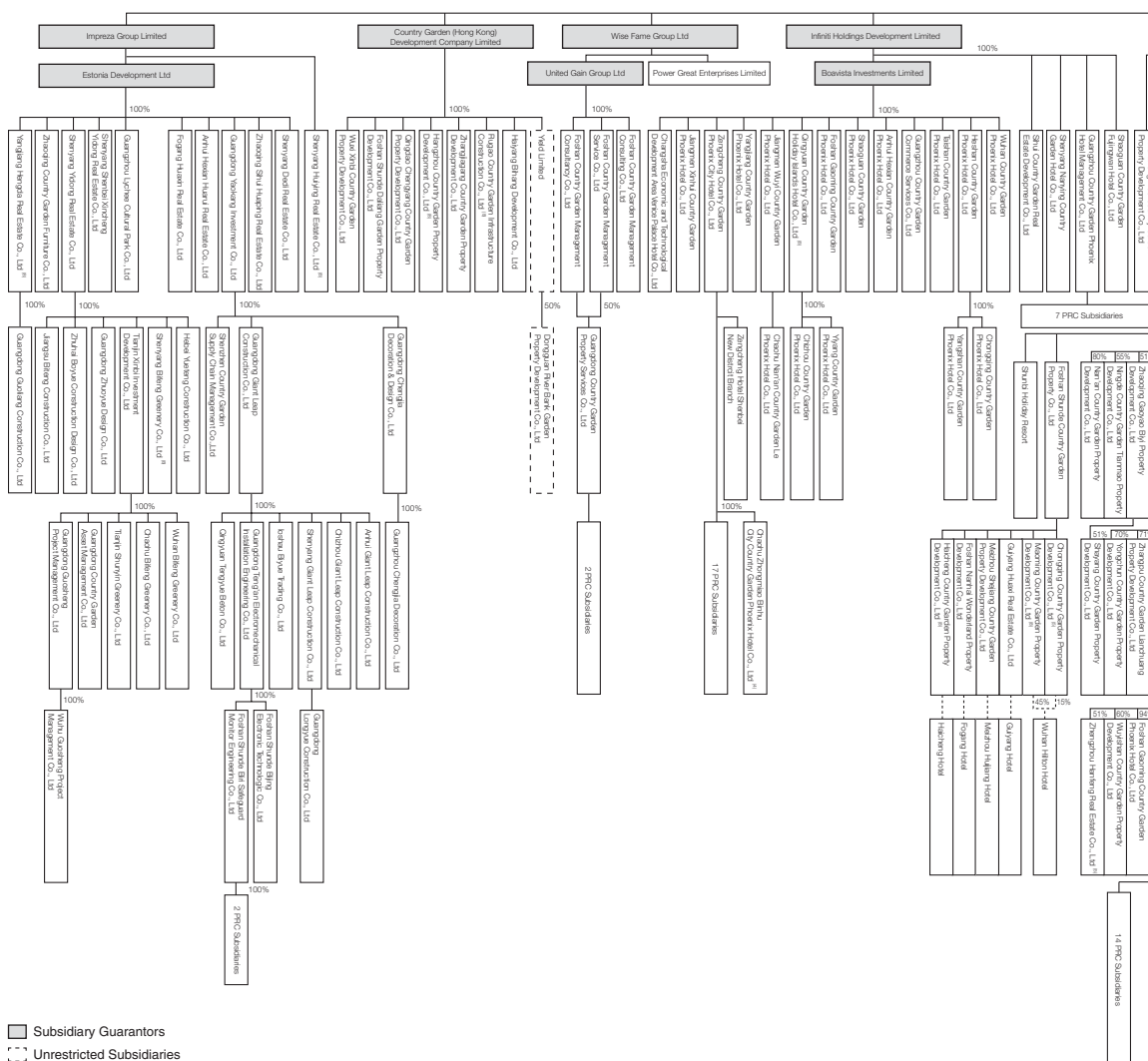
In 2015, Guangdong Province received approximately 361.9 million visits, of which 327.5 million visits were from domestic travelers, and 34.4 million visits were from international travelers. The number of total visits has grown at a CAGR of 10.7% since 2010. Of the international visits, the majority were from Hong Kong and Macau, which accounted for 23.8 million of the inbound visits in 2015. The table below sets out the number of inbound visits to Guangdong Province from 2010 to 2015.

	2010	2011	2012	2013	2014	2015	5Y CAGR	3Y CAGR
<b>Total visits (millions) . . . . .</b>	<b>217.4</b>	<b>249.8</b>	<b>273.7</b>	<b>301.5</b>	<b>326.5</b>	<b>361.9</b>	<b>10.7%</b>	<b>9.8%</b>
Total domestic visits (millions) . . . . .	186.0	216.4	238.4	267.5	292.9	327.5	12.0%	11.2%
Total international visits (millions) . . . . .	31.5	33.6	35.2	34.0	33.6	34.4	1.8%	(0.8)%
From Hong Kong and Macau (millions) . . . . .	21.0	22.9	24.3	23.5	23.0	23.8	2.5%	(0.8)%
From Taiwan (millions) . . .	3.2	3.2	3.1	2.9	2.8	2.8	(2.3)%	(3.2)%
Foreigners (millions) . . . . .	7.3	7.5	7.8	7.6	7.8	7.8	1.4%	0.2%
Total increase / (decrease) . . . . .	19.5%	14.9%	9.6%	10.2%	8.3%	10.9%		

Source: Wind

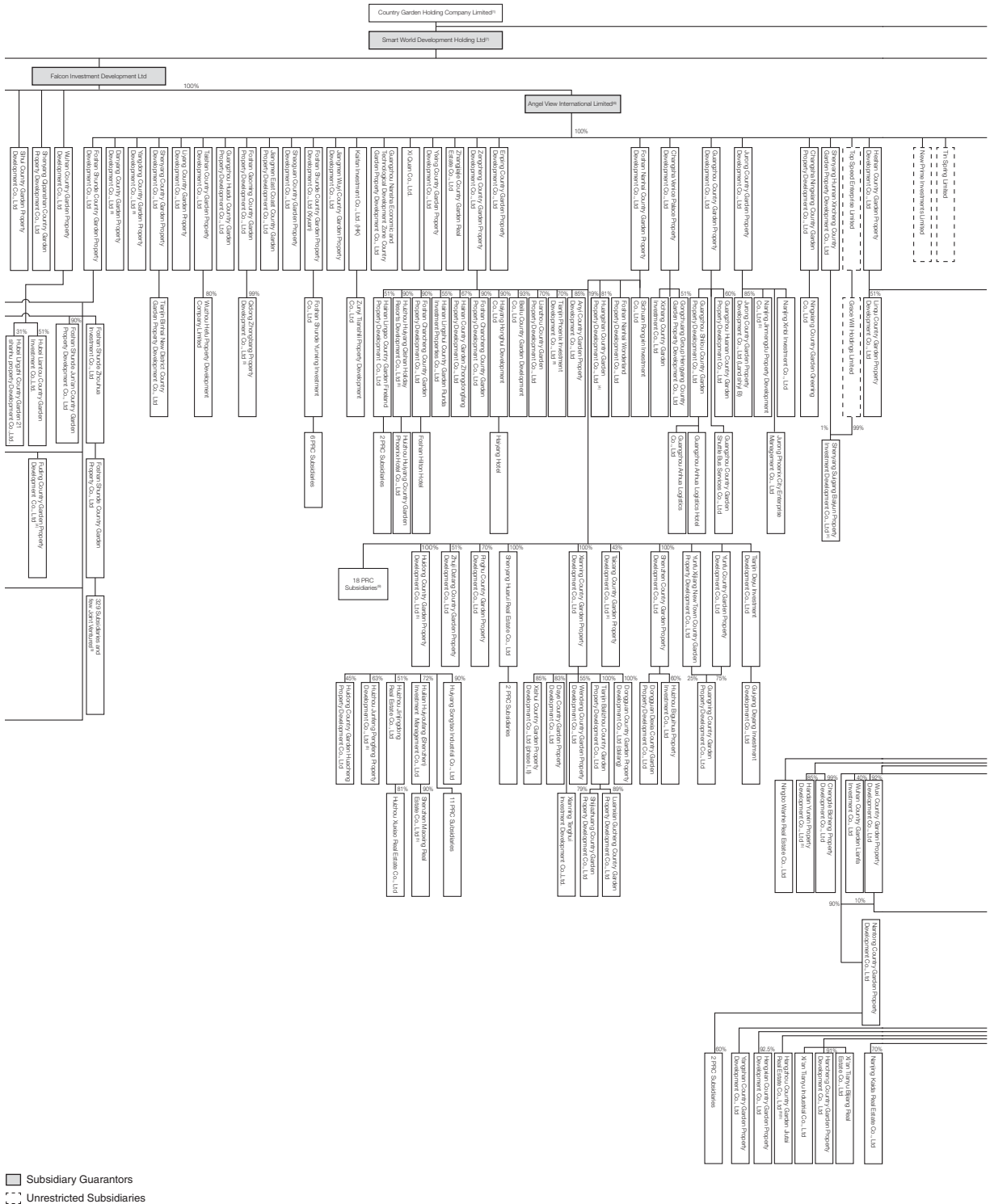
# Corporate structure

The following chart shows our corporate structure as of June 30, 2016.

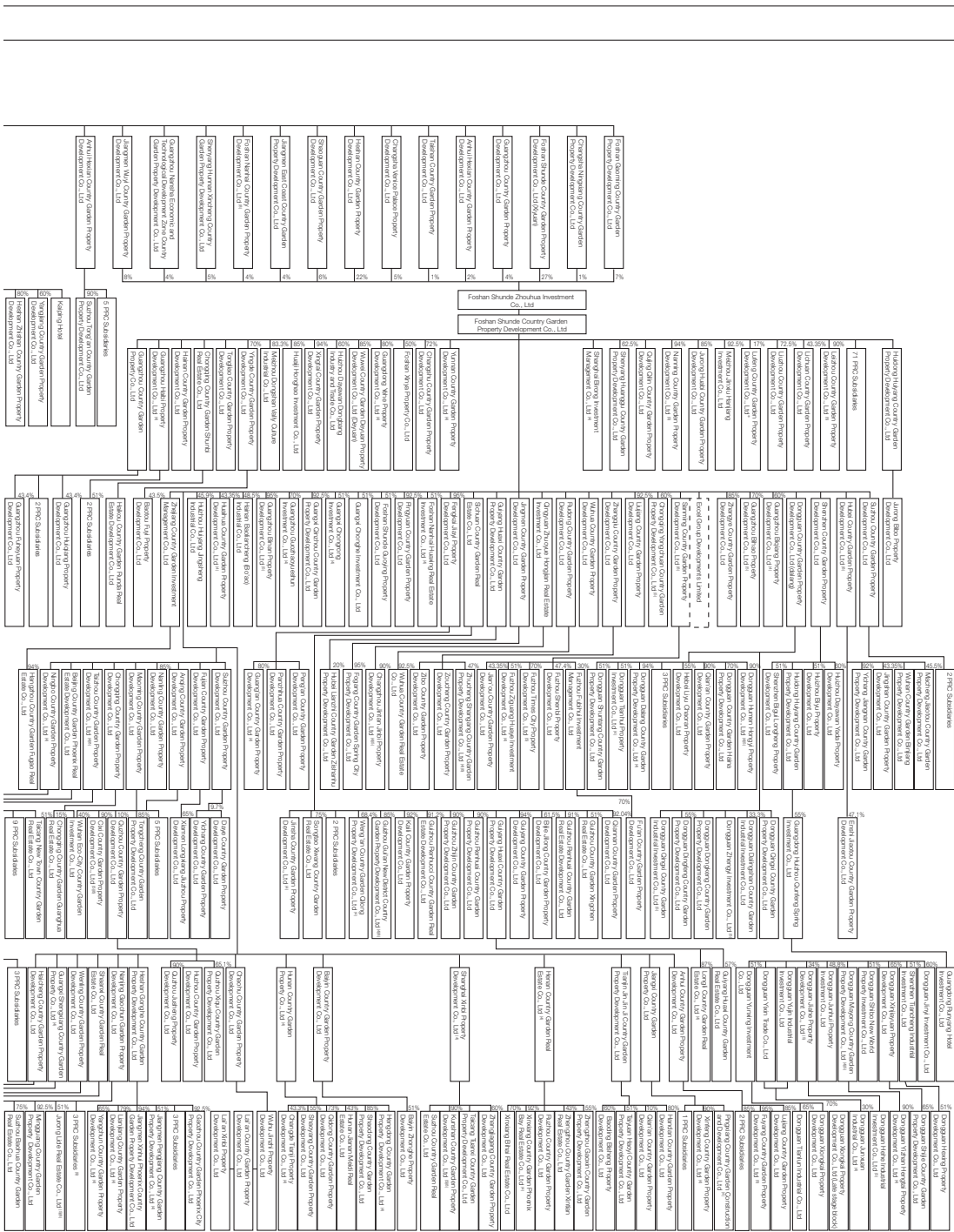


## Notes:

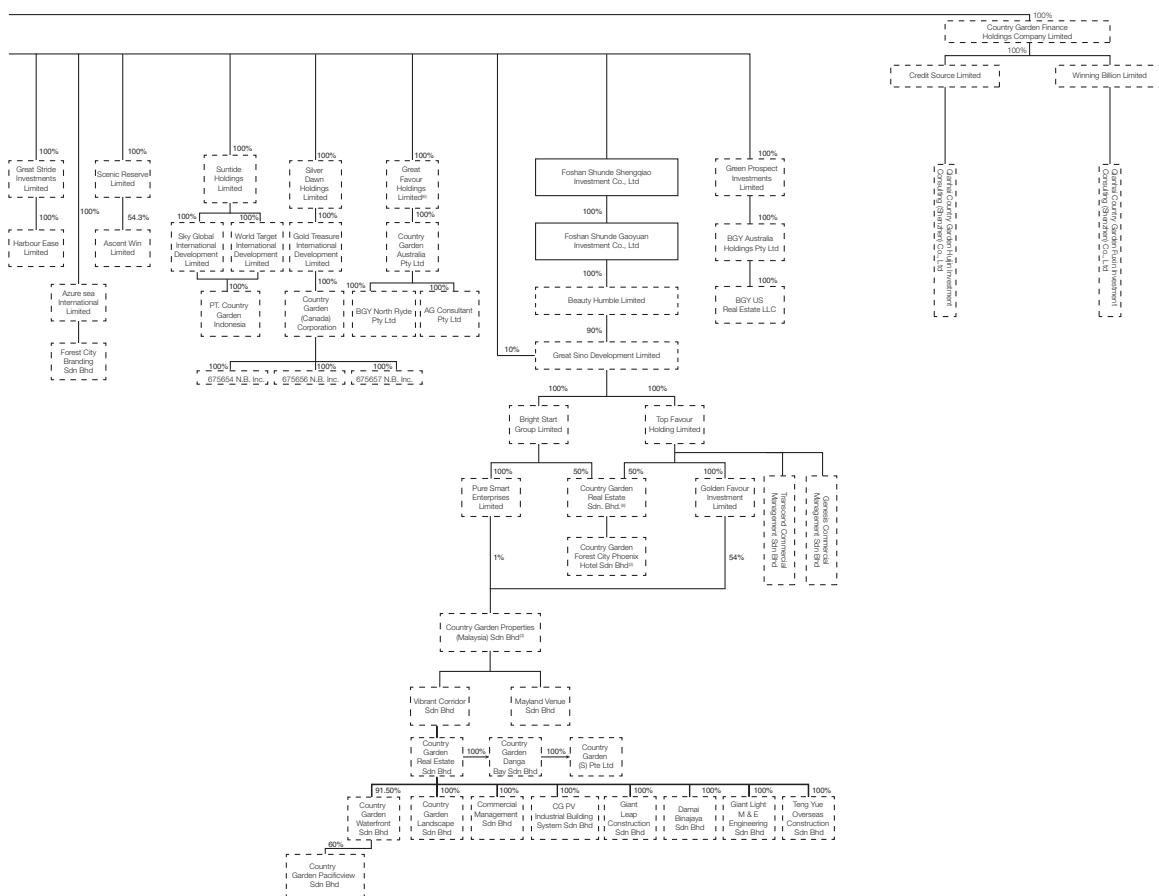
- (1) Our controlling shareholder is Yang Huiyan, who held 56.10% of our Shares as of the date of this offering memorandum. See "Management—Directors' interests" and "Principal shareholders."
- (2) Formerly known as Country Garden Hotel Management Sdn Bhd.
- (3) Formerly known as Wealthy Signet Sdn Bhd.
- (4) The registered capital of the company has not been fully paid.
- (5) The company's shares have been pledged pursuant to trust financing arrangements and loan agreements.
- (6) Subsequent to June 30, 2016, we have, in our ordinary course of business, incorporated or acquired certain subsidiaries in Australia, the British Virgin Islands, Hong Kong, Indonesia, Malaysia and Singapore.
- (7) Subsequent to June 30, 2016, we have, in our ordinary course of business, incorporated or acquired certain other PRC subsidiaries.
- (8) The company failed filing its annual report in time as required by relevant PRC law.
- (9) Fengshun Country Garden Property Development Co., Ltd failed filing its annual report in time as required by relevant PRC law. The shares of each of Yancheng Country Garden Property Development Co., Ltd, Guangzhou Xinbi Property Development Co., Ltd, Kaiping Country Garden Property Development Co., Ltd, Qingyuan Country Garden Xinya Property Development Co., Ltd, Jurong Baobi Country Garden Property Development Co., Ltd and Linquan Country Garden Property Development Co., Ltd have been pledged to relevant trust companies or banks.







Unrestricted Subsidiaries



--- Unrestricted Subsidiaries

# Business

## Overview

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

As of June 30, 2016, we had 536 projects at various stages of development. Of these projects, 190 were located in Guangdong Province: 31 in Guangzhou City, 31 in Dongguan City, 26 in Foshan City, 18 in Jiangmen City, 18 in Huizhou City, 12 in Zhaoqing City, 12 in Meizhou City and the remaining in various other cities. We also had 346 projects located outside Guangdong Province, spanning 21 provinces, two autonomous regions, three municipalities in the PRC as well as two projects in the State of Selangor, Malaysia, two projects in the State of Johor, Malaysia and one project in Sydney, Australia.

As of June 30, 2016, our projects had an aggregate completed GFA of approximately 90,456,910 sq.m. We had an aggregate GFA under development of approximately 50,940,205 sq.m. and an aggregate GFA of approximately 64,045,683 sq.m. relating to properties held for future development as of the same date. We have obtained land use rights certificates, development and operation rights or land title in respect of the completed GFA, GFA under development and GFA held for future development. In addition, as of June 30, 2016, we had entered into land grant contracts or sale and purchase agreements in respect of land located in 104 cities in the PRC with an aggregate site area of approximately 12,257,125 sq.m. and an aggregate expected GFA of approximately 23,460,338 sq.m. for future development.

We also develop hotels to complement our residential properties. Most of these hotels are located in our large-scale residential community projects, which we believe have added value to such residential projects and enhanced our brand recognition. As of June 30, 2016, we had developed and were operating eight five-star hotels and two four-star hotels, as well as 37 hotels which were developed in accordance with the five-star rating standard set forth in the "Star-Rating Standard for Tourist Hotels" (旅遊飯店星級的劃分與評定) issued by the PRC National Tourism Administration and four hotels which were developed in accordance with the four-star standard of the "Star-Rating Standard for Tourist Hotels." In addition, we had seven hotels under construction in accordance with the five-star rating standard and one hotel under construction in accordance with the four-star rating standard set forth in the "Star-Rating Standard for Tourist Hotels."

For the years ended December 31, 2013, 2014 and 2015 and six months ended June 30, 2016, our total revenue was RMB62,724.7 million, RMB84,548.8 million, RMB113,222.6 million (US\$17,036.5 million) and RMB57,362.5 million (US\$8,631.3 million), respectively, and our EBITDA was

RMB14,089.8 million, RMB17,174.9 million, RMB15,860.6 million (US\$2,386.5 million) and RMB9,252.2 million (US\$1,392.2 million), respectively.

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

## **Competitive strengths**

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

As of June 30, 2016, we had an aggregate GFA under development and for future development in China of approximately 112,205,263 sq.m. for which we have obtained all the relevant land use rights certificates or development and operation rights or land title, spanning 22 provinces, two autonomous regions and three provincial level municipalities. In addition, as of June 30, 2016, we had entered into land grant contracts in respect of land in China with an aggregate site area of approximately 12,257,125 sq.m. for which we have applied for or were in the process of applying for land use rights certificates in 104 cities in China, with an aggregate expected GFA of approximately 23,460,338 sq.m. for future development. We expect that these new acquisitions will further increase the value and size of our land bank when we obtain the land use rights certificates.

We adopt a disciplined approach to land acquisition and development. We undertake market research and analysis as well as budget and financing planning prior to a land acquisition, which we believe enables us to exercise effective cost control. In addition, we continue to seek opportunities to acquire and develop land in close proximity to our existing mature projects. We believe such in-fill developments will lower potential execution risks given our experience with the local markets, service providers and target customers. For the three years ended December 31, 2013, 2014 and 2015 and the six months ended June 30, 2016, we estimate that our average unit land cost based on GFA was approximately 10% to 20% of our average unit selling price. We believe our low-cost land bank not only supports our future profitability but also gives us greater flexibility to diversify our product portfolio, to cater to a broader customer base, and to respond more effectively to changing market conditions.

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

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

Over the last decade, we have successfully replicated our business model in 20 cities in Guangdong Province, with a total of 190 projects having an aggregate expected GFA of 88,063,419 sq.m. as of June 30, 2016. Since 2006, we have also implemented our business model outside Guangdong Province, with a total of 341 projects having an aggregate expected GFA of 114,598,754 sq.m. outside Guangdong Province in the PRC, and with four projects in Malaysia

and one project in Australia having a total expected GFA of 2,780,625 sq.m. as of June 30, 2016. We believe the success of Country Garden—Galaxy Palace, Country Garden—Phoenix City (Jurong), Country Garden—Ten Miles Golden Beach and Country Garden—Golden Beach, in particular, demonstrates our ability to replicate our business model and capitalize on our strong brand name in other provinces in China.

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

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

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

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

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

We actively manage our liquidity position by taking into account our development plans, capital needs and available cash and financing options. As of December 31, 2013, 2014 and 2015 and June 30, 2016, our cash and cash equivalents amounted to RMB18.9 billion, RMB18.8 billion, RMB36.2 billion (US\$5.5 billion) and RMB30.8 billion (US\$4.6 billion), respectively. We believe our quick asset turnover model has enabled our projects to generate positive cash flow in a relatively short period after commencement of development to support further developments.

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

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

We believe our brand name “Country Garden” (碧桂園), as well as our guiding motto, “Country Garden—Giving you a five-star home” (碧桂園—給您一個五星級的家), have strong market recognition in Guangdong Province. We believe this market recognition is a result of our high quality products and services as we aim to provide our customers with not only pleasant and comfortable homes in a clean and safe environment, but also higher living standards supported by comprehensive community facilities and services such as restaurants and catering, shopping, sports and leisure, transportation, education and domestic assistance. This market recognition has

helped us to achieve our leading position in the property market in Guangdong Province and to expand our operations into other PRC provinces. Since 2006, we have gradually expanded our operations into 21 provinces, two autonomous regions and three provincial level municipalities outside Guangdong in the PRC, and we believe we will receive increasing brand recognition in those markets. In 2006, we were one of the first two brands that were recognized by SAIC as “China’s Well-Known Trademarks” in the property sector.

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

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

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

Our senior management team has extensive industry knowledge, management skills and operating experience. Most of our management have been with us since our inception. In particular, Yeung Kwok Keung, Su Rubo and Ou Xueming, our co-founders, have remained as a cohesive team and have focused on our property development business since 1997. We believe management’s interest is aligned with our interest given their substantial shareholdings in our Company. As of the date of this offering memorandum, our senior management (principally composed of our directors) in aggregate held an approximate 63.43% interest in our Company (excluding underlying shares).

### **Business strategies**

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

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

Since 2006, we have gradually expanded our operations outside Guangdong Province into 21 other provinces, two autonomous regions and three provincial level municipalities in China, as well as into Malaysia and Australia. We believe our geographical diversification efforts have provided us with a well balanced mix of property developments within and outside Guangdong

Province in the PRC. Guangdong Province, which is one of the most affluent provinces and fastest growing economies in China, will remain our principal market. Guangdong Province recorded a GDP per capita of approximately RMB67,503.0 in 2015, which is significantly higher than the national average in 2015. We intend to continue to leverage our local knowledge and market reputation in Guangdong Province to further grow our business there. At the same time, we will continue to develop our existing projects in markets outside Guangdong Province, which have seen increased average selling prices over the years. Where suitable opportunities arise, we will also acquire more land and enter into new markets with high growth potential, within or outside the PRC. For example, we have expanded into and have four projects in Malaysia and one project in Australia as of June 30, 2016.

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

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

We intend to continue to focus on our strategy of providing our customers with high-value properties at competitive prices. We will continue to leverage on our expertise and industry experience to develop large-scale integrated residential communities featuring value-added facilities and services that cater to a broad end user driven customer base. Our facilities include clubhouses, hotels, supermarkets, schools, clinics, sports and recreational facilities as well as food and beverage outlets, and our services include childcare, domestic assistance, property management, security and shuttle bus services for residents both within the projects as well as from projects to city centers. We endeavor to develop and refine our product design to accommodate changing market conditions and consumer preference. We will also encourage creativity and innovation in our product design through collaboration between our in-house experts and third-party professionals.

#### **Maintain prudent financial management policies**

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

#### **Further strengthen our leading position and brand name recognition nationwide**

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

### **Enhance effective internal management and controls**

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

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

### **Recent Developments**

#### **September 2023 Notes**

We issued 4.75% senior notes due 2023 with an aggregate principal amount of US\$650,000,000 on September 28, 2016. See "Description of other material indebtedness—September 2023 Notes."

#### **Company Domestic Corporate Bonds**

We issued a series of domestic corporate bonds in 2015 and 2016 (the "Company Domestic Corporate Bonds"). See "Description of other material indebtedness—Company Domestic Corporate Bonds." In August 2016, we issued the third tranche of the Company Domestic Corporate Bonds issued in 2016 in the principal amount of RMB1,000,000,000 with a coupon rate of 4.60% per annum and a term of five years. At the end of the third year, we can adjust the coupon rate and investors can exercise a retractable option. The proceeds from the issuance of the Company Domestic Corporate Bonds will be used for refinancing certain of our existing indebtedness and for general working capital purposes. In September 2016, we issued the fourth tranche of the Company Domestic Corporate Bonds issued in 2016 in the principal amount of RMB10,000,000,000, of which (i) RMB4,170,000,000 in principal amount has a coupon rate of 4.15% per annum and a term of four years, and at the end of the second year, we can adjust the coupon rate and investors can exercise a retractable option and (ii) RMB5,830,000,000 in principal amount has a coupon rate of 5.65% per annum and a term of seven years, and at the end of the fifth year, we can adjust the coupon rate and investors can exercise a retractable option.

#### **Guangdong Giant Leap Domestic Corporate Bonds**

Giant Leap Construction Co., our wholly-owned subsidiary in the PRC, issued domestic corporate bonds in the principal amount of RMB3,000,000,000. Series 1 of the Guangdong Giant Leap Domestic Corporate Bonds was issued on October 21, 2016 in the principal amount of RMB1,000,000,000 with a coupon rate of 3.20% per annum, with a tenure of four years. At the end of the second year, the issuer can adjust the coupon rate and investors can exercise a retractable option. Series 2 of the Guangdong Giant Leap Domestic Corporate Bonds was issued on the same date in the principal amount of RMB2,000,000,000 with a coupon rate of 3.90% per annum, with a tenure of seven years. At the end of the fifth year, the issuer can adjust the coupon rate and investors can exercise a retractable option. The proceeds from such Series 1 and 2 issuance will be used for general working capital purposes.

#### **Contracted Sales**

For the nine months ended September 30, 2016, our Group, together with our joint ventures and associates, achieved contracted sales of approximately RMB225.6 billion (US\$33.9 billion) with



contracted sales GFA of approximately 27.8 million sq.m. (among which, the contracted sales and contracted sales GFA attributable to our Group amounted to RMB174.3 billion (US\$26.2 billion) and 22.4 million sq.m., respectively).<sup>(1)</sup>

### Proposed Spin-Off and Listing of our Property Management Business on the SSE

On August 31, 2016, our subsidiary, CG Property Services, a company established under the laws of the PRC, submitted an application to CSRC for the initial public offering and listing of its ordinary shares denominated in RMB on the SSE. CG Property Services received a notice of acceptance of such application on September 7, 2016. It is expected that CG Property Services will effect an offering of up to 40,100,000 shares for subscription on the SSE, representing approximately 10% of its enlarged issued share capital. After the proposed spin-off, it is expected that CG Property Services will remain our subsidiary.

CG Property Services is our subsidiary responsible for all of our property management business, including residential properties, commercial properties, tourism properties and combined purposes properties. Its property management services cover the full spectrum of property management and related services.

While our board of directors believe that a separate listing of CG Property Services will provide diversified funding sources for it to finance existing operations and future expansions, the proposed spin-off is subject to, among other things, certain market conditions and approval of CSRC and the SSE. As such, the proposed spin-off may not materialize.

### Proposed Facility

We are currently in discussion with certain lenders for the grant of a term loan facility in an aggregate amount of approximately US\$1.0 billion to US\$1.5 billion (in United States dollars and/or other currencies). The term loan facility may or may not be granted and drawn prior to the issuance of the Notes.

### Overview of our property developments

As of June 30, 2016, we had 536 projects at various stages of development. The following table sets forth the location of our projects as of such date.

Location	Number of projects	Location	Number of projects
<b>Guangdong Province</b> .....	<b>190</b>	<b>Guangxi Zhuang Autonomous Region</b> . . .	<b>17</b>
Guangzhou City .....	31	Liuzhou City .....	4
Dongguan City .....	31	Baise City .....	2

Note:

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

Location	Number of projects	Location	Number of projects
Foshan City	26	Chongzuo City	2
Jiangmen City	18	Nanning City	2
Huizhou City	18	Yulin City	2
Zhaoqing City	12	Guigang City	1
Meizhou City	12	Hechi City	1
Qingyuan City	8	Hezhou City	1
Maoming City	6	Qinzhou City	1
Shaoguan City	4	Wuzhou City	1
Shenzhen City	4	<b>Fujian Province</b>	<b>14</b>
Shanwei City	3	Quanzhou City	3
Yunfu City	3	Ningde City	3
Yangjiang City	3	Fuzhou City	2
Zhanjiang City	3	Nanping City	2
Zhongshan City	3	Sanming City	1
Heyuan City	2	Putian City	1
Chaozhou City	1	Xiamen City	1
Jieyang City	1	Zhangzhou City	1
Zhuhai City	1	<b>Hebei Province</b>	<b>14</b>
<b>Jiangsu Province</b>	<b>62</b>	Chengde City	2
Suzhou City	16	Handan City	2
Zhenjiang City	10	Tangshan City	2
Nantong City	8	Zhangjiakou City	2
Wuxi City	7	Baoding City	1
Nanjing City	4	Cangzhou City	1
Taizhou City	4	Langfang City	1
Yancheng City	3	Qinhuangdao City	1
Xuzhou City	3	Shijiazhuang City	1
Yangzhou City	2	Xingtai City	1
Changzhou City	2	<b>Liaoning Province</b>	<b>12</b>
Suqian City	2	Shenyang City	7
Lianyungang City	1	Dalian City	4
<b>Hubei Province</b>	<b>27</b>	Anshan City	1
Wuhan City	7	<b>Shandong Province</b>	<b>10</b>
Yichang City	4	Yantai City	2
Huanggang City	3	Weifang City	2
Jingmen City	3	Ji'nan City	1
Xianning City	3	Weihai City	1
Enshi City	2	Zibo City	1
Ezhou City	1	Qingdao City	1
Huangshi City	1	Tai'an City	1
Suizhou City	1	Ji'ning City	1
Jingzhou City	1	<b>Hainan Province</b>	<b>10</b>
Xiangyang City	1	Lin'gao City	3
<b>Anhui Province</b>	<b>27</b>	Lingshui City	3
Chuzhou City	4	Chengmai City	1
Hefei City	4	Haikou City	1
Wuhu City	4	Qionghai City	1
Fuyang City	3	Wenchang City	1
Anqing City	2	<b>Chongqing</b>	<b>9</b>
Chizhou City	2	<b>Sichuan Province</b>	<b>9</b>
Lu'an City	2	Chengdu City	2
Maanshan City	2	Nanchong City	2
Xuancheng City	2	Deyang City	1
Huangshan City	1	Guangyuan City	1
Bozhou City	1	Guang'an City	1

Location	Number of projects	Location	Number of projects
<b>Hunan Province</b>	<b>27</b>	Luzhou City	1
Changsha City	7	Panzhuhua City	1
Hengyang City	4	<b>Jiangxi Province</b>	<b>8</b>
Changde City	3	Yichun City	3
Huaihua City	2	Pingxiang City	2
Shaoyang City	2	Jiujiang City	1
Yueyang City	2	Ganzhou City	1
Chenzhou City	1	Nanchang City	1
Xiangtan City	1	<b>Tianjin</b>	<b>5</b>
Yiyang City	1	<b>Gansu Province</b>	<b>5</b>
Zhangjiajie City	1	Lanzhou City	2
Loudi City	1	Baiyin City	1
Yongzhou City	1	Tianshui City	1
Zhuzhou City	1	Zhangye City	1
<b>Zhejiang Province</b>	<b>26</b>	<b>Yunnan Province</b>	<b>5</b>
Hangzhou City	5	Kunming City	3
Ningbo City	5	Chuxiong City	1
Quzhou City	4	Qujing City	1
Wenzhou City	4	<b>Inner Mongolia Autonomous Region</b>	<b>4</b>
Jiaxing City	3	Hulunbeier City	1
Shaoxing City	3	Tongliao City	1
Huzhou City	1	Xing'anmeng City	1
Taizhou City	1	Baotou City	1
<b>Henan Province</b>	<b>21</b>	<b>Shanghai</b>	<b>4</b>
Zhengzhou City	7	<b>Malaysia</b>	<b>4</b>
Luoyang City	3	Selangor State	2
Pingdingshan City	3	Johor State	2
Xinxiang City	3	<b>Heilongjiang Province</b>	<b>2</b>
Anyang City	2	Suihua City	1
Zhoukou City	1	Haerbin City	1
Xuchang City	1	<b>Shanxi Province</b>	<b>2</b>
Nanyang City	1	Taiyuan City	1
<b>Guizhou Province</b>	<b>17</b>	Yuncheng City	1
Guiyang City	4	<b>Shaanxi Province</b>	<b>2</b>
Qiannanzhou City	4	Hancheng City	1
Zunyi City	3	Xi'an City	1
Bijie City	3	<b>Jilin Province</b>	<b>1</b>
Kaili City	1	Baicheng City	1
Liupanshui City	1	<b>Qinghai Province</b>	<b>1</b>
Tongren City	1	Xining City	1
		<b>Australia</b>	<b>1</b>
		Sydney City	1
<b>Total</b>			<b>536</b>

We have obtained all the relevant land use rights certificates for land of our completed properties and obtained all or portion of land use rights certificates for land of our properties under development. Further, we have property interests derived from land use rights transfer agreements, compensation agreements or land grant contracts to develop residential properties in various cities in Guangdong Province, Fujian Province, Jiangsu Province, Hubei Province, Anhui Province, Shandong Province, Sichuan Province, Zhejiang Province, Hunan Province, Chongqing Municipality, Jiangxi Province, Guangxi Zhuang Autonomous Region, Hainan Province, Liaoning Province, Henan Province, Heilongjiang Province, Guizhou Province, Qinghai Province, Tianjin Municipality, Shanxi Province, Hebei Province and Yunnan Province with an aggregate site area of approximately 12,257,125 sq.m. As of June 30, 2016, we had not yet obtained land use rights certificates to these parcels of land and these land parcels are vacant land for future development purposes.

In the PRC, the relevant properties in a property development project are treated as completed when the local government authorities issue a Construction of Properties and Municipal Infrastructure Completed Construction Works Certified Report (房屋建築工程和市政基礎設施工程竣工驗收備案表). The relevant properties in a property development project in the PRC are treated as having received that certification when we have provided the relevant government authorities with, among other things, the following documents and when an official seal has been affixed to the inspection-for-completion form:

- Relevant approvals and acceptance documents from the bureau of planning, public security and fire services and environmental protection;
- Completed Construction Works Certified Report (建設工程竣工驗收報告);
- Construction Permit (建設工程施工許可證);
- Project Quality Assessment Report (工程質量評做報告);
- Quality Inspection Report on Investigation and Design Documentation (勘察、設計文件質量檢查報告); and
- Inspection Report on the Quality of Construction Projects (建設工程質量監督報告).

A property in the PRC is treated as “under development” immediately following the issuance of the Construction Permit until the time of issuance of the Certification of Completion.

Unless otherwise indicated, we have obtained the relevant land use rights certificates, development and operation rights or land title for our properties referred to in this offering memorandum. As our projects typically comprise multi-phase developments that are developed on a rolling basis, a single project may include a number of phases that are variously completed, still under development or held for future development.

The site area information for an entire project is based on the relevant land use rights certificates, development and operation rights or land title. The aggregate GFA of an entire project is calculated by multiplying its site area by:

- the plot ratio specified in other approval documents from the local governments relating to the project;
- the maximum permissible plot ratio as specified in the relevant land grant contracts; or
- such lower plot ratio as we reasonably expect to be able to develop for such project.

The aggregate GFA of a project includes both saleable and non-saleable GFA. Non-saleable GFA refers to certain communal facilities, including transformer rooms and guard houses.

A property is treated as “sold” when the purchase contract with a customer has been executed and the property has been delivered to the customer. Delivery is deemed to take place on the date stated on the property delivery document. A property is treated as “pre-sold” when the purchase contract has been executed but the property has not yet been delivered to the customer.

The project names used in this offering memorandum are the names that we have used, or intend to use, to market our properties.

The following table sets forth the information of our 536 projects as of June 30, 2016:

Project*	City (District)	Aggregate GFA for entire project	Interest attributable to the Company	Completed property development <sup>(1)</sup>					Properties under development <sup>(2)</sup>										GFA for future development with land grant contracts					
				54m.	%	Total completed GFA	Total GFA sold and pending delivery	Total GFA pre-sold	Completion date	GFA under development	Actual saleable date	Total saleable GFA pre-sold	Actual commencement date	Estimated pre-sale commencement date	Estimated completion date	GFA for future development <sup>(3)</sup>	Estimated commencement date	Estimated completion date						
Country Garden East Court (碧桂园东郊)	Guangzhou (Panyu)	269,222	100%	240,250	238,860	235,251	—	29/Jun/02	—	—	54m.	—	—	—	—	—	—	28,672	1 <sup>st</sup> Quarter, 2017	4 <sup>th</sup> Quarter, 2017	54m.	—		
Shawan Country Garden (沙湾碧桂园)	Guangzhou (Panyu)	278,834	100%	278,834	273,702	273,702	—	31/Oct/09	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
Huanan Country Garden—Phase Six (华南碧桂园—至五期及七期)	Guangzhou (Panyu)	1,075,099	100%	1,075,099	960,460	960,399	—	19/Oct/11	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
Huanan Country Garden—Phase Six (华南碧桂园—至五期及七期)	Guangzhou (Panyu)	424,231	50%	408,391	407,551	407,551	—	20/Oct/07	15,840	15/Oct/04	—	—	—	—	—	—	—	—	—	—	—	—	—	
Lidong Country Garden (岭南碧桂园)	Guangzhou (Zengcheng)	588,729	100%	588,729	550,765	547,499	135	30/Jun/10	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
Country Garden Phoenix City (碧桂园凤凰城)	Guangzhou (Zengcheng)	4,759,468	100%	4,688,886	4,423,808	4,375,302	1,085	21/May/15	3,951	29/Apr/07	3,951	—	—	—	—	—	—	66,631	3 <sup>rd</sup> Quarter, 2016	4 <sup>th</sup> Quarter, 2016	—	—		
Nanhai Country Garden (南海碧桂园)	Guangzhou (Nanhai)	515,889	100%	515,889	491,002	490,420	—	28/Jun/10	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
Holiday Islands—Huadu (假日半岛—花都)	Guangzhou (Huadu)	444,912	100%	418,260	403,728	372,470	2,105	18/Oct/12	5,691	11/May/06	—	—	—	—	—	—	—	20,951	1 <sup>st</sup> Quarter, 2017	2 <sup>nd</sup> Quarter, 2017	—	—		
Shunde Country Garden—including Country Garden West Court (顺德碧桂园—含碧桂园西苑)	Foshan (Shunde)	3,213,136	100%	2,901,465	2,558,941	2,476,775	1,847	30/Jun/16	240,196	25/Aug/08	143,177	—	—	—	—	—	—	71,475	1 <sup>st</sup> Quarter, 2017	4 <sup>th</sup> Quarter, 2018	—	—		
Junnan Country Garden (润南碧桂园)	Foshan (Shunde)	254,510	90%	224,458	214,110	214,110	—	20/Jun/11	—	—	—	—	—	—	—	—	—	30,052	1 <sup>st</sup> Quarter, 2017	2 <sup>nd</sup> Quarter, 2018	—	—		
Pinhuai Country Garden (平海碧桂园)	Foshan (Shunde)	294,330	100%	294,330	287,042	287,042	—	16/Apr/08	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
Guangdong Country Garden (高明碧桂园)	Foshan (Gaoming)	1,728,918	100%	967,022	950,359	948,082	—	15/May/15	17,474	31/May/06	17,474	—	—	—	—	—	—	—	—	—	—	—	744,422	
Nanhai Country Garden (南海碧桂园)	Foshan (Nanhai)	553,574	100%	553,574	549,068	548,120	—	30/Mar/11	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
Heshan Country Garden (鹤山碧桂园)	Jiangmen (Heshan)	2,113,582	100%	1,895,444	1,806,081	1,800,195	574	10/Nov/14	—	—	—	—	—	—	—	—	—	176,822	1 <sup>st</sup> Quarter, 2017	2 <sup>nd</sup> Quarter, 2018	—	—	41,316	
Wuyi Country Garden (五邑碧桂园)	Jiangmen (Pengjiang)	954,990	100%	954,990	914,794	914,329	—	18/Oct/13	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
Xinhui Country Garden (新会碧桂园)	Jiangmen (Xinhui)	588,131	100%	588,131	578,448	578,448	—	28/Oct/12	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Taishan Country Garden (台山碧桂园)	Jiangmen (Taishan)	2,646,447	100%	1,321,237	1,267,282	1,221,103	1,816	20/Apr/16	91,742	17/Aug/10	84,311	—	—	—	—	—	—	1,233,468	3 <sup>rd</sup> Quarter, 2016	4 <sup>th</sup> Quarter, 2020	—	—	—	
Yanjiang Country Garden (阳江碧桂园)	Yangjiang (Yangjiang)	390,847	100%	390,847	370,202	369,924	—	21/Oct/10	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
Changsha Country Garden (长沙碧桂园)	Changsha (Changsha)	1,307,319	100%	1,003,614	954,431	931,906	4,859	20/Jun/16	184,239	15/May/13	146,320	—	—	—	—	—	—	119,466	3 <sup>rd</sup> Quarter, 2016	4 <sup>th</sup> Quarter, 2018	—	—	—	
Zhaoting Laming Residence (肇庆蓝翎公寓)	Zhaoting (Gaoyao)	185,721	100%	185,721	18,890	10,616	—	26/Jun/09	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Zhaoting Country Garden (肇庆碧桂园)	Zhaoting (Gaoyao)	466,312	51%	466,312	450,719	450,719	—	25/Jul/14	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Shaoguan Country Garden (韶关碧桂园)	Shaoguan (Zhenjiang)	3,770,159	100%	2,178,899	2,100,343	2,085,906	13,482	15/Jun/16	588,719	17/Jun/07	528,331	—	—	—	—	—	—	797,672	3 <sup>rd</sup> Quarter, 2016	4 <sup>th</sup> Quarter, 2020	—	—	234,869	
Taizhou Country Garden (泰州碧桂园)	Taizhou (Hailing)	1,127,330	100%	813,394	723,808	673,613	30,371	13/Jun/16	71,564	5/Oct/14	69,473	—	—	—	—	—	—	242,372	3 <sup>rd</sup> Quarter, 2016	4 <sup>th</sup> Quarter, 2020	—	—	—	
Huizhou Country Garden (惠州碧桂园)	Huizhou (Huizhou)	1,150,871	90%	657,409	607,079	596,042	98	31/Oct/15	128,308	30/Jun/09	128,007	—	—	—	—	—	—	365,154	4 <sup>th</sup> Quarter, 2016	4 <sup>th</sup> Quarter, 2018	—	—	—	
Hulunbeier (Manzhouli) Country Garden (海拉尔碧桂园)	Hulunbeier (Manzhouli)	1,589,462	100%	284,008	261,468	184,703	22,372	7/Jun/16	113,829	27/Jul/07	113,229	—	—	—	—	—	—	1,191,625	1 <sup>st</sup> Quarter, 2017	4 <sup>th</sup> Quarter, 2024	—	—	—	
Leqian Country Garden (乐清碧桂园)	Shaoguan (Lechang)	946,339	100%	484,767	469,590	440,630	20,357	30/Jun/16	100,289	26/Sep/12	37,250	—	—	—	—	—	—	361,283	3 <sup>rd</sup> Quarter, 2016	4 <sup>th</sup> Quarter, 2019	—	—	—	
Country Garden—Sun Palace (碧桂园·太阳岛)	Shenyang (Daoyi)	1,112,023	100%	537,883	511,835	504,960	1,083	26/Oct/15	276,657	28/Jul/09	148,321	—	—	—	—	—	—	297,483	3 <sup>rd</sup> Quarter, 2016	4 <sup>th</sup> Quarter, 2019	—	—	—	
Shenyang Country Garden (沈阳碧桂园)	Shenyang (Huashan)	1,233,854	100%	383,645	369,507	316,804	134	18/Sep/15	67,717	8/Sep/07	67,717	—	—	—	—	—	—	782,492	4 <sup>th</sup> Quarter, 2016	4 <sup>th</sup> Quarter, 2019	—	—	—	
Country Garden—Galaxy Palace (碧桂园·银河城)	Shenyang (Yuhong)	3,041,862	100%	2,083,395	1,965,328	1,946,548	344	30/Oct/15	861,697	24/Jul/13	571,288	—	—	—	—	—	—	93,478	3 <sup>rd</sup> Quarter, 2016	4 <sup>th</sup> Quarter, 2018	—	—	3,292	
Country Garden—Phoenix City (碧桂园·凤凰城)	Shenyang (Sujiatun)	2,095,704	100%	1,193,073	1,165,259	1,116,067	1,351	25/Jun/16	312,266	26/Jun/08	58,564	—	—	—	—	—	—	590,365	3 <sup>rd</sup> Quarter, 2016	4 <sup>th</sup> Quarter, 2019	—	—	—	
Erping Country Garden (二平碧桂园)	Jiangmen (Erping)	292,357	100%	292,357	281,756	280,131	—	30/Jul/14	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Country Garden—Hill Lake Palace (碧桂园·山湖城)	Changsha (Ningxiang)	651,601	100%	418,985	384,357	284,020	6,955	9/Jun/15	117,416	9/Jul/13	6,283	—	—	—	—	—	—	115,600	3 <sup>rd</sup> Quarter, 2016	4 <sup>th</sup> Quarter, 2018	—	—	—	
Country Garden Lakeside City (碧桂园湖悦城)	Hefei (Chaohu)	1,053,449	100%	840,778	825,202	803,509	429	25/Oct/15	49,708	13/Oct/07	7,114	—	—	—	—	—	—	39,000	4 <sup>th</sup> Quarter, 2016	1 <sup>st</sup> Quarter, 2017	—	—	123,863	

Project	City (District)	Aggregate GFA for attributable project	Interest to the parent Company	Completed property developments <sup>1)</sup>										Properties under development <sup>2)</sup>										GFA for future development with land grant contracts
				sq.m.	Total completed GFA	Total GFA sold prior to completion	Completion date	Total saleable GFA under development	Actual commencement date	Total saleable pre-sold	Estimated pre-sale commencement date	Estimated completion date	GFA for future development <sup>3)</sup>	Estimated commencement date	Estimated pre-sale commencement date	Estimated completion date	sq.m.							
																		(%)	sq.m.	sq.m.	sq.m.	sq.m.	sq.m.	
Shanwei Country Garden (山毛茛桂園)	Shanwei (Shanwei)	1,220,107	100%	670,775	652,992	646,996	1,346	24/Jun/16	486,934	12/Nov/13	372,208	10/Dec/13	4 <sup>th</sup> Quarter, 2017	3 <sup>rd</sup> Quarter, 2016	32,338	4 <sup>th</sup> Quarter, 2017	111,092							
Wuhu Country Garden (武夷山桂園)	Wuhu (Lianan)	762,384	100%	560,789	533,839	499,461	1,134	23/Jun/16	96,988	30/Jun/08	90,119	4 <sup>th</sup> Quarter, 2016	1 <sup>st</sup> Quarter, 2017	4 <sup>th</sup> Quarter, 2016	90,119	2 <sup>nd</sup> Quarter, 2018	-							
Shaoqian Country Garden—Sun Plaza (韶關碧桂園·太陽城)	Shaoqian (Xilian)	3,887,964	100%	1,157,577	1,112,810	1,041,608	17,559	30/Jun/16	744,795	28/Dec/09	306,056	9/Sept/14	4 <sup>th</sup> Quarter, 2018	4 <sup>th</sup> Quarter, 2016	1,976,846	4 <sup>th</sup> Quarter, 2017	-							
Haicheng Country Garden (海城碧桂園·太陽城)	Haicheng (Haicheng)	420,836	100%	263,736	256,381	206,310	13,343	27/Jun/16	83,134	20/Oct/11	8,861	7/Jul/14	4 <sup>th</sup> Quarter, 2017	4 <sup>th</sup> Quarter, 2016	73,966	4 <sup>th</sup> Quarter, 2018	-							
Xing'anming Country Garden (興安銘碧桂園)	Xing'anming (Koyouqiang)	1,226,225	100%	487,778	474,488	443,385	6,197	25/Dec/15	108,834	26/Sept/13	32,201	27/Sept/13	2 <sup>nd</sup> Quarter, 2017	1 <sup>st</sup> Quarter, 2017	627,478	4 <sup>th</sup> Quarter, 2020	-							
Chizhou Country Garden (池州碧桂園)	Chizhou (Zhangqian)	417,912	100%	417,912	389,946	389,214	-	30/Jun/14	-	-	-	-	-	-	-	-	-							
Maanshan Country Garden—Hill Lake City (蕪湖碧桂園·如山湖城)	Maanshan (Hexian)	1,100,108	100%	767,835	742,519	422,096	12,963	11/May/16	3,133	9/May/16	1,255	17/May/16	4 <sup>th</sup> Quarter, 2016	3 <sup>rd</sup> Quarter, 2016	329,140	4 <sup>th</sup> Quarter, 2019	-							
Shou County Garden (壽縣碧桂園)	Zhuoqing (Shou)	302,311	100%	97,746	96,564	82,342	2,423	23/Mar/16	179,713	13/Aug/14	69,127	28/Jul/15	2 <sup>nd</sup> Quarter, 2016	-	-	-	17,949							
Xianning Country Garden (咸寧碧桂園)	Xianning (Xian'an)	700,584	100%	510,810	486,148	475,531	4,594	15/Jun/16	60,957	28/Sept/14	5,160	27/Jun/16	2 <sup>nd</sup> Quarter, 2017	4 <sup>th</sup> Quarter, 2016	129,717	1 <sup>st</sup> Quarter, 2018	-							
Country Garden—Hot Spring City (碧桂園·溫泉島)	Xianning (Xian'an)	1,220,067	100%	655,521	653,161	598,922	657	28/Jun/16	107,725	19/May/11	7,182	19/Jun/15	2 <sup>nd</sup> Quarter, 2017	3 <sup>rd</sup> Quarter, 2016	271,865	4 <sup>th</sup> Quarter, 2018	184,956							
Suzhou Country Garden (蘇州碧桂園)	Suzhou (Chengnan)	1,490,520	100%	978,776	926,424	867,060	7,323	14/Jun/16	78,955	21/May/08	42,378	25/Jun/15	2 <sup>nd</sup> Quarter, 2017	3 <sup>rd</sup> Quarter, 2016	432,352	4 <sup>th</sup> Quarter, 2019	437							
Changshou Country Garden (長壽碧桂園)	Changshou (Changshou)	802,749	100%	524,956	501,657	418,805	43,205	25/Nov/15	115,801	24/Apr/14	31,445	25/Apr/14	2 <sup>nd</sup> Quarter, 2017	-	-	-	161,992							
Tongliao Country Garden (通遼碧桂園)	Tongliao (Keerqin)	1,849,908	100%	710,918	698,869	646,864	1,049	7/Jun/16	39,511	28/Sept/15	3,312	19/Oct/15	4 <sup>th</sup> Quarter, 2016	3 <sup>rd</sup> Quarter, 2016	1,099,479	4 <sup>th</sup> Quarter, 2022	-							
Huangshan Country Garden (黃山碧桂園)	Huangshan (Tunxi)	330,953	100%	330,024	311,671	309,814	-	26/Nov/12	929	28/Sept/11	-	-	4 <sup>th</sup> Quarter, 2016	-	-	-	-							
Andong Country Garden (安東碧桂園)	Anqing (Yingjiang)	3,249,184	100%	1,667,125	1,537,166	1,441,619	7,368	31/Dec/15	498,971	19/Jun/08	190,165	27/Nov/14	2 <sup>nd</sup> Quarter, 2016	3 <sup>rd</sup> Quarter, 2016	1,103,088	4 <sup>th</sup> Quarter, 2019	-							
Wuhu Country Garden (蕪湖碧桂園)	Wuhu (Sanshaqiu)	1,926,415	100%	1,421,061	1,362,086	1,148,811	6,527	17/Jun/16	80,622	27/Jun/08	22,235	24/Nov/15	2 <sup>nd</sup> Quarter, 2017	3 <sup>rd</sup> Quarter, 2016	424,732	4 <sup>th</sup> Quarter, 2019	-							
Yiyang Country Garden (宜陽碧桂園)	Yiyang (Yiyang)	944,515	100%	622,427	616,644	605,766	1,064	18/Sept/15	196,661	29/Sept/13	136,843	10/Oct/13	4 <sup>th</sup> Quarter, 2017	3 <sup>rd</sup> Quarter, 2016	125,427	4 <sup>th</sup> Quarter, 2018	-							
Chaohu Country Garden (巢湖碧桂園)	Hefei (Chaohu)	738,612	100%	699,847	658,405	643,724	1,743	30/May/16	9,191	11/Aug/08	8,445	29/Apr/15	4 <sup>th</sup> Quarter, 2016	4 <sup>th</sup> Quarter, 2016	29,574	2 <sup>nd</sup> Quarter, 2018	-							
Liyang Country Garden (臨潯碧桂園)	Chengde (Liyang)	1,042,109	100%	595,673	590,146	508,631	83,951	12/May/16	83,655	19/Sept/14	22,825	19/Jun/15	2 <sup>nd</sup> Quarter, 2017	4 <sup>th</sup> Quarter, 2016	362,781	4 <sup>th</sup> Quarter, 2019	-							
Maoming Country Garden (茂名碧桂園)	Maoming (Maonan)	439,233	100%	454,773	415,983	388,299	869	3/Sept/14	-	-	-	-	-	4,460	4 <sup>th</sup> Quarter, 2019	-	-							
Yangshan Country Garden (湯山碧桂園)	Qingyuan (Yangshan)	786,782	100%	359,337	346,559	335,414	4,946	25/Dec/15	71,784	25/Apr/14	25,287	10/Nov/15	2 <sup>nd</sup> Quarter, 2017	1 <sup>st</sup> Quarter, 2017	355,761	4 <sup>th</sup> Quarter, 2019	-							
Suzhou Country Garden (蘇州碧桂園)	Suzhou (Beilin)	270,119	100%	270,119	257,766	240,962	271	15/Sept/15	-	-	-	-	-	-	-	-	-	-						
Country Garden—Doyu Office Building (碧桂園·德域大廈)	Tianjin (Tanggu)	113,205	100%	-	-	-	-	-	113,205	2/Jun/14	-	-	4 <sup>th</sup> Quarter, 2016	-	-	-	-	-						
Tianjin Country Garden (天津碧桂園)	Tianjin (Baifu)	995,872	100%	728,075	679,074	675,795	866	1/May/16	258,396	28/Nov/11	170,721	10/Dec/14	4 <sup>th</sup> Quarter, 2017	4 <sup>th</sup> Quarter, 2016	645	4 <sup>th</sup> Quarter, 2017	-							
Jingmen Country Garden (荊門碧桂園)	Jingmen (Quoekou)	1,246,394	100%	750,972	733,003	721,441	-	8/Jun/16	160,800	23/Apr/12	67,679	25/Aug/15	4 <sup>th</sup> Quarter, 2017	3 <sup>rd</sup> Quarter, 2016	247,759	4 <sup>th</sup> Quarter, 2019	86,863							
Country Garden—Lyfsee Park (碧桂園·荔園)	Guangzhou (Zengcheng)	87,059	100%	87,059	86,287	85,870	-	26/May/10	-	-	-	-	-	-	-	-	-	-						
Zhaoqing Country Garden—Hill Lake (肇慶碧桂園·如山湖城)	Zhaoqing (Gaoyao)	261,081	51%	261,081	256,879	256,879	-	28/Apr/13	-	-	-	-	-	-	-	-	-	-						
Country Garden—Park Prime (碧桂園·公園1號)	Jiangmen (Heiban)	238,340	100%	238,340	233,773	231,554	-	19/Jun/15	-	-	-	-	-	-	-	-	-	-						
Country Garden—Grand Garden (碧桂園·豪園)	Guangzhou (Zengcheng)	1,113,069	100%	905,196	820,542	819,419	-	14/Mar/16	207,873	12/Oct/13	81,385	21/Aug/15	4 <sup>th</sup> Quarter, 2017	-	-	-	-	-						
Country Garden—Sunshine Coast (碧桂園·陽光海岸)	Jiangmen (Kaiping)	48,765	100%	48,765	48,493	48,493	-	15/Dec/10	-	-	-	-	-	-	-	-	-	-						
Holiday Islands—Qingyuan (假日半島—清遠)	Qingyuan (Qingcheng)	435,667	100%	435,667	433,927	433,927	-	30/Nov/12	-	-	-	-	-	-	-	-	-	-						
Country Garden Wonderland (碧桂園山水樂園)	Foshan (Nanhai)	144,508	100%	144,508	143,721	142,994	-	19/Jun/12	-	-	-	-	-	-	-	-	-	-						
Daling Country Garden (大嶺碧桂園)	Dongguan (Dalong)	377,760	100%	377,760	367,943	364,855	-	30/Dec/13	-	-	-	-	-	-	-	-	-	-						
Country Garden—Grand Palace (碧桂園·皇宮)	Guangzhou (Nansha)	167,152	100%	167,152	155,977	154,376	-	17/May/13	-	-	-	-	-	-	-	-	-	-						
Huaili Country Garden (懷集碧桂園)	Zhuoqing (Huaili)	242,428	100%	239,380	235,702	234,990	430	23/Dec/14	3,048	27/Mar/13	-	-	4 <sup>th</sup> Quarter, 2016	-	-	-	-	-						

Project/	City (District)	Completed property developments <sup>(1)</sup>												Properties under development <sup>(2)</sup>						Properties for future development		
		Aggregate GFA for entire project	Interest attributable to the Company	Completed GFA	Total completed sales			Completion date	GFA under development	Total saleable under development	Actual commencement date	Total saleable pre-sold	Estimated commencement date	Estimated completion date	GFA for future development <sup>(3)</sup>	Estimated commencement date	Estimated completion date	GFA for future development with land grant contracts				
					sq.m.	sq.m.	sq.m.												sq.m.	sq.m.	sq.m.	sq.m.
Country Garden City Garden (碧桂园城市花園)	Foshan(Chancheng)	450,726	90%	450,726	432,981	413,149	2,155	6/Dec/13	-	-	-	-	-	-	-	-	-					
Country Garden Grand Palace (碧桂园大都會)	Foshan(Shunde)	389,867	100%	389,867	365,179	365,179	-	2/Nov/12	-	-	-	-	-	-	-	-	-					
Country Garden (碧桂园)	Zhaoqing(Daoqing)	195,731	100%	195,731	192,358	192,358	-	30/May/13	-	-	-	-	-	-	-	-	-					
Country Garden (碧桂园)	Yantai(Linshan)	523,958	100%	523,958	476,514	476,305	-	20/Dec/15	-	-	-	-	-	-	-	-	-					
Country Garden (碧桂园)	Yulin(Bailu)	558,158	93%	330,417	323,954	321,282	604	7/Apr/16	91,093	89,484	4/Dec/14	61,356	30/Apr/15	2 <sup>nd</sup> Quarter, 2017	136,648	3 <sup>rd</sup> Quarter, 2016	4 <sup>th</sup> Quarter, 2018					
Country Garden (碧桂园)	Jiangmen(Jianghai)	496,932	100%	384,334	370,581	368,067	-	30/Jun/16	106,998	100,674	9/Sep/13	86,679	24/Apr/15	1 <sup>st</sup> Quarter, 2017	5,600	4 <sup>th</sup> Quarter, 2016	4 <sup>th</sup> Quarter, 2017					
Country Garden—Phase Four (碧桂园二期四期)	Jiangmen(Xinhui)	605,950	100%	448,224	437,934	437,934	-	10/Dec/15	157,726	155,216	30/Nov/14	150,095	10/Dec/14	4 <sup>th</sup> Quarter, 2017	-	-	-					
Country Garden City Garden (碧桂园城市花園)	Maoming(Duanba)	1,946,349	100%	557,089	551,672	532,240	6,271	29/Jun/16	213,155	212,804	31/Dec/11	65,250	11/Aug/15	3 <sup>rd</sup> Quarter, 2017	1,176,105	4 <sup>th</sup> Quarter, 2016	2 <sup>nd</sup> Quarter, 2020					
Country Garden—Miles Beach (碧桂园十里洋灘)	Huizhou(Huidong)	5,206,036	100%	2,908,894	2,701,152	2,672,314	798	30/Dec/15	1,042,688	931,702	14/Jun/11	784,201	23/Mar/12	4 <sup>th</sup> Quarter, 2016	1,354,454	3 <sup>rd</sup> Quarter, 2016	2 <sup>nd</sup> Quarter, 2020					
Country Garden Spring City (碧桂园清泉城)	Qingyuan(Fogang)	697,183	100%	311,480	310,482	301,613	133	23/Sep/15	385,703	383,867	28/Apr/13	20,236	10/Apr/14	2 <sup>nd</sup> Quarter, 2018	-	-	-					
Country Garden Grand Lake (碧桂园秀麗湖)	Zhengshan(Wuguishan)	79,849	100%	79,849	74,534	68,273	-	31/Oct/12	-	-	-	-	-	-	-	-	-					
Country Garden—Phoenix City (碧桂园·鳳凰城)	Zhenjiang(Jurong)	7,183,478	100%	1,953,256	1,911,478	1,739,167	7,907	30/Jan/16	1,059,658	895,435	21/Sep/11	608,046	5/Jul/13	4 <sup>th</sup> Quarter, 2018	2,903,379	3 <sup>rd</sup> Quarter, 2016	4 <sup>th</sup> Quarter, 2022					
Country Garden—Europa City (碧桂园·歐洲城)	Chuzhou(Nanqiao)	1,880,458	100%	964,304	947,901	795,064	44,732	1/Apr/16	115,018	101,721	28/Oct/15	89,864	28/Oct/15	4 <sup>th</sup> Quarter, 2017	270,184	3 <sup>rd</sup> Quarter, 2016	4 <sup>th</sup> Quarter, 2019					
Country Garden (碧桂园)	Fengka Country Garden (湖南碧桂园)	183,536	100%	183,536	178,456	175,466	-	15/Aug/14	-	-	-	-	-	-	-	-	-					
Country Garden Grand Garden (碧桂园大都會)	Shenyang(Qipanshan)	112,178	100%	98,499	97,609	54,117	199	30/Dec/15	1,124	1,124	12/Apr/11	-	-	8/Jul/11	4 <sup>th</sup> Quarter, 2016	12,555	1 <sup>st</sup> Quarter, 2017	4 <sup>th</sup> Quarter, 2017				
Country Garden (碧桂园)	Shanwei(Haifeng)	341,067	100%	341,067	320,687	316,943	498	19/Jan/16	-	-	-	-	-	-	-	-	-					
Country Garden (碧桂园)	Hangzhou(Xiasha)	184,362	100%	184,362	180,353	167,142	1,257	26/Jun/14	-	-	-	-	-	-	-	-	-					
Country Garden Triumph Palace (碧桂园凱旋皇廷)	Wuxi(Xishan)	397,359	100%	301,672	287,926	277,465	567	16/Jan/15	95,687	80,064	17/Jul/15	77,817	23/Sep/15	4 <sup>th</sup> Quarter, 2017	-	-	-					
Country Garden—Hill Lake Grand Palace (碧桂园·山水豪庭)	Jiangmen(Heshan)	513,425	80%	250,348	242,823	224,570	1,050	20/Jun/16	13,755	13,755	16/Sep/15	3,436	22/Jan/16	4 <sup>th</sup> Quarter, 2016	248,722	3 <sup>rd</sup> Quarter, 2016	4 <sup>th</sup> Quarter, 2018					
Country Garden (碧桂园)	Xiangnan(Xiangnan)	490,295	100%	389,373	366,688	321,076	2,758	14/Nov/14	52,806	47,174	28/May/14	20,308	27/May/15	1 <sup>st</sup> Quarter, 2017	48,116	3 <sup>rd</sup> Quarter, 2016	4 <sup>th</sup> Quarter, 2017					
Country Garden (碧桂园)	Foshan(Shunde)	302,061	100%	302,061	292,523	275,272	7,152	31/Jul/14	-	-	-	-	-	-	-	-	-					
Country Garden—City Garden (碧桂园·城市花園)	Chuzhou(Lain)	1,542,807	100%	1,349,706	1,285,443	1,237,780	29,343	1/Jun/16	193,101	193,101	28/May/15	126,463	29/May/15	4 <sup>th</sup> Quarter, 2017	-	-	-					
Country Garden—Dongjiang Phoenix City (碧桂园·東江鳳凰城)	Heyuan(Yuancheng)	939,165	100%	820,903	798,291	738,039	-	22/Sep/15	118,262	112,516	12/Jun/15	107,095	25/Sep/15	4 <sup>th</sup> Quarter, 2017	-	-	-					
Country Garden (碧桂园)	Meizhou(Meijiang)	864,935	100%	797,524	778,792	757,083	1,731	29/Oct/15	66,558	64,240	1/Aug/14	34,656	29/Apr/15	1 <sup>st</sup> Quarter, 2017	853	4 <sup>th</sup> Quarter, 2016	2 <sup>nd</sup> Quarter, 2017					
Country Garden Grand Garden (碧桂园大都會)	Dongguan(Tangxia)	292,154	100%	292,154	268,630	268,630	-	20/Aug/15	-	-	-	-	-	-	-	-	-					
Country Garden (碧桂园)	Guangzhou(Panyu)	170,489	100%	142,149	134,874	132,453	816	26/Jun/14	4,340	-	29/Dec/12	-	-	4 <sup>th</sup> Quarter, 2016	24,000	-	4 <sup>th</sup> Quarter, 2017					
Country Garden—Sea Bay (碧桂园·海灣) (碧桂园·碧海灣)	Jiangmen(Kaiping)	950,947	93%	541,022	527,366	514,390	1,130	31/May/16	202,802	170,613	18/Dec/14	25,566	27/Nov/15	4 <sup>th</sup> Quarter, 2016	207,123	3 <sup>rd</sup> Quarter, 2016	4 <sup>th</sup> Quarter, 2018					
Country Garden (碧桂园)	Zhongjijiet(Yongfeng)	264,904	100%	76,369	52,600	18,059	2,207	17/Feb/16	68,958	67,272	19/Apr/13	-	1 <sup>st</sup> Quarter, 2017	120,477	1 <sup>st</sup> Quarter, 2017	4 <sup>th</sup> Quarter, 2018						
Country Garden (碧桂园)	Changbai(Ningjiang)	119,676	100%	119,676	116,983	98,213	2,966	24/Dec/14	-	-	-	-	-	-	-	-	-					
Country Garden Forest Hill Garden (碧桂园天麓山花園)	Dongguan(Tangxia)	512,508	100%	512,508	498,611	498,611	-	3/Mar/16	-	-	-	-	-	-	-	-	-					
Country Garden Hill Lake City (碧桂园城市花園)	Meizhou(Meixian)	239,024	100%	42,201	42,244	19,591	-	15/Jun/13	223	-	15/Nov/11	-	-	4 <sup>th</sup> Quarter, 2016	196,300	4 <sup>th</sup> Quarter, 2016	4 <sup>th</sup> Quarter, 2018					
Country Garden Hill Lake City (碧桂园山湖灣)	Qingyuan(Qingcheng)	1,577,876	100%	504,762	494,827	431,201	12,443	30/Jun/16	311,126	309,287	6/Mar/14	76,646	19/Jun/15	2 <sup>nd</sup> Quarter, 2018	761,988	1 <sup>st</sup> Quarter, 2017	4 <sup>th</sup> Quarter, 2020					
Country Garden—Eco City (碧桂园·生態城)	Wuhan(Hongshan)	854,984	55%	782,926	767,627	764,668	-	18/Jun/15	54,139	38,192	4/Sep/12	36,797	25/Oct/13	1 <sup>st</sup> Quarter, 2017	17,919	3 <sup>rd</sup> Quarter, 2016	4 <sup>th</sup> Quarter, 2017					
Country Garden—Eco City (碧桂园·生態城)	Chenzhou(Suonan)	470,100	100%	466,590	463,007	436,196	3,061	10/Mar/16	3,510	-	15/Feb/12	-	-	4 <sup>th</sup> Quarter, 2016	-	-	-					
Country Garden Hill Lake Bay (碧桂园山湖灣)	Guangzhou(Nanhai)	518,391	100%	518,391	503,977	482,943	5,259	27/May/15	-	-	-	-	-	-	-	-	-					

Project/	City (District)	Aggregate GFA for the entire project	Interest attributable to the Company (%)	Completed GFA	Total Completed Property Development <sup>(1)</sup>				Properties under development <sup>(2)</sup>										Properties for future development			
					Total completed GFA	Total completed sales GFA	Total saleable GFA pre-delivery	Completion date	Total saleable GFA under development	Actual commencement date	Total saleable pre-sold <sup>(3)</sup>	Estimated pre-sale commencement date	Estimated completion date	GFA for future development <sup>(4)</sup>	Estimated commencement date	Estimated pre-sale commencement date	Estimated completion date	GFA for future development with land grant contracts				
																			sq.m.	sq.m.	sq.m.	sq.m.
Country Garden-Phoenix City (碧桂园·凤凰城)	Jinan(Zhongguo)	620,142	100%	289,289	264,516	207,911	4,599	30/Oct/14	30,191	26,492	2,830	26/May/16	4 <sup>th</sup> Quarter, 2017	4 <sup>th</sup> Quarter, 2016	1 <sup>st</sup> Quarter, 2017	4 <sup>th</sup> Quarter, 2019	-					
Country Garden-Beishore City (碧桂园·北海)	Tianjin(Bihai New Area)	121,041	100%	121,041	114,192	113,165	851	11/Dec/15	-	-	-	-	-	-	-	-	-					
Country Garden-Palm City (碧桂园·棕榈城)	Wenzhou(Tanniu)	146,815	100%	70,192	61,246	43,796	1,972	25/Oct/15	24,933	24,359	-	4 <sup>th</sup> Quarter, 2016	2 <sup>nd</sup> Quarter, 2017	3 <sup>rd</sup> Quarter, 2016	4 <sup>th</sup> Quarter, 2018	-	-					
Country Garden-Hill Lake Bay (碧桂园·山湖湾)	Jiangmen(Xinhui)	321,764	100%	209,972	198,248	178,108	2,247	28/Nov/14	111,792	110,905	-	4 <sup>th</sup> Quarter, 2016	4 <sup>th</sup> Quarter, 2017	-	-	-	-					
Country Garden (平泉碧桂园)	Baise(Pingyao)	204,574	100%	113,653	113,343	90,183	107	26/Nov/15	21,647	21,472	-	1 <sup>st</sup> Quarter, 2017	2 <sup>nd</sup> Quarter, 2017	4 <sup>th</sup> Quarter, 2016	1 <sup>st</sup> Quarter, 2018	-	-					
Country Garden Holiday Islands (碧桂园假日群岛)	Erzhou(Wutonghu)	134,051	51%	51,825	51,657	51,323	-	27/Jan/16	23,782	20,444	8,508	28/Sep/15	2 <sup>nd</sup> Quarter, 2017	4 <sup>th</sup> Quarter, 2016	1 <sup>st</sup> Quarter, 2017	2 <sup>nd</sup> Quarter, 2018	-					
Country Garden Zishan Lake (碧桂园紫山湖)	Xianning(Xian'an)	1,291,812	51%	204,758	194,086	166,186	12,185	14/Apr/16	37,447	36,897	34,258	11/Nov/13	2 <sup>nd</sup> Quarter, 2017	4 <sup>th</sup> Quarter, 2016	1 <sup>st</sup> Quarter, 2017	2 <sup>nd</sup> Quarter, 2018	-					
Country Garden Garden	Chengde(Chengde)	626,199	100%	184,138	182,138	169,117	7,832	27/Nov/14	96,199	93,192	37,794	11/Dec/14	4 <sup>th</sup> Quarter, 2017	3 <sup>rd</sup> Quarter, 2016	4 <sup>th</sup> Quarter, 2016	4 <sup>th</sup> Quarter, 2020	208,443					
Country Garden Zhan Lake Bay (碧桂园展湖湾)	Meizhou(Jiading)	405,133	100%	344,151	324,644	324,358	-	21/Jan/16	60,982	59,474	32,137	12/Jun/15	4 <sup>th</sup> Quarter, 2017	3 <sup>rd</sup> Quarter, 2016	4 <sup>th</sup> Quarter, 2016	4 <sup>th</sup> Quarter, 2019	-					
Country Garden Times City (碧桂园时代城)	Dongguan(Tangxia)	123,504	51%	123,504	119,324	119,129	-	31/Dec/14	-	-	-	-	-	-	-	-	-					
Country Garden Phase Three (碧桂园三期)	Wuhan(Huahan)	471,056	52%	201,025	198,145	145,300	7,401	30/Jul/14	53,050	52,993	7,030	27/Oct/15	2 <sup>nd</sup> Quarter, 2017	3 <sup>rd</sup> Quarter, 2016	4 <sup>th</sup> Quarter, 2016	4 <sup>th</sup> Quarter, 2018	-					
Country Garden Spring Town (碧桂园春城二期)	Lin'gao(Lin'gao)	37,375	51%	37,375	36,363	35,116	-	29/Oct/13	-	-	-	-	-	-	-	-	-					
Country Garden-Golden Beach (碧桂园小城之春)	Lin'gao(Lin'gao)	576,549	51%	461,600	442,253	400,460	-	26/Dec/14	114,949	110,855	13,587	11/Mar/16	4 <sup>th</sup> Quarter, 2017	-	-	-	-					
Country Garden (碧桂园·金沙湾)	Nantong(Rudong)	227,772	100%	227,772	221,307	177,107	-	30/Sep/15	-	-	-	-	-	-	-	-	-					
Country Garden (如皋碧桂园)	Danjiang(Country Garden)	390,530	100%	390,530	338,457	333,320	1,800	14/Dec/15	-	-	-	-	-	-	-	-	-					
Country Garden (启东碧桂园)	Wuxi(Xin'g)	204,836	100%	204,836	198,291	135,961	2,724	30/Mar/15	-	-	-	-	-	-	-	-	-					
Country Garden (海门碧桂园)	Danyang(Country Garden)	481,361	100%	481,361	463,932	399,337	306	24/Apr/15	-	-	-	-	-	-	-	-	-					
Country Garden Spring City-Phase Two (碧桂园清泉城二期)	Qingyuan(Fogang)	217,959	95%	187,843	184,615	167,433	8,928	30/May/16	8,199	8,199	3,977	29/Sep/15	4 <sup>th</sup> Quarter, 2016	3 <sup>rd</sup> Quarter, 2016	4 <sup>th</sup> Quarter, 2017	-	-					
Xuancheng(Xuancheng) (宣城碧桂园)	Xuancheng(Xuancheng)	346,850	100%	335,294	327,145	325,953	-	6/Nov/15	3,733	-	-	4/May/13	4 <sup>th</sup> Quarter, 2016	3 <sup>rd</sup> Quarter, 2016	3 <sup>rd</sup> Quarter, 2016	2 <sup>nd</sup> Quarter, 2017	-					
Jingjiang(Country Garden) (靖江碧桂园)	Taizhou(Jingjiang)	307,937	100%	307,937	289,908	288,768	504	25/Nov/15	-	-	-	-	-	-	-	-	-					
Jiangsu(Country Garden) (江苏碧桂园)	Wuxi(Jiangyin)	69,319	100%	69,319	65,851	63,215	-	19/Dec/14	-	-	-	-	-	-	-	-	-					
Country Garden (启东碧桂园)	Nantong(Rugao)	185,745	100%	185,745	184,131	133,463	342	19/May/15	-	-	-	-	-	-	-	-	-					
Country Garden-Ten Miles Golden Beach (碧桂园·十里金滩)	Yantai(Haiyang)	2,249,851	90%	717,751	710,129	477,808	13,879	20/Apr/16	307,361	300,229	-	15/Aug/13	2 <sup>nd</sup> Quarter, 2018	3 <sup>rd</sup> Quarter, 2016	4 <sup>th</sup> Quarter, 2016	4 <sup>th</sup> Quarter, 2020	632,095					
Country Garden (碧桂园·十里金滩)	Wuhua(Country Garden)	226,398	100%	226,398	216,734	216,503	231	10/Jun/15	-	-	-	-	-	-	-	-	-					
Country Garden (江苏碧桂园)	Yongchun(Country Garden)	591,439	100%	194,505	181,939	150,990	1,019	25/Dec/14	-	-	-	-	-	-	-	-	-					
Xinping(Country Garden) (兴平碧桂园)	Meizhou(Xingping)	218,936	100%	218,760	207,724	207,070	-	25/Nov/15	-	-	-	-	-	-	-	-	-					
Country Garden (碧桂园·天湖湾)	Yichun(Yuanzhou)	431,919	100%	399,244	395,537	263,700	11,718	30/May/16	32,675	29,082	2,077	2/Aug/13	4 <sup>th</sup> Quarter, 2016	4 <sup>th</sup> Quarter, 2016	1 <sup>st</sup> Quarter, 2017	4 <sup>th</sup> Quarter, 2019	-					
Country Garden-Riverside City (碧桂园·天湖湾)	Jiangmen(Heshan)	519,728	100%	91,251	90,155	76,350	327	20/Jun/16	54,070	51,997	10,703	28/Jul/15	4 <sup>th</sup> Quarter, 2016	3 <sup>rd</sup> Quarter, 2016	4 <sup>th</sup> Quarter, 2017	4 <sup>th</sup> Quarter, 2018	74,135					
Country Garden-City Garden (碧桂园·城市花园)	Huanggang(Xishui)	578,894	85%	291,251	289,910	277,311	74	26/Apr/16	89,776	81,394	35,150	19/Dec/14	2 <sup>nd</sup> Quarter, 2017	3 <sup>rd</sup> Quarter, 2016	4 <sup>th</sup> Quarter, 2016	2 <sup>nd</sup> Quarter, 2018	-					
Country Garden-Airport Plaza (碧桂园·机场广场)	Yunfu(Yuncheng)	402,881	100%	253,421	239,931	161,191	15,898	30/Nov/15	57,687	54,535	-	1 <sup>st</sup> Quarter, 2017	2 <sup>nd</sup> Quarter, 2017	4 <sup>th</sup> Quarter, 2016	1 <sup>st</sup> Quarter, 2017	2 <sup>nd</sup> Quarter, 2018	-					
Country Garden-Airport Plaza (碧桂园·机场广场)	Guangzhou(Huadu)	114,982	100%	114,982	106,316	93,578	785	30/Oct/14	-	-	-	-	-	-	-	-	-					
Country Garden-Jade Bay (碧桂园·翡翠湾)	Weifang(Linqu)	140,432	51%	140,432	135,732	82,696	2,952	18/Nov/15	-	-	-	-	-	-	-	-	-					
Country Garden (德州碧桂园)	Quchou(Donggang)	299,474	100%	299,474	293,212	279,741	562	27/Apr/16	-	-	-	-	-	-	-	-	-					
Country Garden (德州碧桂园)	Guangyuan(Lizhou)	452,750	100%	328,486	315,663	237,863	4,298	16/Mar/16	59,961	58,635	2,313	16/Oct/13	2 <sup>nd</sup> Quarter, 2016	4 <sup>th</sup> Quarter, 2016	4 <sup>th</sup> Quarter, 2016	2 <sup>nd</sup> Quarter, 2018	-					
Country Garden (柳州碧桂园)	Lanchou(Chongguan)	2,423,710	100%	440,135	434,294	426,359	266	28/Jun/16	1,139,141	1,129,318	846,447	29/Oct/13	3 <sup>rd</sup> Quarter, 2016	3 <sup>rd</sup> Quarter, 2016	3 <sup>rd</sup> Quarter, 2016	4 <sup>th</sup> Quarter, 2020	-					



Project	City (District)	Completed property developments <sup>1)</sup>														Properties under development <sup>2)</sup>										Properties for future development		
		Aggregate GFA for attributable entering project	Interest to the Company (%)	Total completed GFA				Total GFA sold pre-completion				GFA under development		Total saleable pre-sold <sup>3)</sup>		Actual commencement date	Estimated commencement date	GFA for future development <sup>4)</sup>	Estimated commencement date	Estimated pre-sale completion date	Estimated completion date	GFA for development with land grant contracts						
				sq.m.	sq.m.	sq.m.	sq.m.	sq.m.	sq.m.	sq.m.	sq.m.	sq.m.	sq.m.	sq.m.														
Nanan Country Garden (南安碧桂园)	Qianzhong(Nanan)	235,717	100%	132,124	126,227	120,806	4,199	23Dec/15	41,367	41,367	28Oct/15	42,722	42,722	28Oct/15	42,722	3rd Quarter, 2016	4th Quarter, 2016	4th Quarter, 2017	4th Quarter, 2017	4th Quarter, 2018	237,000							
Zibo Country Garden (淄博碧桂园)	Zibo(Zhounan)	604,845	100%	282,863	275,477	218,146	16,326	30Jun/16	98,757	98,757	10Sep/14	26,219	26,219	10Sep/14	223,225	3rd Quarter, 2016	4th Quarter, 2016	4th Quarter, 2016	4th Quarter, 2016	4th Quarter, 2016	-							
Maoming Phoenix City (茂名凤凰里城)	Maoming(Gaozhou)	344,861	100%	284,241	273,237	264,931	1,640	25Dec/15	60,620	60,620	30Apr/14	53,062	53,062	30Apr/14	-	-	-	-	-	-	-							
Huai Country Garden (化州碧桂园)	Guizhou(Huaxi)	728,456	100%	446,360	433,954	391,158	4,178	17Jun/16	106,735	106,735	29Oct/13	29,288	29,288	29Oct/13	175,361	3rd Quarter, 2016	3rd Quarter, 2016	3rd Quarter, 2016	4th Quarter, 2016	4th Quarter, 2018	-							
Country Garden-Jade City (碧桂园·翡翠城)	Chongqing(Bishan)	376,691	100%	84,376	83,966	51,697	4,018	20Dec/15	187,873	179,956	13Dec/13	12,036	12,036	15Sep/14	104,442	4th Quarter, 2016	4th Quarter, 2016	1st Quarter, 2017	2nd Quarter, 2017	2nd Quarter, 2019	-							
Nanchong Country Garden (南充碧桂园)	Nanchong(Jialing)	751,763	100%	360,289	350,306	327,750	6,809	30Jun/16	154,474	150,168	18Dec/13	68,802	68,802	20Mar/14	-	-	-	-	-	-	-							
Zhuji Country Garden (诸暨碧桂园)	Shaoxing(Zhuji)	135,163	100%	96,180	96,180	40,133	378	31Dec/14	38,983	35,924	9Dec/13	25,162	25,162	25Dec/13	-	-	-	-	-	-	-							
Tonglu Country Garden (桐庐碧桂园)	Hangzhou(Tonglu)	120,654	100%	120,654	118,438	86,604	-	29Apr/15	-	-	-	-	-	-	-	-	-	-	-	-	-							
Lurao Country Garden (六安碧桂园)	Lurao(Lurao)	795,691	100%	673,135	654,814	617,580	9,722	17Jun/16	122,556	117,431	4Mar/14	102,130	102,130	23Apr/15	-	-	-	-	-	-	-							
Chongqing Country Garden (重庆碧桂园)	Dongguan(Chongqing)	105,120	100%	100,929	91,401	88,484	-	7Jul/15	4,191	-	24Jan/14	-	-	-	-	-	-	-	-	-	-							
Samning Country Garden (三明碧桂园)	Sanming(Mediao)	1,109,292	100%	478,275	453,049	390,478	10,318	30May/16	387,877	300,769	27Jun/14	200,014	200,014	21Feb/14	243,140	3rd Quarter, 2016	3rd Quarter, 2016	4th Quarter, 2016	4th Quarter, 2019	-								
Country Garden-River Pearl (碧桂园·滨江明珠)	Yichang(Yidu)	134,163	55%	134,163	130,336	113,242	375	15May/15	-	-	-	-	-	-	-	-	-	-	-	-	-							
Gaochun Country Garden (高淳碧桂园)	Nanjing(Gaochun)	484,983	100%	343,741	327,464	281,010	1,383	3Feb/16	141,242	133,494	22Nov/13	-	-	-	-	-	-	-	-	-	-							
Wendeng Country Garden (文登碧桂园)	Weihai(Wendeng)	88,040	100%	35,947	32,178	9,016	2,537	23Dec/15	1,429	1,429	21Mar/14	-	-	-	50,664	3rd Quarter, 2016	4th Quarter, 2016	4th Quarter, 2016	4th Quarter, 2017	-								
Pingjiang Country Garden (平江碧桂园)	Pingjiang(Aiyuan)	218,481	100%	188,003	180,718	131,707	6,750	15Dec/15	30,478	30,478	28Nov/13	-	-	-	-	-	-	-	-	-	-							
Hengshui Country Garden (衡水碧桂园)	Hengshui(Yanfeng)	440,804	51%	246,867	241,957	237,380	4,289	20Nov/15	193,937	189,986	18Jul/14	165,238	165,238	29Oct/14	-	-	-	-	-	-	-							
Zoucheng Country Garden (邹城碧桂园)	Jining(Zoucheng)	395,448	100%	31,328	30,711	11,618	1,609	29Apr/15	274,120	268,784	9May/14	81,548	81,548	22May/14	-	-	-	-	-	-	-							
Nantong Country Garden (南通碧桂园)	Nantong(Chengnan)	424,840	100%	231,826	224,122	191,255	912	18Mar/16	192,505	189,473	19Dec/14	138,204	138,204	6Feb/15	509	1st Quarter, 2017	2nd Quarter, 2017	2nd Quarter, 2018	4th Quarter, 2018	-								
Penglai Country Garden (蓬莱碧桂园)	Yantai(Penglai)	703,556	100%	29,719	29,719	16,791	1,393	29Sep/15	196,047	191,092	9May/14	55,659	55,659	28May/14	477,790	3rd Quarter, 2016	4th Quarter, 2016	4th Quarter, 2016	4th Quarter, 2019	-								
Anyang Country Garden (安阳碧桂园)	Anyang(Tangyin)	134,196	100%	88,990	84,652	66,605	-	26Oct/15	45,206	43,820	29Apr/14	15,742	15,742	20May/15	-	-	-	-	-	-	-							
Zhoukou Country Garden (周口碧桂园)	Zhoukou(Dongxin)	520,932	60%	215,060	215,060	160,108	2,749	24Jun/16	237,005	224,201	10Mar/14	20,664	20,664	25Jun/14	68,867	4th Quarter, 2016	1st Quarter, 2017	1st Quarter, 2017	4th Quarter, 2018	-								
Daye Country Garden (大冶碧桂园)	Huangshi(Daye)	447,546	100%	306,591	304,241	283,134	481	26Jun/16	140,955	139,950	18Dec/15	17,393	17,393	24Dec/15	-	-	-	-	-	-	-							
Ningde Country Garden (宁德碧桂园)	Ningde(Jiaocheng)	185,773	55%	47,798	45,164	32,086	271	28Mar/16	137,975	131,988	28Apr/14	36,647	36,647	26Sep/14	-	-	-	-	-	-	-							
Wuzhou Phoenix City (梧州凤凰里)	Wuzhou(Cangwu)	373,856	80%	106,227	105,824	44,719	2,326	30Oct/15	83,448	83,184	4Jul/13	-	-	-	184,181	4th Quarter, 2016	1st Quarter, 2017	1st Quarter, 2017	4th Quarter, 2018	-								
Qing Country Garden (曲靖碧桂园)	Qing(Qilin)	332,894	100%	117,325	116,431	90,872	2,680	16Feb/16	112,794	105,909	23May/14	22,003	22,003	13Jun/14	102,775	4th Quarter, 2016	4th Quarter, 2016	4th Quarter, 2016	4th Quarter, 2018	-								
Qishi Dingfeng Country Garden (曲靖鼎丰碧桂园)	Dongguan(Qishi)	119,470	55%	119,470	106,132	103,692	-	29Dec/15	-	-	-	-	-	-	-	-	-	-	-	-	-							
Quan Country Garden (淮安碧桂园)	Tangshan(Qian'an)	406,850	100%	132,618	126,152	91,914	784	27Apr/16	115,342	115,342	26Mar/14	32,484	32,484	31May/14	138,890	3rd Quarter, 2016	4th Quarter, 2016	4th Quarter, 2016	4th Quarter, 2018	-								
Bao County Garden (保县碧桂园)	Yanchou(Baoying)	489,949	100%	300,841	291,321	295,554	3,725	27May/16	188,098	171,597	31Dec/13	35,591	35,591	20Jun/15	1,010	4th Quarter, 2016	4th Quarter, 2016	4th Quarter, 2016	4th Quarter, 2016	-								
Country Garden-Phoenix City (碧桂园·凤凰城)	Yichang(Yuanzhou)	274,492	100%	82,794	81,623	47,739	3,653	15Jun/15	21,223	21,223	31Dec/14	2,611	2,611	14Jun/15	46,486	3rd Quarter, 2016	3rd Quarter, 2016	4th Quarter, 2016	4th Quarter, 2017	124,039								
Luoyang Country Garden (洛阳碧桂园)	Luoyang(Yubin)	407,513	60%	187,356	182,537	109,225	107	26Jun/15	-	-	-	-	-	-	220,157	3rd Quarter, 2016	3rd Quarter, 2016	4th Quarter, 2016	4th Quarter, 2017	-								
Wuyishan Country Garden (武夷山碧桂园)	Nanping(Wuyishan)	169,207	60%	141,237	136,825	96,044	4,736	23Jun/16	27,970	26,381	6Aug/14	14,761	14,761	29Aug/14	-	-	-	-	-	-	-							
Fengshun Country Garden (凤凰城碧桂园)	Meizhou(Fengshun)	428,373	100%	338,726	330,498	324,884	3,604	15Jun/16	89,647	89,056	24Apr/14	84,369	84,369	20May/14	-	-	-	-	-	-	-							
Dongshun Country Garden (东莞碧桂园)	Yancheng(Dongtai)	271,006	100%	75,066	68,256	60,022	-	30Mar/16	195,940	191,047	7May/14	91,875	91,875	20Apr/15	-	-	-	-	-	-	-							
Country Garden-South Lake Bay (碧桂园·南湖湾)	Xuzhou(Jiawang)	293,313	100%	-	-	-	-	-	29,313	28,965	5Sep/14	347	347	24Sep/14	-	-	-	-	-	-	-							
Heng Country Garden (恒泰碧桂园)	Jiading(Haining)	156,852	100%	-	-	-	-	-	156,852	153,000	13Mar/14	78,608	78,608	27Jun/14	-	-	-	-	-	-	-							
Huangjiang Country Garden (黄江碧桂园)	Dongguan(Huangjiang)	229,254	100%	219,186	215,697	215,082	107	5Apr/16	10,068	825	13May/14	-	-	-	-	-	-	-	-	-	-							

Project*	City (District)	Aggregate GFA for attributable area to the project (sq.m.)	Interest to the Company (%)	Completed property developments <sup>1)</sup>							Properties under development <sup>2)</sup>							Properties for future development		
				Completed GFA (sq.m.)	Total completed sales GFA (sq.m.)	Total GFA sold under pre-sold delivery (sq.m.)	Completion date	GFA under development (sq.m.)	Total saleable under development (sq.m.)	Actual commencement date	Total saleable pre-sold (sq.m.)	Estimated commencement date	Estimated completion date	GFA for future development <sup>3)</sup> (sq.m.)	Estimated commencement date	Estimated completion date	Estimated development with land grant contracts (sq.m.)			
Cixi Country Garden (慈溪市碧桂园)	Ningbo(Cixi)	224,672	100%	-	-	-	-	-	224,672	215,842	17/Jun/14	4 <sup>th</sup> Quarter, 2017	18/Jun/14	4 <sup>th</sup> Quarter, 2017	-	-	-	-	-	
Pingyang Country Garden (平阳县碧桂园)	Jiaxing(Pinghu)	126,396	70%	-	-	-	-	-	126,396	124,175	16/Jun/14	2 <sup>nd</sup> Quarter, 2017	35/Sep/14	2 <sup>nd</sup> Quarter, 2017	-	-	-	-	-	
Suzhou(Susu Industrial Zone) (苏州(苏苏工业园)碧桂园)	Suzhou(Susu Industrial Zone)	314,533	100%	25,186	22,119	25/May/15	179,886	179,616	19/Aug/14	20/Aug/14	2 <sup>nd</sup> Quarter, 2016	20/Aug/14	2 <sup>nd</sup> Quarter, 2018	3 <sup>rd</sup> Quarter, 2016	4 <sup>th</sup> Quarter, 2016	4 <sup>th</sup> Quarter, 2018	106,111	-	-	
Jiujiang Country Garden (九江碧桂园)	Jiujiang(Jiujiang)	335,588	100%	72,475	20,381	24/Apr/16	224,704	211,919	23/May/14	21/Apr/14	4 <sup>th</sup> Quarter, 2017	30/May/14	4 <sup>th</sup> Quarter, 2017	4 <sup>th</sup> Quarter, 2016	1 <sup>st</sup> Quarter, 2017	2 <sup>nd</sup> Quarter, 2018	38,409	-	-	
Wenzhou Country Garden (温州碧桂园)	Wenzhou(Longwan)	143,780	100%	-	-	-	143,780	137,706	12/May/14	137,706	28/Apr/14	4 <sup>th</sup> Quarter, 2016	22/Sep/14	4 <sup>th</sup> Quarter, 2016	4 <sup>th</sup> Quarter, 2016	2 <sup>nd</sup> Quarter, 2018	49,120	-	-	
Country Garden—Cullinan Bay (碧桂园·天璽湾)	Nantong(Tongzhou)	444,452	100%	27,967	16,442	26/Aug/15	367,365	341,094	28/Apr/14	341,094	11/Jul/14	2 <sup>nd</sup> Quarter, 2018	11/Jul/14	2 <sup>nd</sup> Quarter, 2018	3 <sup>rd</sup> Quarter, 2016	-	-	-	-	
Country Garden Triumph Palace District C (碧桂园凯旋华庭C区)	Wuxi(Qishan)	180,153	100%	171,081	165,837	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Country Garden—Lanjing Mansion (碧桂园兰景公馆)	Linyi(Linjingcheng)	71,895	51%	35,819	34,612	21/Sep/15	36,076	35,396	25/Oct/14	35,396	30/May/16	1 <sup>st</sup> Quarter, 2018	30/May/16	1 <sup>st</sup> Quarter, 2018	-	-	-	-	-	
Daqin Country Garden (碧桂园·大勤)	Yancheng(Daqin)	277,864	100%	142,923	137,069	9/29/Mar/16	-	-	-	-	-	-	-	-	3 <sup>rd</sup> Quarter, 2016	4 <sup>th</sup> Quarter, 2018	134,941	-	-	
Qingdao Country Garden (青岛碧桂园)	Qingdao(Chengyang)	376,538	100%	-	-	-	376,538	371,624	7/Aug/14	7/Aug/14	29/Aug/14	4 <sup>th</sup> Quarter, 2017	29/Aug/14	4 <sup>th</sup> Quarter, 2016	4 <sup>th</sup> Quarter, 2016	4 <sup>th</sup> Quarter, 2019	258,511	-	-	
Country Garden—City Garden (碧桂园·城市花园)	Shaoxing(Zhuji)	407,350	51%	24,704	19,144	16/Dec/15	124,135	98,373	17/Jun/14	17/Jun/14	16/Jul/14	4 <sup>th</sup> Quarter, 2016	16/Jul/14	4 <sup>th</sup> Quarter, 2016	4 <sup>th</sup> Quarter, 2016	2 <sup>nd</sup> Quarter, 2019	-	-	-	
Country Garden—Parklane Bay (碧桂园·柏麗湾)	Dongguan(Shatian)	237,431	50%	237,431	228,373	226,937	-	-	-	-	-	-	-	-	-	-	-	-	-	
Qinzhou Country Garden (钦州碧桂园)	Qinzhou(Qinbei)	238,529	100%	83,176	78,829	29/Jun/16	43,090	43,090	15/Sep/14	43,090	30/Sep/14	2 <sup>nd</sup> Quarter, 2017	30/Sep/14	2 <sup>nd</sup> Quarter, 2016	4 <sup>th</sup> Quarter, 2018	112,263	-	-	-	
Renqiu Country Garden (仁城碧桂园)	Zunyi(Renhuai)	140,840	91%	70,757	70,212	6/1/Apr/16	70,083	69,628	18/Jun/15	69,628	18/Jun/15	4 <sup>th</sup> Quarter, 2017	18/Jun/15	4 <sup>th</sup> Quarter, 2017	-	-	-	-	-	
Country Garden Grand Palace (碧桂园·大公馆)	Dongguan(Dongkeng)	126,226	70%	122,010	118,206	29/Apr/16	4,216	579	4/Aug/14	579	10/Jun/15	4 <sup>th</sup> Quarter, 2017	10/Jun/15	4 <sup>th</sup> Quarter, 2017	-	-	-	-	-	
Guangzhou Country Garden (广州碧桂园)	Zhaoqing(Guangning)	196,030	100%	62,031	56,173	3/9/May/16	133,999	131,642	11/Sep/14	131,642	30/Nov/15	2 <sup>nd</sup> Quarter, 2018	30/Nov/15	2 <sup>nd</sup> Quarter, 2018	-	-	-	-	-	
Liuzhou Country Garden (柳州碧桂园)	Changzhou(Liyang)	237,940	85%	85,581	84,351	8/2/Jul/16	5,465	2,306	26/Jun/14	2,306	3 <sup>rd</sup> Quarter, 2016	4 <sup>th</sup> Quarter, 2016	3 <sup>rd</sup> Quarter, 2016	4 <sup>th</sup> Quarter, 2016	4 <sup>th</sup> Quarter, 2018	106,270	-	-	-	
Fuding Country Garden (福建碧桂园)	Ningde(Fuding)	344,390	100%	-	-	-	252,980	242,119	24/Jul/14	242,119	19/Sep/14	4 <sup>th</sup> Quarter, 2017	19/Sep/14	4 <sup>th</sup> Quarter, 2016	4 <sup>th</sup> Quarter, 2016	4 <sup>th</sup> Quarter, 2018	91,410	-	-	
Yizheng Country Garden (盐城碧桂园)	Yangzhou(Yizheng)	201,373	100%	102,313	98,825	16/Jun/16	99,060	94,286	18/Jun/14	94,286	1 <sup>st</sup> Quarter, 2017	4 <sup>th</sup> Quarter, 2017	1 <sup>st</sup> Quarter, 2017	4 <sup>th</sup> Quarter, 2017	-	-	-	-	-	
Country Garden—Egret Bay (碧桂园·白鹭湾)	Wuxi(Jiangyin)	247,004	100%	18,356	16,672	14/Apr/16	228,648	224,089	10/Feb/15	224,089	20/Mar/15	3 <sup>rd</sup> Quarter, 2018	20/Mar/15	3 <sup>rd</sup> Quarter, 2017	-	-	-	-	-	
Haiyan Country Garden (海盐碧桂园)	Jiaxing(Haiyan)	228,052	100%	63,479	61,639	4/30/May/16	79,521	78,959	20/Jul/15	78,959	18/Aug/15	2 <sup>nd</sup> Quarter, 2018	18/Aug/15	2 <sup>nd</sup> Quarter, 2018	3 <sup>rd</sup> Quarter, 2016	4 <sup>th</sup> Quarter, 2018	85,052	-	-	
Country Garden—Singapore Bay (碧桂园·浪琴湾)	Potian(Be'an)	674,135	100%	116,854	115,027	3/7/Jun/16	381,162	367,695	17/Oct/14	367,695	17/Oct/14	2 <sup>nd</sup> Quarter, 2018	17/Oct/14	2 <sup>nd</sup> Quarter, 2016	4 <sup>th</sup> Quarter, 2016	4 <sup>th</sup> Quarter, 2018	176,119	-	-	
Zhuzhou Country Garden (株洲碧桂园)	Zhuzhou(Yulong)	179,413	100%	81,540	79,201	5/28/Apr/16	97,873	96,464	21/Aug/14	96,464	24/Oct/14	2 <sup>nd</sup> Quarter, 2017	24/Oct/14	2 <sup>nd</sup> Quarter, 2016	3 <sup>rd</sup> Quarter, 2016	4 <sup>th</sup> Quarter, 2018	-	-	-	
Tainan Country Garden (台南碧桂园)	Tainan(Daiyue)	132,416	100%	34,608	34,230	19/Sep/15	34,872	27,867	23/Sep/14	27,867	30/Sep/14	4 <sup>th</sup> Quarter, 2016	30/Sep/14	4 <sup>th</sup> Quarter, 2016	3 <sup>rd</sup> Quarter, 2016	2 <sup>nd</sup> Quarter, 2018	62,936	-	-	
Hengli Country Garden (恒立碧桂园)	Dongguan(Hengli)	247,179	100%	122,574	115,581	6/Apr/16	124,605	118,896	4/Aug/14	118,896	13/Oct/15	2 <sup>nd</sup> Quarter, 2017	13/Oct/15	2 <sup>nd</sup> Quarter, 2017	-	-	-	-	-	
Deyang Country Garden (德阳碧桂园)	Deyang(Jingyang)	266,453	100%	146,271	144,828	22/Jun/16	120,182	117,776	27/Nov/15	117,776	29/Nov/15	2 <sup>nd</sup> Quarter, 2018	29/Nov/15	2 <sup>nd</sup> Quarter, 2018	-	-	-	-	-	
Xuzhou Country Garden (徐州碧桂园)	Xuzhou(Quanshan)	189,360	100%	-	-	-	189,360	177,059	19/Aug/14	177,059	29/Sep/14	4 <sup>th</sup> Quarter, 2017	29/Sep/14	4 <sup>th</sup> Quarter, 2017	-	-	-	-	-	
Country Garden—City Garden (碧桂园·城市花园)	Lanzhou(Kinpu)	254,307	100%	46,674	46,674	12/Sep/15	205,633	205,633	24/Jul/14	205,633	9/Jul/14	4 <sup>th</sup> Quarter, 2018	9/Jul/14	4 <sup>th</sup> Quarter, 2018	-	-	-	-	-	
Zhangjiagang Country Garden (张家港碧桂园)	Zhangjiagang(Zhangpu)	312,646	71%	-	-	-	312,646	301,806	24/Jul/14	301,806	25/Jul/14	4 <sup>th</sup> Quarter, 2017	25/Jul/14	4 <sup>th</sup> Quarter, 2016	-	-	-	-	-	
Country Garden—Grand Palace—Phase Two (碧桂园·大公馆—二期)	Suzhou(Zhangjiagang)	348,388	100%	-	-	-	202,186	195,482	4/Oct/14	195,482	12/Dec/14	2 <sup>nd</sup> Quarter, 2018	12/Dec/14	2 <sup>nd</sup> Quarter, 2018	3 <sup>rd</sup> Quarter, 2016	2 <sup>nd</sup> Quarter, 2019	146,202	-	-	
Country Garden—Grand Palace (碧桂园·大公馆)	Dongguan(Dongkeng)	188,981	100%	188,981	175,634	30/Jun/16	-	-	-	-	-	-	-	-	-	-	-	-	-	
Dailing Country Garden (大岭碧桂园)	Foshan(Shunde)	188,468	100%	140,456	135,203	20/Apr/16	48,012	48,012	30/Sep/15	3,566	24/May/16	2 <sup>nd</sup> Quarter, 2017	24/May/16	2 <sup>nd</sup> Quarter, 2017	-	-	-	-	-	
Country Garden—City Garden (碧桂园·城市花园)	Guangzhou(Zengcheng)	471,977	100%	121,491	118,344	10/2/Jun/16	350,486	331,567	30/Sep/14	124,210	29/Apr/15	2 <sup>nd</sup> Quarter, 2018	29/Apr/15	2 <sup>nd</sup> Quarter, 2018	-	-	-	-	-	
Country Garden—Hongkong Mansion (碧桂园·香港名门)	Guangzhou(Zengcheng)	81,540	100%	-	-	-	81,540	79,483	19/Sep/14	72,228	27/Oct/14	4 <sup>th</sup> Quarter, 2016	27/Oct/14	4 <sup>th</sup> Quarter, 2016	-	-	-	-	-	
Country Garden—Dusun Lake (碧桂园·麓湖)	Nantong(Rugao)	380,173	100%	55,945	53,411	6/4/Jun/16	112,261	109,366	27/Nov/14	45,638	25/Dec/14	2 <sup>nd</sup> Quarter, 2018	25/Dec/14	2 <sup>nd</sup> Quarter, 2016	4 <sup>th</sup> Quarter, 2016	4 <sup>th</sup> Quarter, 2018	211,967	-	-	

Project( )	City (District)	Aggregate GFA for the entire project	Interest attributable to the Company (%)	Completed property developments(1)										Properties under development(2)										GFA for future development with land grant contracts
				sq.m.	Total completed GFA	Total completed sales GFA	Total GFA pre-sold	Completion date	GFA under development	Total saleable sq.m.	Actual commencement date	Estimated commencement date	Estimated completion date	sq.m.	Total saleable pre-sold	Actual commencement date	Estimated commencement date	Estimated completion date	sq.m.					
																				sq.m.	sq.m.	sq.m.	sq.m.	
Baicheng Country Garden (白城碧桂园)	Baicheng(Shengtai New Area)	339,402	100%	57,587	57,587	33,243	470	28/Mar/16	152,094	147,890	21/Jul/14	28,509	20/Aug/14	3rd Quarter, 2017	4th Quarter, 2016	1st Quarter, 2017	2nd Quarter, 2018	-						
Xindao Country Garden (信奥碧桂园)	Wuxi(Jiangyin)	135,952	100%	26,930	26,930	20,144	1,711	29/Dec/15	109,022	100,412	22/Sep/14	82,409	19/Dec/14	2nd Quarter, 2017	-	-	-	-						
Cangshan Country Garden (苍山碧桂园·鑽石湾)	Yangjiang(Jiangcheng)	140,972	100%	32,731	26,790	17,918	239	3/May/16	108,241	105,467	23/Oct/14	88,604	25/Dec/14	3rd Quarter, 2017	-	-	-	-						
Zhengzhou Country Garden (郑州碧桂园)	Zhengzhou(Xingyang)	245,257	51%	-	-	-	-	-	245,257	243,219	20/Aug/15	240,118	21/Aug/15	4th Quarter, 2017	-	-	-	-						
Yueyang Country Garden (岳阳碧桂园)	Yueyang(Lin gang)	321,900	100%	90,719	90,636	79,877	234	8/Jun/16	142,343	141,779	1/Aug/14	105,852	9/Dec/14	4th Quarter, 2017	3rd Quarter, 2016	3rd Quarter, 2016	2nd Quarter, 2018	67,896						
Country Garden—Jade Bay (悦湾碧桂园)	Wuhu(Wuwei)	288,681	100%	212,225	211,613	207,102	251	23/May/16	76,456	67,519	30/Jun/14	64,304	27/Apr/15	3rd Quarter, 2017	-	-	-	-						
Suning Country Garden (顺泰碧桂园)	Xuzhou(Suining)	179,546	100%	-	-	-	-	-	179,546	170,987	5/Sep/14	159,571	6/Sep/14	2nd Quarter, 2017	-	-	-	-						
Qidong Country Garden (启东碧桂园)	Nantong(Qidong)	256,786	100%	129,272	128,223	127,525	698	30/Jun/16	126,959	120,283	23/Sep/14	120,283	27/Jan/15	3rd Quarter, 2017	4th Quarter, 2016	3rd Quarter, 2017	3rd Quarter, 2017	-						
Yancheng Country Garden (盐城碧桂园)	Yancheng(Yundu)	262,121	100%	-	-	-	-	-	187,911	181,910	24/Oct/14	154,042	10/Nov/14	4th Quarter, 2017	-	-	-	-						
Country Garden—Coral Palace (碧桂园·珊瑚宫)	Lingshui(Yingzhou)	1,455,722	55%	172,907	172,233	165,942	-	10/May/16	416,544	397,485	3/Nov/14	330,709	7/Nov/14	4th Quarter, 2016	3rd Quarter, 2016	3rd Quarter, 2016	4th Quarter, 2019	-						
Nanning Country Garden (南宁碧桂园)	Wuhou(Nanning)	464,243	85%	235,701	221,589	218,223	118	25/Jun/16	187,657	184,238	4/Jul/14	85,102	31/Jan/15	2nd Quarter, 2018	3rd Quarter, 2016	3rd Quarter, 2016	2nd Quarter, 2018	-						
Hechi Country Garden (河池碧桂园)	Hechi(Jinchengjiang)	249,579	100%	89,908	86,797	84,161	-	29/Dec/15	159,671	148,709	29/Nov/14	99,783	8/Dec/14	4th Quarter, 2017	-	-	-	-						
Country Garden—Kowloon Bay (碧桂园·九龙湾)	Baoding(Laishui)	227,046	55%	71,041	71,041	68,521	250	30/Jun/16	152,141	152,141	17/Oct/14	122,406	17/Oct/14	4th Quarter, 2018	1st Quarter, 2017	4th Quarter, 2018	4th Quarter, 2018	-						
Xinxiang Country Garden (新乡碧桂园)	Xinxiang(Weiwei)	286,100	100%	52,960	47,828	34,264	1,429	5/Apr/16	10,869	10,869	8/Dec/14	720	12/Dec/14	1st Quarter, 2017	3rd Quarter, 2016	4th Quarter, 2016	4th Quarter, 2018	-						
Meizhou City Shangping (梅州市江區上坪安置房)	Meizhou(Meijiang)	76,073	100%	76,073	76,073	76,073	-	30/Jun/16	-	-	-	-	-	-	-	-	-	-						
Country Garden—Europe City (碧桂园歐洲城)	Harbin(Pingfang)	203,371	100%	103,739	102,129	39,782	18,387	17/Jun/16	27,298	26,573	29/May/15	7,681	12/Jun/15	3rd Quarter, 2017	3rd Quarter, 2016	4th Quarter, 2018	4th Quarter, 2018	-						
Yuncheng Country Garden (运城碧桂园)	Yuncheng(Yonhu)	363,385	100%	21,628	21,628	8,778	5,708	30/Mar/16	104,914	103,615	11/Dec/14	10,782	12/Dec/14	4th Quarter, 2017	1st Quarter, 2016	2nd Quarter, 2017	2nd Quarter, 2018	143,147						
Country Garden—Lakeside City (碧桂园·滨湖城)	Huzhou(Wuxing)	163,338	100%	16,979	16,979	8,518	1,029	29/Dec/15	146,359	143,990	31/Oct/14	73,049	5/Dec/14	4th Quarter, 2017	-	-	-	-						
Yichang Country Garden (宜昌碧桂园)	Yichang(Qianjun)	338,034	100%	45,991	45,807	16,748	29,059	17/Jun/16	287,882	282,443	22/Aug/14	255,501	11/Dec/14	4th Quarter, 2017	4th Quarter, 2016	1st Quarter, 2017	4th Quarter, 2018	-						
Lianzhou Country Garden (连州碧桂园)	Qingyuan(Lianzhou)	243,361	70%	-	-	-	-	-	220,414	220,210	9/Dec/14	122,373	23/Jan/15	2nd Quarter, 2018	4th Quarter, 2016	1st Quarter, 2017	4th Quarter, 2018	-						
Shui Country Garden Grand Garden (山水碧桂园·豪庭)	Zhuoqing(Shihui)	44,216	100%	17,664	14,491	10,576	-	30/Sep/15	26,552	51,209	23/Oct/14	45,949	11/Dec/14	2nd Quarter, 2017	-	-	-	-						
Alibaba Country Garden (阿里巴巴碧桂园)	Nanchang(Aliyu)	49,234	85%	49,234	48,734	44,760	513	7/Jun/16	-	-	-	-	-	-	-	-	-	-						
Country Garden—Times City (碧桂园·时代城)	Zhenjiang(Jurong)	45,471	85%	36,157	17,627	17,591	-	8/May/16	9,314	8,944	13/Feb/15	8,944	28/Apr/15	4th Quarter, 2016	-	-	-	-						
Country Garden—Jade Bay (碧桂园·翡翠湾)	Dongguan(Qingxi)	137,021	51%	13,878	13,878	13,878	-	15/May/16	123,143	112,690	20/Mar/15	112,461	15/Jun/15	4th Quarter, 2016	-	-	-	-						
Shijiazhuang Country Garden (石家庄碧桂园)	Shijiazhuang(Yuanshi)	548,427	79%	49,593	49,593	43,336	-	30/Apr/16	488,834	481,161	21/Apr/15	353,157	29/Apr/15	4th Quarter, 2018	-	-	-	-						
Nanchan Country Garden (南山碧桂园)	Bijie(Qixingguanzu)	317,801	62%	-	-	-	-	15/Jun/16	117,011	115,718	31/Dec/14	63,240	21/Jan/15	2nd Quarter, 2017	3rd Quarter, 2016	4th Quarter, 2018	4th Quarter, 2018	-						
Country Garden—Hill Lake Palace (碧桂园·山湖宫)	Jingmen(Shayang)	59,217	51%	-	-	-	-	-	37,605	37,605	10/Apr/15	14,243	1/Jun/15	2nd Quarter, 2017	-	-	-	-						
Tongcheng Country Garden (桐城碧桂园)	Suzhou(Gaobeiqu)	43,660	90%	-	-	-	-	-	43,660	42,554	13/Apr/15	41,556	5/Jun/15	4th Quarter, 2017	-	-	-	-						
Country Garden—Jade Bay—Phase Two (碧桂园·翡翠湾二期)	Wuhu(Wuwei)	258,930	85%	51,201	51,201	46,626	1,128	27/Jun/16	207,729	202,754	8/Apr/15	120,528	5/Jun/15	2nd Quarter, 2018	-	-	-	-						
Tianhu Country Garden (天湖碧桂园)	Dongguan(Dalang)	130,285	94%	13,274	13,274	13,274	-	15/Jun/16	117,011	114,011	2/Jun/15	94,802	15/Oct/15	2nd Quarter, 2017	-	-	-	-						
Jintan Country Garden (金坛碧桂园)	Changzhou(Jintan)	219,121	95%	-	-	-	-	-	219,121	210,431	11/Jun/15	198,153	19/Jun/15	4th Quarter, 2017	-	-	-	-						
Leiqiu Country Garden (莱丘碧桂园)	Zhenjiang(Leiqiu)	244,827	91%	40,981	39,821	31,383	1,119	17/Jun/16	94,213	93,546	20/Jul/15	68,256	13/Aug/15	4th Quarter, 2017	-	-	-	-						
Wuhua Country Garden—Phase Two (五华碧桂园二期)	Meizhou(Wuhua)	61,869	93%	-	-	-	-	-	61,869	60,112	6/Sep/15	57,058	10/Sep/15	3rd Quarter, 2017	-	-	-	-						
Luzhou Country Garden (柳州碧桂园)	Shanwei(Luzhou)	413,708	17%	-	-	-	-	-	413,708	412,706	15/Jul/15	234,585	21/Aug/15	2nd Quarter, 2018	-	-	-	-						
Jianyou Country Garden (建邺碧桂园)	Nanjing(Jianyou)	83,571	43%	-	-	-	-	-	83,571	82,285	13/Aug/15	48,967	14/Aug/15	3rd Quarter, 2017	-	-	-	-						

Project <sup>(*)</sup>	City (District)	Aggregate GFA for entire project	Interest to the Company	Completed property developments <sup>(1)</sup>				Properties under development <sup>(2)</sup>				Properties for future development				
				Completed GFA	Total completed sales	Total saleable GFA sold pre- closing	Total saleable GFA pre- delivery	GFA under development	Total saleable under development	Actual commencement date	Estimated commencement date	Estimated completion date	Estimated pre-sale commencement date	Estimated completion date	Estimated completion date	GFA for future development with land grant contracts
				sq.m.	sq.m.	sq.m.	sq.m.	sq.m.	sq.m.	sq.m.	sq.m.	sq.m.	sq.m.	sq.m.	sq.m.	sq.m.
Fu'an Country Garden (南安碧桂园)	Ningde(Fu'an)	22,983	70%	—	—	—	—	22,983	22,983	30/Sep/15	2 <sup>nd</sup> Quarter, 2017	—	—	—	—	—
Country Garden Jiyu (启东碧桂园)	Shanghai(Jiading)	75,638	100%	—	—	—	75,638	73,112	12/Jun/16	24/Jun/16	4 <sup>th</sup> Quarter, 2017	—	—	—	—	—
Handong Country Garden (邯郸碧桂园)	Handong(Xinchengqu)	84,426	91%	—	—	—	84,426	84,238	24/Jul/15	6/Aug/15	3 <sup>rd</sup> Quarter, 2017	—	—	—	—	—
Huanggang Country Garden (黄冈碧桂园)	Huanggang(Huangzhou)	297,887	30%	—	—	—	110,759	110,759	11/Feb/15	12/Feb/15	1 <sup>st</sup> Quarter, 2017	187,128	3 <sup>rd</sup> Quarter, 2016	3 <sup>rd</sup> Quarter, 2018	—	—
Quchou Country Garden—Phase Two (衢州碧桂园二期)	Quchou(Donggang)	97,129	90%	—	—	—	97,129	95,236	25/Jun/15	26/Jun/15	3 <sup>rd</sup> Quarter, 2017	—	—	—	—	—
Country Garden Jingshanling Greatwall Valley (绿城·金山岭长城河谷)	Chengde(Luangping)	136,949	45%	—	—	—	99,315	97,076	21/Aug/15	21/Aug/15	2 <sup>nd</sup> Quarter, 2017	—	—	—	—	37,834
Xuchang Country Garden (许昌碧桂园)	Xuchang(Xuchang)	341,013	60%	—	—	—	124,404	124,404	16/Apr/15	16/Apr/15	4 <sup>th</sup> Quarter, 2017	216,609	4 <sup>th</sup> Quarter, 2016	4 <sup>th</sup> Quarter, 2018	—	—
Zhenxin Country Garden (镇鑫碧桂园)	Bijing(Zhijin)	62,636	90%	—	—	—	62,636	62,220	30/Der/15	18/Der/15	2 <sup>nd</sup> Quarter, 2017	—	—	—	—	—
Changshu Country Garden (常熟碧桂园)	Suzhou(Changshu)	90,339	72%	—	—	—	90,339	88,447	31/Aug/15	13/Nov/15	4 <sup>th</sup> Quarter, 2017	—	—	—	—	—
Xingtai Country Garden (邢台碧桂园)	Xingtai(Xingtai)	471,419	94%	—	—	—	169,366	168,850	29/Sep/15	30/Sep/15	3 <sup>rd</sup> Quarter, 2017	302,053	3 <sup>rd</sup> Quarter, 2016	4 <sup>th</sup> Quarter, 2018	—	—
Luanzhoucheng Country Garden (柳州城中城碧桂园)	Tangshan(Luanxian)	128,554	89%	4,741	1,996	—	123,813	103,400	2/Sep/15	27/Nov/15	4 <sup>th</sup> Quarter, 2017	—	—	—	—	—
Country Garden—Phoenix Park (赣州古城碧桂园)	Guangzhou(Zhengcheng)	242,726	100%	—	—	—	242,726	227,356	10/Oct/15	30/Oct/15	4 <sup>th</sup> Quarter, 2017	—	—	—	—	—
Country Garden—Phoenix City—Phase Three (碧桂园凤凰城三期)	Maoming(Gaozhou)	193,972	93%	—	—	—	105,946	105,860	30/Sep/15	8/Oct/15	4 <sup>th</sup> Quarter, 2017	88,026	3 <sup>rd</sup> Quarter, 2016	4 <sup>th</sup> Quarter, 2018	—	—
Country Garden—Guangming Lake (碧桂园凤凰城湖)	Zhangjiakou(Huaili)	172,343	47%	—	—	—	94,122	94,122	2/Sep/15	18/Sep/15	4 <sup>th</sup> Quarter, 2017	78,221	3 <sup>rd</sup> Quarter, 2016	4 <sup>th</sup> Quarter, 2018	—	—
Country Garden—Grand Mansion (碧桂园·华府)	Foshan(Sanshu)	136,765	94%	—	—	—	136,765	134,223	13/Oct/15	20/Oct/15	4 <sup>th</sup> Quarter, 2017	—	—	—	—	—
Country Garden—Yuan Hills (碧桂园·壹泉山荘)	Huizhou(Huizhou)	85,711	46%	—	—	—	85,711	83,067	29/Sep/15	30/Oct/15	4 <sup>th</sup> Quarter, 2017	—	—	—	—	—
Kaili(Binjiang New Area) (凯里碧桂园)	Kaili(Binjiang New Area)	173,515	92%	—	—	—	126,205	124,867	24/Sep/15	25/Sep/15	4 <sup>th</sup> Quarter, 2017	47,310	3 <sup>rd</sup> Quarter, 2016	2 <sup>nd</sup> Quarter, 2018	—	—
Huaha Country Garden (怀化碧桂园)	Huaha(Hecheng)	348,717	43%	—	—	—	211,241	209,361	20/Aug/15	7/Aug/15	4 <sup>th</sup> Quarter, 2017	137,476	3 <sup>rd</sup> Quarter, 2016	2 <sup>nd</sup> Quarter, 2018	—	—
Pingdingshan Country Garden (平定碧桂园)	Pingdingshan(Zhame)	178,887	44%	—	—	—	177,209	174,235	24/Der/15	25/Der/15	3 <sup>rd</sup> Quarter, 2017	1,678	1 <sup>st</sup> Quarter, 2017	3 <sup>rd</sup> Quarter, 2018	—	—
Country Garden Phoenix Bay (碧桂园凤凰湾)	Xinxiang(Pingyuan)	333,399	92%	—	—	—	234,408	172,843	29/Oct/15	30/Oct/15	4 <sup>th</sup> Quarter, 2018	98,991	3 <sup>rd</sup> Quarter, 2017	4 <sup>th</sup> Quarter, 2018	—	—
Country Garden—Cullinan One (碧桂园·翠海壹號)	Shenyang(Huanggu)	145,662	93%	—	—	—	145,662	141,138	26/Aug/15	31/Aug/15	3 <sup>rd</sup> Quarter, 2017	—	—	—	—	—
Country Garden—City Garden (碧桂园·城市花園)	Chengde(Jinlu)	186,163	80%	—	—	—	99,806	98,570	12/Nov/15	11/Der/15	4 <sup>th</sup> Quarter, 2017	86,357	4 <sup>th</sup> Quarter, 2016	1 <sup>st</sup> Quarter, 2018	—	—
Lianyungang Country Garden (连云港碧桂园)	Lianyungang(Huizhou)	162,682	94%	—	—	—	162,682	153,384	30/Sep/15	30/Sep/15	2 <sup>nd</sup> Quarter, 2018	—	—	—	—	—
Taizang Xincheng Country Garden (太倉新成碧桂园)	Suzhou(Taizang)	187,221	100%	—	—	—	187,221	171,990	13/Aug/15	13/Aug/15	2 <sup>nd</sup> Quarter, 2018	—	—	—	—	—
Houjie Country Garden (溧陽碧桂园)	Dongguan(Houjie)	40,028	100%	—	—	—	40,028	39,182	25/Nov/15	18/Mar/16	3 <sup>rd</sup> Quarter, 2018	—	—	—	—	—
Country Garden Holiday Islands—Tianhe Star Bay (碧桂园假日岛屿·天河星湾)	Qingyuan(Qingcheng)	58,660	34%	—	—	—	58,660	58,660	24/Nov/15	9/Der/15	4 <sup>th</sup> Quarter, 2017	—	—	—	—	—
Country Garden—Jieling Bay (碧桂园翡翠湾)	Chengma(Dafeng)	121,608	67%	—	—	—	121,608	115,478	25/Mar/16	6/Apr/16	2 <sup>nd</sup> Quarter, 2017	—	—	—	—	—
Country Garden Park Court (碧桂园公园庭)	Shenyang(Dongling)	707,218	100%	184,667	126,144	2,541	262,184	258,530	31/Jul/15	28/Aug/15	3 <sup>rd</sup> Quarter, 2018	260,367	3 <sup>rd</sup> Quarter, 2016	4 <sup>th</sup> Quarter, 2018	—	—
Yangchun Country Garden (阳春碧桂园)	Yangjiang(Yangchun)	180,429	65%	—	—	—	180,429	178,294	23/Oct/15	13/Nov/15	4 <sup>th</sup> Quarter, 2017	—	—	—	—	—
Country Garden—Xijiang Mansion (碧桂园·西江豪苑)	Jiangmen(Pengjiang)	183,593	51%	—	—	—	183,593	175,385	5/Nov/15	29/Jan/16	2 <sup>nd</sup> Quarter, 2018	—	—	—	—	—
Country Garden—Cullinan Bay (碧桂园·西江豪苑)	Nanning(Liangqing)	207,781	94%	—	—	—	104,490	103,466	24/Mar/16	24/Mar/16	1 <sup>st</sup> Quarter, 2018	97,291	3 <sup>rd</sup> Quarter, 2016	4 <sup>th</sup> Quarter, 2018	—	—
Yulin Country Garden (玉林碧桂园)	Yulin(Yuzhou)	570,202	60%	—	—	—	237,240	233,175	7/Der/15	11/Der/15	2 <sup>nd</sup> Quarter, 2018	332,962	3 <sup>rd</sup> Quarter, 2016	4 <sup>th</sup> Quarter, 2019	—	—
Country Garden—Times City (碧桂园·时代都会)	Langfang(Sunhe)	244,999	53%	—	—	—	244,999	238,237	21/Der/15	30/Mar/16	4 <sup>th</sup> Quarter, 2018	—	—	—	—	—
Country Garden Gulian Hill Garden (碧桂园麓山花園)	Foshan(Shunde)	199,880	100%	—	—	—	199,880	194,878	28/Oct/15	18/Jan/16	4 <sup>th</sup> Quarter, 2017	—	—	—	—	—

Project <sup>(1)</sup>	City (District)	Aggregate GFA for attributable interest to the parent company	Interest (%)	Completed property developments <sup>(2)</sup>							Properties under development <sup>(3)</sup>							Properties for future development	GFA for future development with land grant contracts						
				Completed GFA	Total completed GFA	Total saleable GFA sold	Total saleable GFA pre-selling	Completion date	GFA under development	Total saleable under development	Actual commencement date	Estimated commencement date	Estimated completion date	GFA for future development <sup>(4)</sup>	Estimated commencement date	Estimated completion date									
Country Garden—Ronghui (容桂園·榮匯)	Shenzhen (Longgang)	90,947	57%	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	90,947	
Country Garden—Grand Mansion (蘇州新莊園·蘇州府)	Foshan (Shunde)	274,882	74%	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Fuzhou Country Garden—Times City (福州新莊園·時代城)	Fuzhou (Ji'an)	53,588	70%	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Country Garden—Kowloon Bay (容桂園·九龍灣)	Huizhou (Huidong)	128,026	45%	32,799	32,023	21,940	1,459	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Country Garden—Fairland (容桂園·湖光山色)	Nanjing (Jiangning)	180,844	85%	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Nanjing Country Garden (南京新莊園)	Nanjing (Jiangning)	702,556	85%	240,189	240,189	237,600	510	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Country Garden—Grand Garden (容桂園·豪園)	Maanshan (Hexian)	62,376	100%	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Juring Industrial Park (均安工業園)	Zhenjiang (Jurong)	220,505	100%	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Lidun Industrial Garden (禮頓山新莊園)	Erikai (Lichuan)	69,372	43%	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Country Garden—Ten Miles Riverside (容桂園·十裡江灣)	Dongguan (Machong)	281,714	94%	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Country Garden—Nansha Bay One (容桂園·南沙灘一號)	Guangzhou (Nansha)	174,537	95%	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Zhuhai Country Garden—Haoyue Bay (珠海新莊園·海月灣)	Zhuhai (Xiangzhuo)	50,876	49%	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Lijiang Country Garden (麗江新莊園)	Liechou (Lijiang)	179,048	93%	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Lizhou Country Garden (柳州新莊園)	Liezhou (Qingzhongqiu)	190,404	73%	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Country Garden—Xijiangyue (容桂園·西江月)	Hangzhou (Gongshu)	45,204	94%	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Wuzhou Country Garden (梧州新莊園)	Taichou (Wenting)	121,257	100%	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Country Garden—Longyue (容桂園·龍躍)	Hangzhou (Xiaochangqiu)	118,877	100%	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Country Garden—City Garden (容桂園·城市花園)	Changsha (Tianxinqu)	292,977	51%	157,510	157,510	126,370	18,164	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Country Garden—Ten Miles Riverside (容桂園·十裡江灣)	Fuzhou (Minhou)	154,338	47%	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Qingxi Country Garden (青溪新莊園)	Dongguan (Qingxi)	120,627	100%	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Songshan Country Garden (松山新莊園)	Dongguan (Dalingshan)	399,162	100%	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Country Garden—Investment One (容桂園·投資一號)	Wuhan (Caidian)	235,496	66%	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Shimen Country Garden (石門新莊園)	Changde (Shimen)	132,418	90%	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Chuxiong Country Garden (楚雄新莊園)	Chuxiong (Dongnanshanqu)	123,928	100%	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Country Garden—Nancheng Mansion (容桂園·南城官邸)	Changsha (Yuhuaqu)	374,143	42%	91,885	90,622	61,673	4,976	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Country Garden—Jade Bay (容桂園·南城官邸)	Zhengzhou (Jingkaifu)	164,637	50%	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Tongcheng Country Garden (桐城新莊園)	Anqing (Tongcheng)	200,546	85%	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Country Garden—Century City (容桂園·世紀城市)	Zhenjiang (Jurong)	191,331	90%	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Country Garden—East Coast (容桂園·東海岸)	Qionghai (Beao)	981,711	43%	104,801	92,974	58,016	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Xinhu Country Garden—Phase Seven (新會新莊園—七期)	Jiangmen (Xinhui)	205,678	94%	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Bozhou Country Garden (亳州新莊園)	Bozhou (Qiaocheng)	191,397	85%	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Country Garden—Lingyu (容桂園·嶺嶺)	Suzhou (Changshu)	128,820	60%	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Lujiang Country Garden (鹿江新莊園)	Heifei (Lujiang)	202,478	85%	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Country Garden—Shanghai Phoenix (容桂園·上海鳳凰城)	Suzhou (Taicang)	399,531	43%	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—



Project	City (District)	Completed property developments <sup>(1)</sup>										Properties under development <sup>(2)</sup>										Properties for future development				
		Aggregate GFA for the entire project	Interest attributable to the Company	Completed GFA	Completed GFA	Total completed GFA	Total GFA sold prior to delivery	Total GFA sold	Total saleable GFA	Completion date	GFA under development	Total saleable under development	Actual commencement date	Total saleable pre-sold <sup>(3)</sup>	Estimated commencement date	Estimated completion date	GFA for future development <sup>(4)</sup>	Estimated commencement date	Estimated pre-sale date	Estimated completion date	GFA for future development	GFA for future development with land grant contracts				
																							sq.m.	(%)	sq.m.	sq.m.
Country Garden—Phoenix Bay (碧桂園·鳳凰灣)	Foshan(Shunde)	2,495,700	46%	—	—	—	—	—	—	248,519	27/Apr/16	—	2,235,186	4 <sup>th</sup> Quarter, 2016	4 <sup>th</sup> Quarter, 2022	—	—	—	—	—	—	—				
Poly Country Garden Zhongbin (保利碧桂園中環花園)	Foshan(Shunde)	77,781	50%	—	—	—	—	—	—	—	—	—	77,781	3 <sup>rd</sup> Quarter, 2016	4 <sup>th</sup> Quarter, 2018	—	—	—	—	—	—					
Chang'an County Garden (長安碧桂園)	Dongguan(Chang'an)	29,179	60%	—	—	—	—	—	—	—	—	—	29,179	1 <sup>st</sup> Quarter, 2016	2 <sup>nd</sup> Quarter, 2018	—	—	—	—	—	—					
Country Garden Jiyu Garden (桂語蘭庭花園)	Dongguan(Machong)	100,586	49%	—	—	—	—	—	—	—	—	—	100,586	3 <sup>rd</sup> Quarter, 2016	2 <sup>nd</sup> Quarter, 2018	—	—	—	—	—	—					
Country Garden Xinhong Jiyu (碧桂園信鴻嘉雲)	Dongguan(Machong)	100,275	48%	15,720	7,082	15,720	—	21/Jun/16	66,278	64,144	20/Oct/14	—	18,277	3 <sup>rd</sup> Quarter, 2016	4 <sup>th</sup> Quarter, 2017	—	—	—	—	—	—					
Zhangmutou Country Garden Lan Hill (樺木頭碧桂園蘭山)	Dongguan(Zhangmutou)	66,396	51%	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	66,396					
Country Garden—City One (碧桂園·首尚)	Dongguan(Dalang)	456,572	60%	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—					
Country Garden—Tianyun (碧桂園·天雲)	Dongguan(Humen)	76,523	63%	—	—	—	—	—	76,523	73,239	5/Mar/16	3 <sup>rd</sup> Quarter, 2016	—	—	4 <sup>th</sup> Quarter, 2017	—	—	—	—	—	—					
Country Garden—Forest Court (碧桂園·森林禮)	Dongguan(Dalinghan)	251,874	33%	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—					
Country Garden Cloud Hill (碧桂園雲麓半山)	Guangzhou(Nanhai)	30,804	100%	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—					
XinFeng Country Garden (新豐碧桂園)	Shaoguan(Xinfeng)	97,124	50%	—	—	—	—	—	40,203	39,454	15/Apr/16	—	—	—	4 <sup>th</sup> Quarter, 2017	—	—	—	—	—	—					
Tianhe Star Delicacy (天河星作)	Guangzhou(Tianhe)	121,193	60%	—	—	—	—	—	121,193	108,143	11/Sep/15	3 <sup>rd</sup> Quarter, 2016	—	—	—	—	—	—	—	—	—					
Country Garden Huai One (碧桂園花溪壹號)	Guangzhou(Huaxi)	227,907	91%	—	—	—	—	—	227,907	221,982	29/Apr/16	—	—	—	—	—	—	—	—	—	—					
Country Garden—Jade Bay (碧桂園翠海)	Hengyang(Hengdong)	99,303	100%	—	—	—	—	—	99,303	97,527	18/Mar/16	—	—	—	—	—	—	—	—	—	—					
Country Garden—Jingling (碧桂園·景齡)	Suzhou(Taizhou)	84,450	100%	—	—	—	—	—	84,450	82,106	27/Jun/16	—	—	—	—	—	—	—	—	—	—					
Country Garden—Jade Bay (碧桂園·翡翠灣)	Suzhou(Zhangjiagang)	186,431	60%	—	—	—	—	—	96,725	94,557	19/Feb/16	—	—	—	—	—	—	—	—	—	—					
Changshu Country Garden—Boyou Mansion (常熟碧桂園·柏悅華府)	Suzhou(Changshu)	124,912	100%	—	—	—	—	—	124,912	118,856	22/Mar/16	—	—	—	—	—	—	—	—	—	—					
Country Garden—Century City (碧桂園·世紀城)	Suzhou(Kunshan)	329,140	90%	—	—	—	—	—	131,995	130,188	29/Apr/16	—	—	—	—	—	—	—	—	—	—					
Country Garden—Cuhu Bay (碧桂園·湖濱灣)	Huizhou(Huizhang)	267,980	63%	—	—	—	—	—	95,341	91,168	22/Sep/14	—	—	—	—	—	—	—	—	—	—					
Xiangjiang Land 1&2 (香江地產 1&2)	Huizhou(Huidong)	407,553	33%	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—					
Country Garden—Jingling Hill (碧桂園·景齡山)	Huizhou(Diyawan)	751,841	12%	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—					
Yichun Country Garden—Lingyu (宜春碧桂園·綠語)	Yichun(Yuanzhou)	152,060	100%	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—					
XinFeng Country Garden (新豐碧桂園)	Ganzhou(Xinfeng)	266,421	100%	—	—	—	—	—	113,788	113,995	28/Apr/16	—	—	—	—	—	—	—	—	—	—					
Country Garden—Xijiang Mansion-Phase Two (碧桂園·西江驛府二期)	Jiangmen(Pengjiang)	165,265	49%	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—					
Country Garden—Tianyu (碧桂園·天雲)	Jiangmen(Heshan)	78,695	92%	—	—	—	—	—	78,695	75,406	21/Dec/15	—	—	—	—	—	—	—	—	—	—					
Xian Country Garden Jiyu (西安碧桂園嘉雲)	Xian(Lingkaifu)	88,617	100%	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—					
Country Garden—Jade Bay (碧桂園·翡翠灣)	Guang'an(Guang'an)	330,660	80%	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—					
Peng'an Country Garden (蓬安碧桂園)	Nanchong(Peng'an)	115,837	100%	—	—	—	—	—	19,910	19,910	15/Jun/16	—	—	—	—	—	—	—	—	—	—	—				
Country Garden—Jade County (碧桂園·翡翠郡)	Panzhihua(Xinqiu)	177,206	100%	—	—	—	—	—	92,938	91,948	31/May/16	—	—	—	—	—	—	—	—	—	—					
Zhangye Country Garden (張掖碧桂園)	Zhangye(Binhexinqu)	36,650	85%	—	—	—	—	—	36,650	36,114	28/Apr/16	—	—	—	—	—	—	—	—	—	—					
Jiyang Country Garden (揭陽碧桂園)	Jiyang(Uledong)	559,719	42%	—	—	—	—	—	559,719	544,256	29/Apr/16	—	—	—	—	—	—	—	—	—	—					
Country Garden—Shijiangnan (碧桂園·十樞江楠)	Suzhou(Wujiang)	193,592	40%	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—					
Country Garden—Jade Bay (碧桂園·翡翠灣)	Quchou(Kecheng)	102,642	65%	—	—	—	—	—	97,384	96,303	25/Feb/16	—	—	—	—	—	—	—	—	—	—					
Country Garden—Arde Community (碧桂園·爾德社區)	Chongqing(Yubei)	70,057	60%	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—					

Completed property developments<sup>1)</sup> Properties under development<sup>2)</sup> Properties for future development

Project <sup>3)</sup>	City (District)	Aggregate GFA for attributable interest to the parent company	Interest to the parent company (%)	Total completed				Completion date	Total saleable				Estimated commencement date	Estimated completion date	GFA for future development <sup>4)</sup>	Estimated commencement date	Estimated completion date	GFA for future development with land grant contracts
				Completed GFA	Total completed saleable GFA	Total delivered GFA	Total saleable GFA pending delivery		Total saleable GFA	Total saleable pre-sold <sup>5)</sup>	Actual commencement date	Estimated pre-sale commencement date						
Country Garden Longri (碧桂园龍巖)	Guangzhou(Nansha)	176,027	70%	sq.m.	sq.m.	sq.m.	sq.m.	—	176,027	171,007	27/Apr/16	3 <sup>rd</sup> Quarter, 2016	1 <sup>st</sup> Quarter, 2018	217,516	3 <sup>rd</sup> Quarter, 2016	4 <sup>th</sup> Quarter, 2018	—	
Mingyue Bay Project (明越海湾项目)	Huizhou(Dayawan)	217,516	54%	—	—	—	—	—	—	—	—	—	—	103,873	3 <sup>rd</sup> Quarter, 2016	2 <sup>nd</sup> Quarter, 2019	—	
Xinzhongyuan Phase 3 (中信源御苑三期)	Huizhou(Huidong)	103,873	46%	—	—	—	—	—	—	—	—	—	—	77,713	3 <sup>rd</sup> Quarter, 2016	4 <sup>th</sup> Quarter, 2018	—	
Country Garden—Institution One (碧桂园·学府壹号)	Maoming(Maonan)	131,813	48%	—	—	—	—	54,100	52,097	30/Jun/16	3 <sup>rd</sup> Quarter, 2016	3 <sup>rd</sup> Quarter, 2017	4 <sup>th</sup> Quarter, 2018	4,284	4 <sup>th</sup> Quarter, 2016	1 <sup>st</sup> Quarter, 2018	—	
Country Garden—Jade City (碧桂园·翡翠城)	Weifang(Zhucheng)	120,553	47%	—	—	—	—	116,269	115,632	30/Apr/16	30/May/16	3 <sup>rd</sup> Quarter, 2017	4 <sup>th</sup> Quarter, 2018	—	—	—	—	
Country Garden—Phoenix Bay—Phase Two (碧桂园·翡翠湾—二期)	Xinxiang(Pingyuan)	91,568	70%	—	—	—	—	91,568	77,667	29/Apr/16	25/Jun/16	4 <sup>th</sup> Quarter, 2017	—	—	—	—	—	
Country Garden—Dragon City (碧桂园·龍城)	Zhengzhou(Xingyang)	225,594	33%	—	—	—	—	—	—	—	—	—	—	—	—	—	225,594	
Enshi (恩施 City Garden) (恩施碧桂园)	Enshi (Chengbei New Area) (恩施城北新区)	145,552	47%	—	—	—	—	72,776	70,277	2/Jun/16	21/Jun/16	4 <sup>th</sup> Quarter, 2017	4 <sup>th</sup> Quarter, 2018	72,776	3 <sup>rd</sup> Quarter, 2016	2 <sup>nd</sup> Quarter, 2018	—	
Jingmen(Jingnan) (荆门碧桂园)	Jingmen(Jingnan)	35,376	43%	—	—	—	—	35,376	35,221	14/Apr/16	22/Apr/16	4 <sup>th</sup> Quarter, 2017	—	—	—	—	—	
Country Garden Fortune Harbor (碧桂园财富港)	Huizhou(Dayawan)	2,025,584	60%	—	—	—	—	—	—	—	—	—	—	797,972	3 <sup>rd</sup> Quarter, 2016	4 <sup>th</sup> Quarter, 2019	1,227,612	
Country Garden Shenzhen City (碧桂园深湾城)	Huizhou(Huyang)	386,476	81%	—	—	—	—	—	—	—	—	—	—	—	—	—	386,476	
Muyang Country Garden (绵阳碧桂园)	Suqian(Muyang)	131,989	100%	—	—	—	—	62,985	61,653	29/Apr/16	17/Jun/16	4 <sup>th</sup> Quarter, 2017	—	—	—	—	69,004	
Country Garden—The Cullinan (碧桂园·天璣)	Zhengzhou(Jingkaifu)	70,886	51%	—	—	—	—	—	—	—	—	—	—	—	—	—	70,886	
Country Garden Waoshan Lake One (碧桂园高山湖壹號)	Zhengzhou(Xingyang)	411,283	41%	—	—	—	—	—	—	—	—	—	—	179,187	3 <sup>rd</sup> Quarter, 2016	4 <sup>th</sup> Quarter, 2018	232,096	
Country Garden—Longyue Hill (碧桂园龍躍山)	Huizhou(Dayawan)	205,735	85%	—	—	—	—	—	—	—	—	—	—	205,735	4 <sup>th</sup> Quarter, 2016	3 <sup>rd</sup> Quarter, 2018	—	
Country Garden—Jidong Bay (碧桂园·玖龍灣)	Zhuozhou(Huajii)	410,708	80%	—	—	—	—	—	—	—	—	—	—	114,988	3 <sup>rd</sup> Quarter, 2016	2 <sup>nd</sup> Quarter, 2018	295,720	
Country Garden Chashan Mansion (碧桂园茶山府邸)	Dongguan(Chashan)	77,615	56%	—	—	—	—	—	—	—	—	—	—	77,615	3 <sup>rd</sup> Quarter, 2016	2 <sup>nd</sup> Quarter, 2018	—	
(To be confirmed)	Dongguan(Shijie)	212,691	65%	—	—	—	—	62,985	61,653	29/Apr/16	17/Jun/16	4 <sup>th</sup> Quarter, 2017	—	—	—	—	69,004	
Country Garden—The Cullinan (碧桂园·天璣)	Pingdingshan(Weidong)	239,115	33%	—	—	—	—	—	—	—	—	—	—	—	—	—	70,886	
Country Garden—Jade County (碧桂园·翡翠郡)	Wenzhou(Yongjia)	123,747	60%	—	—	—	—	—	—	—	—	—	—	239,115	3 <sup>rd</sup> Quarter, 2016	4 <sup>th</sup> Quarter, 2018	—	
Country Garden—Pudong Star (碧桂园·浦东星)	Shanghai(Pudong)	161,152	60%	—	—	—	—	61,420	41,147	31/May/16	3 <sup>rd</sup> Quarter, 2016	4 <sup>th</sup> Quarter, 2017	—	123,747	3 <sup>rd</sup> Quarter, 2016	2 <sup>nd</sup> Quarter, 2018	—	
Country Garden—Cullinan Bay (碧桂园·天璣湾)	Quanzhou(Fengze)	387,855	45%	—	—	—	—	—	—	—	—	—	—	387,855	3 <sup>rd</sup> Quarter, 2016	2 <sup>nd</sup> Quarter, 2019	—	
Jiangyan Country Garden (江山碧桂园)	Taihou(Jiangyan)	104,980	60%	—	—	—	—	—	—	—	—	—	—	140,358	3 <sup>rd</sup> Quarter, 2016	4 <sup>th</sup> Quarter, 2018	104,980	
Country Garden—Tianyu (碧桂园·天誉)	Luoyang(Luolong)	140,358	35%	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
Poly Country Garden Tianhui Garden (保利碧桂园天樾花园)	Foshan(Chancheng)	522,237	50%	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
Country Garden Park One (碧桂园公园壹號)	Chengdeh(Tianxinqu)	120,318	51%	—	—	—	—	—	—	—	—	—	—	120,318	3 <sup>rd</sup> Quarter, 2016	4 <sup>th</sup> Quarter, 2018	—	
Dongshang Country Garden (东尚碧桂园)	Meizhou(Meijiang)	428,116	83%	—	—	—	—	428,116	428,116	16/Mar/16	31/May/16	4 <sup>th</sup> Quarter, 2018	—	—	—	—	—	
Country Garden Grand Count (碧桂园豪庭)	Guangzhou(Zengcheng)	345,703	50%	—	—	—	—	—	—	—	—	—	—	—	—	—	345,703	
Country Garden—Beijing County (碧桂园·北京郡)	Zhangjiakou(Kishuyuanqu)	44,047	38%	—	—	—	—	44,047	44,047	24/Nov/15	15/Dec/15	4 <sup>th</sup> Quarter, 2017	—	—	—	—	—	
Country Garden—Ten Miles Coast—Diamond Sea (碧桂园·十里嘉灘鑽石海)	Huizhou(Huidong)	56,944	85%	—	—	—	—	51,216	51,116	31/May/16	4 <sup>th</sup> Quarter, 2017	4 <sup>th</sup> Quarter, 2017	—	5,728	3 <sup>rd</sup> Quarter, 2016	4 <sup>th</sup> Quarter, 2017	—	
(To be confirmed)	Shenzhen(Longgang)	92,593	100%	—	—	—	—	—	—	—	—	—	—	—	—	—	—	92,593
Country Garden Nanyang Mansion (碧桂园南洋府)	Nanyang(Wolong)	279,825	60%	—	—	—	—	—	—	—	—	—	—	279,825	3 <sup>rd</sup> Quarter, 2016	4 <sup>th</sup> Quarter, 2018	—	
Wujiang—Country Garden City Plaza (珠江城碧桂园城市广场)	Loudi(Louwing)	623,341	51%	—	—	—	—	286,996	260,147	30/Apr/15	25/Aug/15	4 <sup>th</sup> Quarter, 2018	—	356,846	3 <sup>rd</sup> Quarter, 2016	2 <sup>nd</sup> Quarter, 2019	—	
Huaili—Country Garden Phase Two (汇立·碧桂园城市广场二期)	Huaili(Huicheng)	537,622	43%	—	—	—	—	16,598	16,598	22/Apr/16	29/Apr/16	2 <sup>nd</sup> Quarter, 2017	—	521,024	3 <sup>rd</sup> Quarter, 2016	4 <sup>th</sup> Quarter, 2019	—	
Country Garden—Xinlinidong (碧桂园·仙林東洞)	Zhenjiang(Jurong)	243,617	41%	—	—	—	—	243,617	238,903	29/Oct/14	14/Nov/14	2 <sup>nd</sup> Quarter, 2018	—	—	—	—	—	



Project	City (District)	Aggregate GFA for attributable interest to the parent company	Completed property developments <sup>(1)</sup>										Properties under development <sup>(2)</sup>										GFA for future development with land grant contracts
			sq.m.	%	Completed GFA	Total completed GFA	Total GFA sold	Total GFA delivered	Completion date	GFA under development	Total saleable pre-sold <sup>(3)</sup>	Actual commencement date	Total saleable under development	Estimated commencement date	Estimated completion date	GFA for future development <sup>(4)</sup>	Estimated commencement date	Estimated completion date	sq.m.				
																				sq.m.	sq.m.	sq.m.	
Country Garden Tianhui (德桂蘭天匯)	Anyang(Wenfang)	171,297	43%	—	—	—	—	—	—	—	—	—	—	—	171,297	3 <sup>rd</sup> Quarter, 2016	3 <sup>rd</sup> Quarter, 2016	—					
Danze Garden (丹澤園)	Foshan(Nanhai)	287,472	60%	—	—	—	—	—	—	—	—	—	—	—	—	—	—	287,472					
Country Garden Weng'an Mansion (錦祥麗安府)	Qinnanzhou(Weng'an)	41,116	100%	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—					
Country Garden—Jade Bay (錦祥園·翡翠灣)	Chengqing(Yongchuan)	86,974	60%	—	—	—	—	—	—	—	—	—	—	—	—	—	—	86,974					
Pinyuan Country Garden (平遠翠桂園)	Meizhou(Pingyuan)	121,061	93%	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—					
Country Garden—City Garden Happiness Country (錦祥園·城市花園幸福里)	Chuzhou(Lain)	251,829	100%	—	—	—	—	—	—	—	—	—	—	—	—	—	—	120,622					
Country Garden—Phoenix Bay (錦祥園·鳳凰灣)	Kunming(Pailong)	84,939	60%	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—					
Country Garden—Miles Riverside (錦祥園·里水灣)	Luzhou(Chengzhongou)	467,358	43%	—	—	—	—	—	—	—	—	—	—	—	—	—	—	467,358					
Rushui Country Garden (錦祥園·麗水灣)	Pingdingshan(Ruzhou)	222,223	100%	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—					
Country Garden Junyue Grand Palace (錦祥園君悅豪庭)	Wenzhou(Congnan)	89,904	60%	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—					
Country Garden—Zunyi One (錦祥園·遵義一號)	Zunyi(Nanbu New Area)	609,392	93%	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—					
Vanke Country Garden (萬科錦祥園)	Suzhou(Wuzhong)	227,510	43%	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—					
(To be confirmed)	Guangzhou(Baiyun)	143,475	17%	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—					
(To be confirmed)	Guangzhou(Baiyun)	94,962	17%	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—					
Jinsha Country Garden (金沙翠桂園)	Bijie (Jinsha)	93,498	100%	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—					
Country Garden—Phoenix Bay (錦祥園·鳳凰灣)	Luoyang(Gigong)	511,664	58%	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—					
Ningguo Country Garden (錦祥園)	Xuancheng(Mingguo)	99,077	85%	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—					
Country Garden—Jade Bay (錦祥園·翡翠灣)	Luzhou(Luzhai)	120,556	60%	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—					
Lunliao Country Garden (倫教翠桂園)	Foshan(Shunde)	386,618	65%	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—					
Country Garden—Daxue Impression (錦祥園·大學印象)	Zhenjiang(Jurong)	405,603	75%	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—					
Country Garden—Mansion (錦祥園·府邸)	Zhenjiang(Jurong)	399,147	85%	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—					
Country Garden—Mount Earl (錦祥園·伯爵山)	Zhenjiang(Jurong)	74,530	100%	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—					
Dongzhi Country Garden (錦祥園·伯禮山)	Chizhou(Dongzhi)	172,097	43%	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—					
Country Garden—Jade County (錦祥園·翡翠郡)	Handan(Hanshan)	183,409	80%	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—					
Lianfeng Country Garden—Tianhui Bay (錦祥園聯豐·天匯灣)	Foshan(Gaoming)	205,608	30%	24,357	23,725	18,342	148	19/May/15	—	—	—	—	—	—	—	—	—	—					
Country Garden (錦祥園)	Chengde(Hanhou)	205,975	43%	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—					
(To be confirmed)	Huizhou(Huiyang)	3,922,625	100%	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—					
Country Garden—Huijing County (錦祥園·匯景苑)	Guangzhou(Zhengcheng)	82,180	41%	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—					
Country Garden Xianlinyuan (錦祥園·仙林雲苑)	Zhenjiang(Jurong)	53,219	45%	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—					
X'ning Country Garden (西寧翠桂園)	X'ning(Chengbei)	401,530	60%	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—					
Linqun Country Garden (錦祥園)	Fuyang(Linqun)	260,401	100%	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—					
Huayue Country Garden—Phoenix Bay (錦祥園·鳳凰灣)	Hengyang(Shigu)	531,988	40%	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—					
Country Garden—Jade Bay (錦祥園·翡翠灣)	Huanggang(Macheng)	72,106	45%	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—					
Zhonghe Country Garden—Jade Bay (錦祥園中樞·翡翠灣)	Baijin(Baijin)	99,370	43%	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—					

Project <sup>(1)</sup>	City (District)	Aggregate GFA for attributable interest to the parent company	Interest (%)	Completed property developments <sup>(2)</sup>					Properties under development <sup>(3)</sup>					Properties for future development					
				Completed GFA	Total completed GFA	Total saleable GFA delivered	Total saleable GFA pending delivery	Completion date	GFA under development	Total saleable pre-sold <sup>(4)</sup>	Actual commencement date	Estimated commencement date	Estimated completion date	GFA for future development <sup>(5)</sup>	Estimated commencement date	Estimated completion date	Estimated completion date	GFA for future development with land grant contracts	
Changde Country Garden (常德碧桂园)	Changde (Wuning)	340,515	35%	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	340,515
Guizhou Country Garden (贵州碧桂园)	Guizhou (Gangbei)	353,963	60%	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	353,963
Wuxi Country Garden (无锡碧桂园)	Chongqing (Wuxi)	326,668	100%	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	326,668
Shaoyang Country Garden (邵阳碧桂园)	Shaoyang (Shaodong)	21,145	85%	—	—	—	—	—	21,145	30/Jun/16	—	—	—	—	—	—	—	—	—
International Center (碧桂园深荟国际中心)	Hangzhou (Xiaozhan)	185,898	60%	—	—	—	—	—	21,145	—	—	—	—	—	—	—	—	—	—
Taiyuan Country Garden (太原碧桂园)	Taiyuan (Xiaodian)	95,555	43%	—	—	—	—	—	95,555	27/Apr/16	—	—	—	—	—	—	—	—	—
Country Garden Ruyang Valley (桐庐度假)	Huizhou (Huiyang)	1,237,002	47%	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
(To be confirmed)	Guangzhou (Guilun)	53,025	17%	—	—	—	—	—	53,025	15/Jun/16	—	—	—	—	—	—	—	—	—
Xuzhou Country Garden (徐州碧桂园)	Zhujiang (Xuwen)	147,417	100%	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Country Garden—The Gullian (碧桂园·天鹄)	Handan (Congtai)	278,281	85%	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Kuancheng Country Garden (宽城碧桂园)	Chengde (Kuancheng)	43,666	99%	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	25,408
Country Garden—Cloud Space (碧桂园·雲空岛)	Xiamen (Xiang'an)	36,100	58%	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Luoding Country Garden (罗定碧桂园)	Yunfu (Luoding)	243,764	60%	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	243,764
Zhengzhou Country Garden (郑州碧桂园)	Zhengzhou (Zhongmou)	122,308	60%	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	122,308
Zhengzhou Country Garden Phase (郑州碧桂园二期)	Zhengzhou (Xinyang)	255,346	51%	—	—	—	—	—	88,440	28/May/16	—	—	—	—	—	—	—	—	—
Country Garden—Spring City (碧桂园·滨莱城)	Lingshui (Yingzhou)	101,166	55%	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Yingzhou Country Garden (烟台碧桂园)	Fuyang (Yingzhou)	621,514	60%	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Pingjiang Country Garden (平江碧桂园)	Yueyang (Pingjiang)	102,385	100%	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	582,890
Country Garden Phase Two (六安碧桂园二期)	Luan (Yuan)	456,613	45%	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	102,385
Country Garden—Mansion One (碧桂园·府前1號)	Quzhou (Kecheng)	99,746	60%	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	456,613
Xiangyang Country Garden (襄阳碧桂园)	Xiangyang (Xiangzhou)	68,105	35%	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	99,746
Country Garden—Julong Garden (碧桂园·玖珑花园)	Dongguan (Changping)	115,293	33%	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Country Garden—Tianbao Mansion (碧桂园·天寶公馆)	Dongguan (Guancheng)	150,178	100%	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	115,293
Country Garden—Tianhui (碧桂园·天鵬)	Jiangmen (Hehan)	170,280	100%	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	150,178
Vanke—City of Light (万科·城市之光)	Wenzhou (Luicheng)	32,125	20%	—	—	—	—	—	32,125	25/Mar/16	—	—	—	—	—	—	—	—	170,280
Country Garden—Mansion One (碧桂园·官邸)	Qinhuangdao (Haigang)	343,836	85%	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Country Garden Hejin Plaza (碧桂园豪庭广场)	Guangzhou (Zengcheng)	123,454	51%	—	—	—	—	—	123,454	30/Apr/14	—	—	—	—	—	—	—	—	—
Country Garden Four Seasons (碧桂园四季名苑)	Guangzhou (Zengcheng)	209,940	43%	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
(To be confirmed)	Guangzhou (Panyu)	173,014	51%	—	—	—	—	—	173,014	15/Jun/16	—	—	—	—	—	—	—	—	—
Country Garden Duhui (碧桂园都荟)	Kunming (Wuhua)	48,867	30%	—	—	—	—	—	48,867	27/Apr/16	—	—	—	—	—	—	—	—	—
(To be confirmed)	Suzhou (Wujiang)	357,727	100%	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Country Garden—Zhongshang (碧桂园·中邦上海城)	Nantong (Qitong)	555,508	84%	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	357,727
Baoyou Country Garden (碧桂园豪庭)	Baocou (Kundulun)	56,803	43%	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	225,876
Country Garden—Haidi County (碧桂园·海峽縣)	Baise (Longling)	340,142	60%	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Hezhou Country Garden (贺州碧桂园)	Hezhou (Babu)	144,703	60%	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	144,703

Project(s)	City (District)	Aggregate GFA for attributable interest to the parent company	Completed property developments <sup>(1)</sup>										Properties under development <sup>(2)</sup>										Properties for future development	
			sq.m.	Total completed GFA	Total completed sales GFA	Total saleable GFA pre-sold	Completion date	GFA under development	Total saleable pre-sold	Actual commencement date	Estimated commencement date	Estimated completion date	GFA for future development <sup>(3)</sup>	Estimated commencement date	Estimated pre-sale commencement date	Estimated completion date	Estimated completion date	GFA for future development with land grant contracts						
																			sq.m.	sq.m.	sq.m.	sq.m.	sq.m.	sq.m.
(To be confirmed)	Haikou (Longhua)	136,383	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	136,383						
Chaoshou Country Garden (潮州碧桂园)	Chouzhou (Xiangqiao)	484,194	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	484,194						
Country Garden Forest Bay (碧桂园·森林湾)	Chongqing (Yunyang)	299,778	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	299,778						
Tianshui Country Garden (天水碧桂园)	Tianshui (Taizhou)	476,966	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	476,966						
Country Garden—Haichang (恒大碧桂园)	Dalian (Jinpu New Area)	316,053	96,585	96,585	24,173	516	30/Oct/13	—	—	—	—	—	—	—	—	—	—	143,605						
Bordeaux Manor (碧桂园·海昌溪畔多拉维)	Dalian (Ganjiangzi)	70,976	59,683	58,300	11,488	886	26/Jun/15	11,293	—	—	—	—	—	—	—	—	—	—						
Country Garden—Haichang Red Flag Valley (碧桂园·海昌红旗)	Dalian (Zhongshan)	122,560	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	122,560						
Country Garden—Haichang Phoenix (碧桂园·海昌凤凰)	Dalian (Zhongshan)	25,156	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	25,156						
Country Garden—Haichang Tianlan (碧桂园·海昌天澜)	Tianjin (Binhai New Area)	420,866	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	420,866						
Country Garden—Haichang Mansion (碧桂园·海昌大宅)	Tianjin (Binhai New Area)	93,738	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	93,738						
Country Garden—Haichang Star Phase Four (碧桂园·海昌之星四期)	Wuhan (Dongxihu Area)	521,606	316,561	316,561	312,011	2,911	21/Jun/16	142,142	—	—	—	—	—	—	—	—	—	61,259						
Country Garden—Haichang Tianhan (碧桂园·海昌天瀚)	Tianjin (Binhai New Area)	525,556	214,516	214,516	98,621	5,107	28/Jun/16	43,868	40,704	—	—	—	—	—	—	—	—	267,672						
(To be confirmed)	Chengqing (Nantan)	163,069	99,833	97,744	80,506	1,314	12/Jun/15	20,406	20,206	—	—	—	—	—	—	—	—	42,880						
(To be confirmed)	Shenzhen (Guangming New Area)	20,167	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—						
Country Garden—Jue-hai (碧桂园·君临海)	Liaohou (Binhai New Area)	139,342	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	139,342						
Country Garden—Zibai Community (碧桂园紫台社区)	Kunming (Xishan)	49,317	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—						
Ke-tian-xia Country Garden (客天下碧桂园)	Meizhou (Meijiang)	288,556	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—						
(To be confirmed)	Guangzhou (Baiyun)	15,612	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	15,612						
(To be confirmed)	Wuxi (Xinhua)	97,271	50,186	50,186	50,186	—	28/Feb/15	—	—	—	—	—	—	—	—	—	—	—						
Huabai Country Garden (德安碧桂园)	Qianmanzhou (Huishi)	100,993	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—						
Huabai Country Garden (碧桂园)	Nanning (Hengqian)	151,703	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—						
Gongqian Country Garden Grand Garden (公安碧桂园豪园)	Jingzhou (Gongqian)	209,960	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—						
Dazhou Country Garden (达州碧桂园)	Yongzhou (Daoxian)	208,958	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—						
Country Garden—Phoenix Hill (碧桂园·凤凰山)	Heyuan (Jiangdong New Area)	112,988	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—						
Bi-Gui-Yue Mansion (碧桂园悦府)	Foshan (Nanhai)	59,238	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—						
Country Garden Phoenix City (碧桂园凤凰城)	Qianmanzhou (Duyun)	166,033	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—						
(To be confirmed)	Ningbo (Yinzhou)	93,808	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—						
Shaoxing Country Garden (绍兴碧桂园)	Shaoxing (Shuangqing)	193,952	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—						
Country Garden Feicunai (碧桂园翡翠台)	Nanjing (Lishui)	119,713	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—						
(To be confirmed)	Huizhou (Huiyang)	532,000	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—						
Country Garden—City One (碧桂园·首府)	Cangzhou (Renqiu)	49,037	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—						
(To be confirmed)	Suzhou (Wujiang)	332,717	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—						
(To be confirmed)	Zhaoqing (Shui)	440,387	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—						
Lujiang Country Garden—Phase Two (丽江碧桂园二期)	Heifei (Lujiang)	135,258	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—						
Country Garden—Jilinan Bay (碧桂园·天麓湾)	Zhongshan (Shiqi)	107,681	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—						
(To be confirmed)	Ningbo (Yinzhou)	139,547	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—						

Project(s)	City (District)	Completed property developments <sup>(1)</sup>										Properties under development <sup>(2)</sup>										Properties for future development	
		Aggregate GFA for attributable interest to the Company	Interest to the Company	Completed GFA	Total completed GFA	GFA sold	GFA delivered	GFA pending delivery	Total saleable GFA pre-sold	Completion date	GFA under development	Total saleable under development	Actual commencement date	Total saleable pre-sold	Estimated commencement date	Actual/Estimated commencement date	Estimated completion date	Estimated pre-sale commencement date	Estimated completion date	GFA for future development <sup>(3)</sup>	GFA for future development with land grant contracts		
																						sq.m.	%
Country Garden—Songtao One (碧桂园·松涛壹号)	Tongren(Songtao)	155,930	75%	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	155,930	—	
(To be confirmed)	Nantong(Chengchuan)	121,184	100%	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	121,184	—	
Country Garden—Jialu River (碧桂园·嘉陵江)	Taichou(Jialu)	180,076	100%	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	180,076	—	
(To be confirmed)	Shenzhen(Longgang)	609,064	51%	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	609,064	—	
(To be confirmed)	Shaoxing(Shangshou)	472,698	51%	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	472,698	—	
(To be confirmed)	Shanghai(Fengxian)	64,093	60%	—	—	—	—	—	—	64,093	15/Jun/16	—	—	—	—	—	—	—	—	—	—	—	
(To be confirmed)	Shanghai(Fengxian)	198,250	60%	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	158,250	4 <sup>th</sup> Quarter, 2016		
Huaili Country Garden—Phase Two (花溪碧桂园二期)	Guiyang(Huaili)	232,754	94%	—	—	—	—	—	—	150,155	27/Dec/15	23/Dec/15	—	—	—	—	—	—	—	82,599	4 <sup>th</sup> Quarter, 2016		
Renhui Country Garden—Flower Country (仁汇碧桂园·花园洲)	Zunyi(Renhui)	122,198	100%	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	122,198		
Alphaville Town (阿尔法镇)	Guangzhou(Panyu)	4,300,000	20%	1,602,280	1,303,595	1,143,194	87,421	16/Jun/16	547,543	523,078	14/Dec/11	—	—	—	—	—	—	—	—	2,230,177	4 <sup>th</sup> Quarter, 2016		
Long Beach Peninsula (长堤半岛)	Zhongshan(Wujiaohu)	65,668	50%	65,668	65,668	61,882	2,433	10/Dec/13	—	—	—	—	—	—	—	—	—	—	—	—	—		
Total of China		226,122,511	—	90,456,910	86,278,340	79,698,404	954,020	—	48,910,539	46,745,424	—	—	—	—	—	—	—	—	—	63,294,724	—		
Serenadah Project (塞文半岛)	Selangor(Serenadah)	293,771	55%	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	293,771	—		
Country Garden Diamond City (碧桂园钻石城)	Selangor(Semenyih)	596,794	55%	—	—	—	—	—	139,606	133,357	4/Jul/13	45/Sep/13	—	—	—	—	—	—	—	457,188	—		
Country Garden—Singapore Bay (碧桂园新加坡湾)	Johor(Johor Bahru)	1,821,999	100%	—	—	—	—	—	1,821,999	1,023,001	4/Jul/13	6/Aug/13	—	—	—	—	—	—	—	—	—		
Riviera Garden(Sydney) (碧桂园悉尼莱佛士花园)	Sydney(Riviera)	68,061	100%	—	—	—	—	—	68,061	63,190	28/Jun/14	28/Jun/14	—	—	—	—	—	—	—	—	—		
Total of Oversea		2,780,625	—	—	—	—	—	—	2,029,666	1,219,548	—	—	—	—	—	—	—	—	—	750,959	—		
Country Garden Forest City (碧桂园森林城市)	Johor(Bkandar)	—	60%	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—		
Total of the group		228,903,136	—	90,456,910	86,278,340	79,698,404	954,020	—	50,940,205	47,964,972	—	—	—	—	—	—	—	—	—	64,045,683	—		

**Notes:**

\*Projects whose names are to be confirmed currently do not have designated project names.

- (1) "Completed GFA," "Total completed saleable GFA" and "Total saleable GFA sold" for completed property developments are based on the surveying reports issued by relevant government departments.
- (2) "GFA under development" and "Total saleable GFA under development" are based on the actual measurements by the project management department of the Group.
- (3) "Total saleable GFA pre-sold" for properties under development is derived from the Commodity Properties Pre-sale Permit.
- (4) "GFA held for future development" for each project is the GFA expected to be built.
- (5) In July 2016, the local government of Qingyuan issued a notice to reclaim certain parcels of land in Country Garden Hill Lake City in an aggregate site area of 189,809.69 sq.m. due to a change in city planning for the construction of a local park. As compensation to Qingyuan Country Garden Xinya Property Development Co., Ltd, the developer of Country Garden Hill Lake City, other parcels of land in an equivalent size will be given to the developer in another location within Qingyuan.
- (6) As of the date of this offering memorandum, we have paid up the land premium for Yongchun Country Garden. However, there are pending lawsuits between the local land authority and us regarding the surcharges as a result of the past overdue land premium amount.

As of June 30, 2016, our project companies had entered into land grant contracts or land grant confirmation letters in respect of land in various cities in Guangdong Province, Fujian Province, Jiangsu Province, Hubei Province, Anhui Province, Shandong Province, Sichuan Province, Zhejiang Province, Hunan Province, Chongqing Municipality, Guizhou Province, Jiangxi Province, Qinghai Province, Hainan Province, Tianjin Municipality, Shanxi Province, Hebei Province, Guangxi Zhuang Autonomous Region, Liaoning Province, Henan Province and Yunnan Province. These parcels of land have an aggregate site area of approximately 12,257,125 sq.m., and an aggregate expected GFA of approximately 23,460,338 sq.m. We have not yet paid a portion of the land premium for certain parcels of such land. As of June 30, 2016, we had not obtained land use rights certificates or land title in respect of these parcels of land. We cannot assure you that we will obtain the land use rights certificates or land title in respect of these parcels of land in a timely manner or at all. Further, we have not commenced any construction or preparation of construction relating to these parcels of land, nor do we have any detailed plans for them.

The table below shows the location, site area and expected developable aggregate GFA, for each of these parcels of land as of June 30, 2016. The site area information for these parcels of land is based on the relevant land grant contracts, land transfer contracts, sale and purchase agreements or public auction confirmations.

Location	Site Area	Expected developable aggregate GFA
<b>Guangdong Province</b>		
Foshan City (Gaoming), Guangdong Province .....	387,933	744,422
Jiangmen City (Heshan), Guangdong Province .....	41,316	41,316
Shaoguan City (Zhenjiang), Guangdong Province .....	172,519	234,869
Shanwei City (Shanwei), Guangdong Province .....	50,506	111,092
Zhaoqing City (Sihui), Guangdong Province .....	8,774	17,549
Shenzhen City (Longgang), Guangdong Province .....	25,879	90,947
Foshan City (Shunde), Guangdong Province .....	71,157	277,511
Dongguan City (Zhangmutou), Guangdong Province .....	33,198	66,396
Dongguan City (Dalingshan), Guangdong Province .....	160,056	160,056
Guangzhou City (Nansha), Guangdong Province .....	51,340	30,804
Shaoguan City (Xinfeng), Guangdong Province .....	25,122	56,921
Huizhou City (Dayawan), Guangdong Province .....	438,433	1,227,612
Huizhou City (Huiyang), Guangdong Province .....	161,032	386,476
Zhaoqing City (Huaiji), Guangdong Province .....	118,288	295,720
Foshan City (Chancheng), Guangdong Province .....	136,354	522,237
Guangzhou City (Zengcheng), Guangdong Province .....	138,281	345,703
Shenzhen City (Longgang), Guangdong Province .....	21,533	92,593
Foshan City (Nanhai), Guangdong Province .....	83,743	287,472
Foshan City (Shunde), Guangdong Province .....	142,091	386,618
Yunfu City (Luoding), Guangdong Province .....	81,255	243,764
Dongguan City (Changping), Guangdong Province .....	57,647	115,293
Dongguan City (Guancheng), Guangdong Province .....	42,667	150,178
Jiangmen City (Heshan), Guangdong Province .....	77,400	170,280
Shenzhen City (Guangming New Area), Guangdong Province .....	3,667	20,167
Meizhou City (Meijiang), Guangdong Province .....	130,978	288,556
Heyuan City (Jiangdong New Area), Guangdong Province .....	62,771	112,988

Location	Site Area	Expected developable aggregate GFA
Foshan City (Nanhai), Guangdong Province .....	21,940	59,238
Huizhou City (Huiyang), Guangdong Province .....	354,667	532,000
Zhaoqing City (Sihui), Guangdong Province .....	220,193	440,387
Shenzhen City (Longgang), Guangdong Province .....	106,853	609,064
<b>Jiangsu Province</b>		
Zhenjiang City (Jurong), Jiangsu Province .....	506,874	1,267,185
Changzhou City (Liyang), Jiangsu Province .....	22,569	40,624
Zhenjiang City (Jurong), Jiangsu Province .....	55,513	166,539
Suzhou City (Taicang), Jiangsu Province .....	45,984	73,574
Suzhou City (Zhangjiagang), Jiangsu Province .....	35,621	89,706
Suqian City (Muyang), Jiangsu Province .....	32,620	69,004
Taizhou City (Jiangyan), Jiangsu Province .....	50,854	104,980
Zhenjiang City (Jurong), Jiangsu Province .....	85,116	170,232
Zhenjiang City (Jurong), Jiangsu Province .....	74,641	186,603
Zhenjiang City (Jurong), Jiangsu Province .....	32,522	74,530
Suzhou City (Wujiang), Jiangsu Province .....	111,790	357,727
Nantong City (Qidong), Jiangsu Province .....	186,674	225,876
Suzhou City (Wujiang), Jiangsu Province .....	133,087	332,717
Nantong City (Chongchuan), Jiangsu Province .....	71,284	121,184
Taizhou City (Jingjiang), Jiangsu Province .....	138,520	180,076
<b>Anhui Province</b>		
Hefei City (Chaohu), Anhui Province .....	251,964	123,963
Chuzhou City (Nanqiao), Anhui Province .....	354,997	530,952
Chuzhou City (Laian), Anhui Province .....	56,103	120,622
Fuyang City (Linqun), Anhui Province .....	49,801	133,560
Fuyang City (Yingzhou), Anhui Province .....	200,996	582,890
Liu'an City (Yu'an), Anhui Province .....	215,937	456,613
Hefei City (Lujiang), Anhui Province .....	67,629	135,258
<b>Guangxi Zhuang Autonomous Region</b>		
Liuzhou City (Chengzhongqu), Guangxi Zhuang Autonomous Region .....	235,863	467,358
Guigang City (Gangbei), Guangxi Zhuang Autonomous Region .....	143,074	353,963
Baise City (Longjing), Guangxi Zhuang Autonomous Region ...	167,413	340,142
Hezhou City (Babu), Guangxi Zhuang Autonomous Region ...	59,915	144,703
Nanning City (Hengxian), Guangxi Zhuang Autonomous Region .....	50,322	151,703
<b>Henan Province</b>		
Zhengzhou City (Xingyang), Henan Province .....	105,637	225,594
Zhengzhou City (Jingkaiqu), Henan Province .....	19,447	70,886
Zhengzhou City (Xingyang), Henan Province .....	128,942	232,096
Luoyang City (Xigong), Henan Province .....	132,880	511,664
Zhengzhou City (Zhongmou), Henan Province .....	48,923	122,308

Location	Site Area	Expected developable aggregate GFA
<b>Hunan Province</b>		
Yueyang City (Lin'gang), Hunan Province .....	57,610	67,896
Changde City (Shimen), Hunan Province .....	34,025	43,357
Changde City (Wuning), Hunan Province .....	197,429	340,515
Yueyang City (Pingjiang), Hunan Province .....	69,851	102,385
Yongzhou City (Daoxian), Hunan Province .....	115,515	208,958
Shaoyang City (Shuangqing), Hunan Province .....	182,205	193,952
<b>Chongqing Municipality</b>		
Chongqing City (Changshou), Chongqing Municipality .....	72,373	161,992
Chongqing City (Yubei), Chongqing Municipality .....	12,912	70,057
Chongqing City (Yongchuan), Chongqing Municipality .....	144,906	86,974
Chongqing City (Wuxi), Chongqing Municipality .....	130,667	326,668
Chongqing City (Yunyang), Chongqing Municipality .....	139,480	299,778
<b>Guizhou Province</b>		
Qiannanzhou City (Longli), Guizhou Province .....	337,718	219,517
Guiyang City (Gui'an), Guizhou Province .....	247,495	334,119
Qiannanzhou City (Huishui), Guizhou Province .....	68,080	100,993
Tongren City (Songtao), Guizhou Province .....	103,953	155,930
Zunyi City (Renhuai), Guizhou Province .....	48,879	122,198
<b>Hubei Province</b>		
Xianning City (Xian'an), Hubei Province .....	249,940	184,956
Suizhou City (Chengnan), Hubei Province .....	789	437
Jingmen City (Duodao), Hubei Province .....	40,402	86,863
Xianning City (Xian'an), Hubei Province .....	234,205	208,443
Huanggang City (Xishui), Hubei Province .....	42,146	74,135
Jingzhou City (Gongan), Hubei Province .....	139,973	209,960
<b>Zhejiang Province</b>		
Quzhou City (Kecheng), Zhejiang Province .....	36,200	99,746
Ningbo City (Yinzhou), Zhejiang Province .....	42,640	93,808
Shaoxing City (Shengzhou), Zhejiang Province .....	175,073	472,698
<b>Shandong Province</b>		
Yantai City (Haiyang), Shandong Province .....	625,836	632,095
<b>Sichuan Province</b>		
Nanchong City (Jialing), Sichuan Province .....	184,396	237,000
Guang'an City (Guang'an), Sichuan Province .....	188,374	330,660
<b>Jiangxi Province</b>		
Yichun City (Yuanzhou), Jiangxi Province .....	110,749	124,039
Yichun City (Yuanzhou), Jiangxi Province .....	60,824	152,060
Ganzhou City (Xinfeng), Jiangxi Province .....	69,980	152,633
<b>Qinghai Province</b>		
Xi'ning City (Chengbei), Qinghai Province .....	143,840	401,530

Location	Site Area	Expected developable aggregate GFA
<b>Hainan Province</b>		
Qionghai City (Boao), Hainan Province .....	119,758	120,525
Haikou City (Longhua), Hainan Province .....	54,553	136,383
<b>Tianjin Municipality</b>		
Tianjin City (Binhai New Area), Tianjin Municipality .....	91,475	228,688
<b>Shanxi Province</b>		
Yuncheng City (Yanhu), Shanxi Province .....	106,260	143,147
<b>Liaoning Province</b>		
Shenyang City (Yuhong), Liaoning Province .....	1,646	3,292
Dalian City (Jinpu New Area), Liaoning Province .....	122,359	75,863
<b>Hebei Province</b>		
Chengde City (Luangping), Hebei Province .....	69,692	37,634
Handan City (Congtai), Hebei Province .....	9,431	25,408
<b>Fujian Province</b>		
Quanzhou City (Yongchun), Fujian Province .....	46,668	60,668
<b>Yunnan Province</b>		
Kunming City (Xishan), Yunnan Province .....	25,713	49,317
<b>Total</b> .....	<b>12,257,125</b>	<b>23,460,338</b>



## Description of our property projects

The following maps show the regions where our 531 projects in China, as well as our five projects outside of China, are located as of June 30, 2016:



Province in China	Number of Projects	Province in China	Number of Projects
Guangdong Province	190	Jiangxi Province	8
Jiangsu Province	62	Gansu Province	5
Anhui Province	27	Tianjin Province	5
Hubei Province	27	Yunnan Province	5
Hunan Province	27	Inner Mongolia Province	4
Zhejiang Province	26	Shanghai	4
Henan Province	21	Heilongjiang Province	2
Guangxi Province	17	Shanxi Province	2
Guizhou Province	17	Shaanxi Province	2
Fujian Province	14	Jilin Province	1
Hebei Province	14	Qinghai Province	1
Liaoning Province	12	<b>Total Number of Projects in China</b>	<b>531</b>
Hainan Province	10	Malaysia	4
Shandong Province	10	Australia	1
Sichuan Province	9	<b>Total</b>	<b>536</b>
Chongqing Province	9		

As of June 30, 2016, we had two projects in the State of Selangor, two projects in the State of Johor of Malaysia, and one project in Sydney, Australia, the project companies of which are

Unrestricted Subsidiaries, as defined under “Description of the Notes—Definitions.” The following sets forth a brief description of our projects located outside of China.

### **Selangor State, Malaysia**

#### **Serendah Project (雙文丹項目)**

Serendah Project is located in Serendah Golf Resort, Serendah Selangor. It is being developed by Vibrant Corridor SDN. BHD., a project company in which we hold a 55% equity interest. The project occupies an aggregate site area of approximately 678,119 sq.m. and has an expected aggregate GFA (including saleable and non-saleable GFA) of approximately 293,771 sq.m.

As of June 30, 2016, there was no completed property in Serendah Project.

As of June 30, 2016, there was no property under development in Serendah Project.

As of June 30, 2016, the properties held for future development occupied an aggregate site area of approximately 678,119 sq.m. and had an expected aggregate GFA of approximately 293,771 sq.m.

Serendah Project is expected to offer villas and townhouses in the future.

#### **Country Garden Diamond City (碧桂園鑽石城)**

Country Garden Diamond City is located in Taman Bukit Mewah, Jalan Tun Zamrud, off Jalan Semenyih, Kajang, Selangor Darul Ehsan. It is being developed by Mayland Venue Sdn Bhd, a project company in which we hold a 55% equity interest. The project occupies an aggregate site area of approximately 1,041,344 sq.m. and has an expected aggregate GFA (including saleable and non-saleable GFA) of approximately 596,794 sq.m.

As of June 30, 2016, there was no completed property in Country Garden Diamond City.

As of June 30, 2016, the properties under development occupied an aggregate site area of approximately 403,333 sq.m. and had an expected aggregate GFA (including saleable and non-saleable GFA) of approximately 139,606 sq.m. Construction of these properties commenced on July 4, 2013 and is expected to be completed in the fourth quarter of 2016. Upon completion, there are expected to be 415 residential flats with an aggregate saleable GFA of approximately 133,357 sq.m.

As of June 30, 2016, the properties held for future development occupied an aggregate site area of approximately 638,011 sq.m. and had an expected aggregate GFA of approximately 457,188 sq.m.

Country Garden Diamond City is expected to offer villas and townhouses in the future.

### **Johor State, Malaysia**

#### **Country Garden Forest City (碧桂園森林城市)**

Country Garden Forest City is a vertical and multi-tiered city project situated in Iskandar Malaysia and linked to Singapore by a bridge. It has a site area of 20 sq.km. under its development plan.

Its ground area will mostly be parks that will be off limits to vehicles. It is expected that there will be vertical greeneries on the walls of the buildings to allow its residents to live in a garden-like environment. It is being developed by a joint venture that we formed with the government of Johor State in Malaysia. It is an urban development project with an expected total development term of 20 years. We hold a 60% equity interest in the joint venture. We have completed the planning stage for this project together with our domestic and foreign partners, and expect to proceed with construction on a rolling basis based on pre-sales and market response.

#### *Country Garden Danga Bay (碧桂園金海灣)*

Country Garden Danga Bay is located in Tingkat 3, Lot PTB 22056, Danga Bay, Jalan Skudai, 80200 Johor Bahru, Johor. It is being developed by Country Garden Danga Bay Sdn Bhd, our wholly owned project company. The project occupies an aggregate site area of approximately 231,199 sq.m. and has an expected aggregate GFA (including saleable and non-saleable GFA) of approximately 1,821,999 sq.m.

As of June 30, 2016, there was no completed property in Country Garden Danga Bay.

As of June 30, 2016, the properties under development occupied an aggregate site area of approximately 231,199 sq.m. and had an expected aggregate GFA (including saleable and non-saleable GFA) of approximately 1,821,999 sq.m. Construction of these properties commenced on July 4, 2013 and is expected to be completed in the fourth quarter of 2017. Upon completion, there are expected to be 9,539 residential flats, 71 shops and a shopping mall with an aggregate saleable GFA of approximately 1,023,001 sq.m.

As of June 30, 2016, there was no property held for future development in Country Garden Danga Bay.

Country Garden Danga Bay is expected to offer high-rise apartment buildings, 71 retail shops and a shopping mall in the future.

#### ***Sydney, Australia***

##### *Ryde Garden (Sydney) (碧桂園悉尼萊德花園)*

Ryde Garden (Sydney) is located in 27-37 Delhi Road North Ryde. It is being developed by BGY North Ryde Pty Ltd, our wholly owned project company. The project occupies an aggregate site area of approximately 17,585 sq.m. and has an expected aggregate GFA (including saleable and non-saleable GFA) of approximately 68,061 sq.m.

As of June 30, 2016, there was no completed property in Ryde Garden (Sydney).

As of June 30, 2016, the properties under development occupied an aggregate site area of approximately 17,585 sq.m. and had an expected aggregate GFA (including saleable and non-saleable GFA) of approximately 68,061 sq.m. Construction of these properties commenced on June 28, 2014 and is expected to be completed in the fourth quarter of 2018. Upon completion, there are expected to be 830 residential flats and 10 retail shops.

As of June 30, 2016, there was no property held for future development in Ryde Garden (Sydney).

Ryde Garden (Sydney) is expected to offer high-rise apartment buildings and retail shops in the future.

## **Property development**

### **Our property development and project management procedures**

We integrate our resources to conduct land acquisition, planning, project design and construction, sales and post-sales support, and a series of development works. These areas are coordinated and supervised by our central management and carried out by our various functional departments, subsidiaries, and affiliates. We have also established a regional project management structure with a view to further strengthening our project management capabilities and efficiency as our operations continue to grow both inside and outside Guangdong Province. Under this regional project management structure, we currently divide our property development operations into 38 regions. Each region has a designated regional director responsible for overseeing property development.

### ***Site selection***

Site selection is a fundamental step in our property development process. A team of full-time staff members is designated for identifying sites in the PRC, Malaysia and Australia for prospective property development. Our pre-acquisition site visits and investigations, in conjunction with research and analysis, enable us to understand the general trends and specific conditions of target property markets when assessing the suitability for development of a particular site. When selecting sites for our development projects, we usually apply the following criteria:

- geographical location of the development sites, for example, proximity and accessibility to city centers or business districts;
- property market conditions in the vicinity of the development site;
- local urban planning and specifications; and
- estimated cost, investment and financial return.

Our marketing and sales center and our design service providers are involved in the early stages of the site identification process. The marketing and sales center carries out research and analysis relating to potential market demand. Design services, including planning and concept design, are provided by Guangdong Elite Architectural Co., Ltd., which is our affiliate and principal design service provider.

Upon completion of the preliminary feasibility studies, our executive directors become closely involved in the assessment process by conducting on-site visits before deciding whether to proceed with the acquisition of a site.

Once we have decided to acquire a site, Guangdong Elite Architectural Co., Ltd. begins its preliminary site-planning work.

### ***Land acquisition***

Prior to July 2002, we acquired some of our land use rights through a land grant contract or a land transfer agreement entered into with local government authorities. Since July 1, 2002, the PRC government introduced regulations requiring that the land transferred from government authorities be sold by a public tender, auction or listing-for-sale. Prior to submitting a tender, we analyze the market and estimate the budget required to develop the project. To acquire a parcel of land, we first need to be successful in the public tender, auction or the listing-for-sale process. In addition, we may also acquire corporate entities that hold land use rights or property projects.

As of June 30, 2016, we had an aggregate GFA under development and for future development of approximately 114,985,888 sq.m. for which we have obtained the relevant land use rights certificates, development and operation rights or land title. We estimate that our current land reserves will be sufficient for our development needs for the next three to five years.

In addition, as of June 30, 2016, our project companies had entered into land grant contracts or land transfer contracts in respect of land in various cities in Guangdong Province, 14 other provinces, one autonomous region and one municipality in China, for which we have applied or were in the process of applying for land use rights certificates or land title. This land bank covers an aggregate site area of approximately 12,257,125 sq.m., with an aggregate expected GFA of approximately 23,460,338 sq.m. for future development.

In certain cases where we are interested in acquiring land in the PRC, we assist local governments in clearing the land and relocate the original residents so that the land is ready for tender, auction and listing-for-sale. In such cases, we enter into land clearance agreements with the relevant land authorities, under which we are reimbursed for expenses we incur for land clearance and relocation and we are entitled to a portion of the profit realized by the local government on the land sale. We do not control the timing of the sale of the land use rights in the land that we have cleared, nor do we set the price for which such land use rights are sold. Sales of the land use rights are conducted by the relevant local government land authorities, through a bidding, auction or listing-for-sale process. If we are interested in bidding for the land, we are required to go through the tender, auction and listing-for-sale process as with other developers and there can be no assurance that we will win the bid. See “Risk factors—Risks relating to our business—We may not receive full compensation for assistance we provide to local governments to clear land for government land sales.”

Our ability to acquire land for development is subject to extensive regulations issued by the PRC central and local governments. Further to the requirement of public tender, auction and listing-for-sale, on September 28, 2007, the Ministry of Land and Resources issued a new regulation, which provides that property developers must fully pay the land premium for the entire parcel under the land grant contract before they can receive a land use rights certificate or commence development on the land, effective November 1, 2007.

On November 18, 2009, the Ministry of Finance, the Ministry of Land and Resources, PBOC, the PRC Ministry of Supervision and the PRC National Audit Office issued the “Notice on Further Enhancing the Revenue and Expenditure Control over Land Grant” (關於進一步加強土地出讓收支管理的通知), which raises the minimum down payment for land premiums to 50% of the total premium and requires the land premium to be fully paid within one year of signing a land grant contract, subject to limited exceptions.

On March 8, 2010, the Ministry of Land and Resources issued the “Circular on Strengthening Real Estate Land Supply and Supervision” (關於加強房地產用地供應和監管有關問題的通知) under which the minimum price for a given land transfer is required to be equal to at least 70% of the benchmark price for land in the surrounding locality and the bidding deposit for such land transfer is required to be equal to at least 20% of the applicable minimum transfer price. Property developers are also required to pay 50% of the land premium (taking into account any deposits previously paid) as a down payment within one month of signing a land grant contract and the total amount of land premium is to be paid in full within one year of the date of the land grant contract, subject to limited exceptions.

On May 23, 2012, the Ministry of Land and Resources issued the “Catalog of Restricted Use of Land (2012 Version Supplement)” (限制用地項目目錄(2012年本增補本)) and the “Catalog of Prohibited Use of Land (2012 Version Supplement)” (禁止用地項目目錄(2012年本增補本)) which provides that the area of a parcel of land granted for commodity housing development must not exceed seven hectares in small cities (towns), 14 hectares in medium cities or 20 hectares in large cities.

As a result of these regulations, property developers in the PRC are no longer allowed to bid for a large piece of land, make partial payment, and then apply for a land use rights certificate for the corresponding portion of land and commence development, which was the practice in many Chinese cities. The implementation of these regulations may increase land transfer prices and require property developers to maintain a higher level of working capital. We cannot assure you that we are able to acquire land suitable for development at a reasonable cost or that our cash flow position, financial condition or business plans will not be materially and adversely affected as a result of the implementation of these regulations. We believe that larger property developers like ourselves generally are in a better position to compete for large pieces of land because they normally are in a stronger financial condition.

In Malaysia and Australia, we rely on local counsel and consultants to guide us through the land acquisition process and assist us in entering into various sales and purchase agreements to acquire land sites for development.

#### ***Financing property developments and land premium***

We finance our property developments through a combination of internal funds derived from sales proceeds and shareholder contributions as well as external financings mainly through bank loans and equity and debt financing in the international capital markets. We typically use internal funds and proceeds from capital markets financings to pay for the land acquisition costs and use internal funds and project loans from PRC and Malaysian banks to finance the initial construction costs for our property developments. External financing therefore is an important source of funding for our property development projects. As of June 30, 2016, our outstanding borrowings (including bank and other borrowings, receipts under securitization arrangements, the 2023 Notes, the 2021 Notes, the 2019 Notes, the Private Notes, the 2020 Notes and corporate bonds) amounted to RMB103,112.0 million (US\$15,515.1 million). Our operations generate cash through pre-sales after the properties meet the requirements of pre-sale under PRC, Malaysian and Australian regulations. Such proceeds from pre-sales, together with the project loans, are the major sources of funding for the construction of our property developments.

On June 5, 2003, PBOC published the Notice on Further Strengthening the Management of Loans for Property Business (中國人民銀行關於進一步加強房地產信貸業管理的通知), which prohibits commercial banks from advancing loans to fund the payment of land premiums. As a result, property developers may not use PRC bank loans to pay for land premiums. Following the publication of this notice, we have paid land premiums from the proceeds from the sale of properties and not from any of our outstanding bank borrowings. We plan to continue to use the proceeds from the sale of our properties, our other internal funds and proceeds from capital market financing to finance our future land premium payments. In addition, pursuant to the Guidance on Risk Management of Property Loans of Commercial Banks (商業銀行房地產貸款風險管理指引), issued on September 2, 2004, any property developer applying for property development loans must have, as its own working capital, at least 35% of the project capital required for the development. In May 2009, to combat the impact of the global economic slowdown and to encourage domestic

consumption, the State Council issued the “Notice for Adjusting the Capital Ratio for Fixed Assets Investment Projects” (國務院關於調整固定資產投資項目資本金比例的通知). Under this notice, the internal capital ratio for protected housing projects and ordinary commodity housing projects was lowered from 35% to 20%, and the internal capital ratio for other property projects was lowered from 35% to 30%, which was further decreased to 25% in September 2015. However, in an attempt to control the growth of the PRC property market, the PRC government in November 2009 raised the minimum down payment to 50% of the total land premium and on March 8, 2010, the Ministry of Land and Resources issued the circular on Strengthening Real Estate Land Supply and Supervision (關於加強房地產用地供應和監管有關問題的通知) under which property developers are required to pay 50% of the land premium as a down payment within one month of signing a land grant contract and the total amount of land premium is to be paid in full within one year of the date of the land grant contract, subject to limited exceptions. Such policy may constrain our cash otherwise available for additional land acquisition and construction in the PRC.

We obtain project loans from a number of commercial banks in the PRC and in Malaysia, including major PRC banks such as Agricultural Bank of China, Industrial and Commercial Bank of China, Bank of China, China Construction Bank and Guangdong Development Bank, as well as major Malaysian banks such as Bank of China (Malaysia) Berhad, CIMB Bank Berhad, HSBC Bank Malaysia Berhad, Industrial and Commercial Bank of China (Malaysia) Berhad, Public Bank Berhad and Malayan Banking Berhad.

We cannot assure you that we will be able to continue to obtain sufficient bank loans or facilities in the future. See “Risk factors—Risks relating to our business—We may not have adequate funding resources to finance land acquisitions or property developments, or to service our financing obligations.”

### ***Project design work***

Our general design work is mainly undertaken by Guangdong Elite Architectural Co., Ltd., which is an affiliate of our controlling shareholder and provides services to us on a priority basis. Our landscaping and greenery design is mainly undertaken by Foshan Shunde Oasis Greenery Design Co., Ltd., an independent third party. In Malaysia, both Elite Architectural Co. and Foshan Shunde Oasis Greenery Design Co., Ltd. also work with local consultants to ensure their designs meet the standards set by relevant Malaysian government agencies. In Australia, we generally outsource our general design work to local independent third parties, and for landscaping and greenery design work, we plan to outsource them to independent third parties.

The design companies become involved in planning research and preliminary design work for a development project at the site selection and land acquisition stages. When determining the design of a particular property development, the designers and engineers generally consider the recommendations of our marketing and sales center regarding product mix, project location and market conditions, as well as the regulatory requirements regarding the design. Involving the design companies at an early stage allows for the formulation of a preliminary design when we are negotiating with the government, enabling us to commence construction shortly after the requisite approval to develop a parcel of land has been granted. The overall time needed to complete the development is therefore reduced.

## ***Construction work and procurement***

### *Construction work*

The construction phase of a development project in the PRC begins once we obtain the Construction Permit for the project. The general project management department is responsible for the overall coordination and allocation of responsibilities in respect of the construction of each project area at different stages and supervises the progress of construction work. Prior to that, our project cost management department prepares the overall budget for a development at different stages. We set up a project company for each project to manage the whole property development project. The project company has a project manager, a project management department, a finance department and a sales department, all of which report to their corresponding functional departments at our headquarters.

Giant Leap Construction Co., our wholly owned subsidiary, currently undertakes most of the construction work for our development projects in Guangdong Province. For the years ended December 31, 2013, 2014 and 2015 and the six months ended June 30, 2016, construction costs attributable to Giant Leap Construction Co. amounted to 17.4%, 18.1%, 13.9% and 11.8%, respectively, of our total construction costs. Apart from a few related parties and other third parties, we are the principal customer of Giant Leap Construction Co.

For property projects outside Guangdong Province and overseas such as in Malaysia, we generally outsource the construction work to third party contractors to leverage on their local expertise. In addition, when Giant Leap Construction Co. does not have adequate resources to deal with a particular development or when the projected profits from a project are not economically attractive, we outsource project construction work in whole or in part to independent third parties. In such outsourcing cases, we select construction contractors through a tender process organized by our project cost management department. On a selective basis, we may also consider acquiring or setting up local construction companies in our major markets outside Guangdong Province. We have so far established local construction companies for our projects in Anhui Province, Hubei Province, Jiangsu Province, Liaoning Province, Hebei Province and Hainan Province. In Malaysia, we have also set up regional offices of Giant Leap Construction Co. to support the work of our third party contractors there. For property projects in Australia, we plan to outsource the construction work to third party contractors.

Under PRC national laws and regulations, a tender process is usually required to select the contractors for public construction projects. When a tender process is required for one of our projects, the Tender Law of the PRC (中華人民共和國招標投標法) will apply. Certain local governments in the PRC may require that all construction projects go through a tender process.

Because of the growth in the number of our projects and their geographical coverage, we expect that we will continue to engage the services of independent construction contractors, particularly for projects outside Guangdong Province and overseas such as in Malaysia and Australia. See “Risk factors—Risks relating to our business—We rely on independent contractors.” Without any long-term construction outsourcing contracts in place, we intend to work with a number of qualified contractor candidates in order to create a competitive environment among them.

### *Procurement*

Currently, some of the construction work for our projects in the PRC is undertaken by Giant Leap Construction Co., our wholly owned subsidiary. Some of the supplies, including equipment and



material, for our construction work undertaken by Giant Leap Construction Co. are centrally procured through our procurement department. Our procurement department typically solicits price quotes from at least two prospective suppliers, negotiates the price and other terms with them and finalizes the purchase arrangements with the winning supplier by signing price confirmations for regular supplies and executing procurement contracts for major equipment and constructions. Each transaction is initiated by a purchase order from our procurement department, and the suppliers are asked to deliver the supplies to locations specified by the relevant project companies or to our central warehouse, which has a computerized record-keeping system for inventory. Our centralized procurement system gives us more bargaining power and better cost control, enabling us to benefit from economies of scale.

When we outsource the construction work for a project to a third party contractor, the contractor generally undertakes the procurement of key construction materials such as steel, cement, sand and stone according to the specifications provided in the construction contract. The total contractor fee takes into account the costs of these materials and the construction contract typically allows adjustment to the total contractor fees if at the time of purchases, the prices of such construction materials have fluctuated beyond the range stipulated in the construction contract.

#### ***Fitting and decoration work***

The finishing of most of our projects includes fitting and decoration in accordance with the standards set out in our design specifications for the project. Our wholly owned subsidiary, Finest Decoration Co., provides most of the fitting and decoration services for our projects in the PRC and Malaysia. Finest Decoration Co. will continue to provide fitting and decoration services exclusively for our projects in the future. We also outsource some components of the fitting and decoration work to independent third parties through a tender process.

#### ***Quality control***

We have established procedures to ensure that the quality of our properties and services complies with relevant regulations and meets market standards. Quality control procedures are implemented by the relevant functional departments as well as by each project company. For each property development project in the PRC, quality inspections and regulatory compliance reviews are carried out by the construction company, construction supervisory companies and our project management department.

In accordance with the PRC regulations, we engage the services of PRC-qualified third-party construction supervisory companies to supervise the construction of our property developments. These construction supervisory companies oversee, under a construction supervision contract, the progress and quality of the construction work of a property development throughout the construction phase. We select construction supervisory companies through a tender process.

In Malaysia and Australia, to ensure construction quality, the relevant departments of our project companies work closely with local government agencies and consultants to perform site checks and supervise the construction process.

### ***Pre-sales***

Pre-sale of our property units commences before the completion of a project or a project phase. Under the Law of the Administration of Urban Real Estate of the PRC and the Administrative Measures governing the Pre-sale of Urban Real Estate (城市商品房預售管理辦法), as amended in 2001 and 2004, we must comply with the following conditions before pre-sales of a particular property in the PRC can commence:

- the land premiums must have been fully paid and the land use rights certificates must have been obtained;
- the construction works planning permit and construction project building permit must have been obtained;
- the funds contributed to the development of the property developments where property units are to be pre-sold must reach 25% or above of the total amount to be invested in the project, the project must comply with the relevant governmental regulations and the expected completion date and delivery date of the construction work must have been ascertained; and
- pre-sale permits must have been obtained from the county-level construction bureau or property administration authority.

According to the Notice on Further Enhancing the Supervision of the Real Estate Market and Improving the Pre-sale System of Commodity Housing (關於進一步加強房地產市場監管完善商品住房預售制度有關問題的通知) issued by the MOHURD on April 13, 2010, the property developers are not allowed to charge the property purchasers any deposit, pre-payment or payment of the similar nature prior to obtaining the pre-sale permit.

Local governments have also implemented regulations relating to pre-sales of properties. Some of these regulations contain stricter requirements than the central government regulations. We are subject to these local regulations in areas where we have property developments.

Under PRC law, the proceeds from the pre-sales of our properties must be deposited in escrow accounts. Before the completion of the pre-sold properties, the monies deposited in these escrow accounts may only be used to purchase construction materials and equipment, make interim construction payments and pay taxes, subject to prior approval from the relevant local authorities. See the section headed "Regulation" to this offering memorandum for further information on PRC regulations that relate to pre-sales.

Under Malaysian laws, we must receive the following approvals before launching the pre-sales of a particular property:

- the relevant local authorities must have approved our master planning of the development;
- we must have also received local authorities' approval of our building plans, which include information such as project's designs, planned GFAs and floor plans; and
- advertising and sale permits must have also been obtained from the Malaysian Ministry of Housing and Local Government before pre-sales can finally begin.

Under relevant property laws in New South Wales, there is no pre-sale requirement for off-plan apartment sales. However, deposits are typically held in trust accounts to protect interests of the buyers and the developers.

### ***Marketing and sales***

Our marketing and sales center is responsible for formulating and implementing our marketing and sales strategies. We support our marketing and sales activities through cooperation with external professional marketing and sales service providers. As of June 30, 2016, our marketing and sales team comprised approximately 15,118 employees.

Our marketing and sales center is involved in our property development starting from the early stages and provides its input at key steps. When a potential project is identified by our investment department, our marketing and sales center conducts local property market research and studies the government's land policies. Before we decide to acquire land, our marketing and sales center provides the results of the research and analysis of the relevant parcels of land. During the land acquisition process, our marketing and sales center provides suggestions on the site plan and design. During the project design and construction processes, our marketing and sales center also works closely with our project design companies to formulate, modify and execute a design plan according to consumer preferences and market feedback. Our sales team regularly provides customer feedback to Guangdong Elite Architectural Co., Ltd. and other departments for future improvements.

### ***Customers***

Local residents in Guangdong Province have historically been our core customer base. We expect to gradually broaden our customer base geographically as our projects outside Guangdong Province commence pre-sale and sale. We also sell our properties to residents in Hong Kong, Macau, neighboring provinces and overseas such as in Malaysia and Australia. We target a broad base of customers with varied income levels and backgrounds, with middle-class customers as our primary targets.

### ***Payment arrangements***

Our customers in the PRC, including those making pre-sales purchases, can pay with mortgage facilities arranged with banks. The mortgage payment terms for sales and pre-sales of properties are substantially the same. All purchasers are required to make a down payment of at least 20% of the purchase price when executing a purchase contract. A maximum 30-year mortgage loan for up to 80% of the purchase price may be available from the mortgage banks to the purchasers who are required to settle such amount within one or three months following the execution of the sales and purchase contract.

Mortgage financing is subject to extensive regulation in the PRC, including requirements with respect to minimum down payments and mortgage lending interest rates. See "Regulation—Legal supervision relating to property sector in the PRC—E. Property transactions—(c) Mortgages of property" and "Risk factors—Risks relating to our business—Our sales and pre-sales will be affected if mortgage financing becomes more costly or otherwise unavailable."

If purchasers choose not to finance their purchase with mortgage loan facilities, they are typically required to pay at least 30% of the purchase price at the time of the execution of the sale and purchase contract. In the case of a pre-sale, the remaining balance is payable within one or three months following the time of the execution of the sale and purchase contract. In the case of properties sold after completion, the remaining balance generally is payable within one month following the execution of the sale and purchase contract. We also offer settlement of purchase

price by installments, under which purchasers are required to pay at least 40% of the purchase price at the time of the execution of the sale and purchase contract, with the balance to be paid by installments over a period ranging from six months to five years. The purchase price for purchasers who settle by installments is generally higher than those who do not do so and is generally higher for longer installment periods, in order to compensate us for the additional credit risk that we may be exposed to.

In accordance with market practice, we provide guarantees to banks for mortgage loans offered to our customers. Generally, our guarantees are released upon the earlier of the issuance of the individual property ownership certificate (房產所有權證) to the owner of the property or the certificate of other rights of property (房地產他項權證) to the mortgage bank by the relevant housing administration department, which are generally available within three months after we deliver the relevant property to our customers, or the full settlement of the mortgaged loan by our customers. Prior to 2003, we also provided long-term guarantees for the mortgage loan of some of our customers. These long-term guarantees were provided to increase confidence of the mortgage banks in providing mortgages to our customers in the then less sophisticated PRC property market. These guarantees are discharged two years from the day the mortgaged loans become due.

In line with customary practice in the industry, we do not conduct independent credit checks on our customers but rely on the credit checks conducted by the mortgage banks. As of December 31, 2013, 2014 and 2015 and June 30, 2016, our outstanding guarantees of the mortgage loans of our customers amounted to RMB31,443.7 million, RMB49,375.9 million, RMB60,636.2 million (US\$9,123.9 million) and RMB83,485.2 million (US\$12,561.9 million), respectively. Historically, we have not experienced material losses due to default of purchases on the mortgages loans. See “Risk factors—Risks relating to our business—We guarantee the mortgages provided to our purchasers and, consequently, we are liable to the mortgagee banks if our purchasers default on their mortgage payments.”

In Malaysia, customers can purchase our properties, including through pre-sales purchases, with mortgage facilities arranged with banks. Unlike in the PRC, we do not provide guarantees to banks for mortgage loans offered to our customers in Malaysia. Instead, we provide letters of undertaking for purchasers agreeing to refund the payments made using mortgage loans if we fail to complete the construction and deliver the properties to the purchasers.

In Australia, customers are required to pay 10% of the purchase price when executing a purchase contract, which can be made by cash, check or bank guarantee, and the remainder upon completion of the construction and delivery of the completed property. If the 10% of the purchase price is made by cash or check, the amount will be deposited into a trust account managed by our lawyers and will only be made available to us upon delivery of the completed property.

## **Property management**

Through our wholly owned property management subsidiary, Guangdong Management Co., we provide post-sales property management and services to the residents of each of the PRC and Malaysian projects we developed. For our project in Australia, we assist the residents in setting up a strata management company. As of June 30, 2016, we had approximately 31,258 staff members working for our 462 property service branches. We aim to continue to provide to purchasers of our properties comprehensive post-sales property management and services, including public security and assistance with the management of public order, maintenance of

public facilities, cleaning of public areas, domestic assistance, gardening and landscaping, intra-community shuttle bus operations and other customer services. We believe we have established a market reputation for the quality of these services. For example, Guangdong Management Co. has been certified by the Ministry of Construction as a class-one property management company, the highest level a PRC property management company can achieve.

Typically, our property management contracts set out the scope and the quality requirements of the services provided by our property management companies. We prepare maintenance and renovation plans for the properties and public facilities that we manage. We are not permitted by law to assign the management duties in their entirety to a third party. However, we can outsource some of the responsibilities, such as cleaning and security services, to independent third parties. The property management contracts also set out the management fee arrangements. We may not increase management fees without the prior consent of a majority of the owners of the properties.

Under PRC law, property owners have a right to engage or dismiss a property management company with the consent of more than half of the owners who in the aggregate hold more than 50% of the total non-communal area of the building. See “Risk factors—Risks relating to our business—Our branding and marketing strategy as well as our financial condition could be adversely affected if owners of the projects that we have developed elect to stop using us to provide property management services” in this offering memorandum. Under Australian law, residents have the right to choose a new strata management company at a later stage.

## **Hotel development and operation**

We develop hotels to compliment our residential properties. Most of these hotels are located in our large-scale residential community projects, which we believe have added value to our residential projects and enhanced our brand recognition. As of June 30, 2016, our hotel operations consist of owning and operating eight five-star hotels, two four-star hotels, 37 hotels which we have developed in accordance with the five-star standard of the “Star-Rating Standard for Tourist Hotels” and four hotels which we have developed in accordance with the four-star standard of the “Star-Rating Standard for Tourist Hotels.” In addition, as of June 30, 2016, we had seven hotels under construction in accordance with the five-star rating standard and one hotel under construction in accordance with the four-star rating standard of the “Star-Rating Standard for Tourist Hotels.” Under PRC laws, hotels cannot apply for star hotel certification until after one year of operations. Generally, we apply for such star hotel certification for our hotels after their first year of operations.

While we believe that the demand for luxury hotels in China will increase as the economy of the region continues to grow and that our hotels and resorts will generate recurrent income for us in the long run, we do not focus on the revenue or profit contributions from our hotel business on a stand-alone basis. Rather, we believe that our hotel business assists in enhancing our brand name recognition in the property market and contributes to our overall marketing and sales strategies for, and the overall value of, our residential projects. Most of our hotels are currently owned and operated by our own hotel companies. We have engaged several international management firms with respect to our Maritim Hotel, Wuhu, Maritim Hotel, Shenyang, Hilton Wuhan Optics Valley and Hilton Foshan. Our Maritim Hotel, Wuhu and Maritim Hotel, Shenyang commenced full operations in December 2010 and July 2011, respectively, and our Hilton Wuhan

Optics Valley and Hilton Foshan commenced full operations in January and March 2014, respectively. In return for managing and operating these hotels, we agree to pay our hotel operating management partners a basic management fee based on a percentage of the respective hotel's net income, and an incentive fee with reference to the respective hotel's gross operating profit. In addition, we have signed a letter of understanding and management agreement with an international management firm with respect to some of our hotels under development or planning. We may also consider engaging other international management companies to manage our hotels.

The availability of our hotel facilities to the residents of our property projects is usually seen as an attractive feature by potential purchasers of our properties.

Our commitment to building and running hotels in certain localities has received support from local governments, which seek to improve the local investment environment and attract more tourist traffic and business establishments to their jurisdictions.

The table below sets out details of our hotel developments and operations as of June 30, 2016.

Name of Hotel	Location	Actual/*Estimated Opening Date	Number of Rooms	Star-rating <sup>(1)</sup>
Country Garden Holiday Resorts (順德碧桂園度假村)	Shunde Country Garden, Foshan, Guangdong Province	February 2000	201	Four-Star (in operation)
Phoenix City Hotel, Guangzhou (廣州鳳凰城酒店)	Country Garden Phoenix City, Guangzhou, Guangdong Province	November 2003	573	Five-Star (in operation)
Country Garden Holiday Islands Hotel (碧桂園假日半島酒店)	Qingyuan Holiday Islands Country Garden, Qingyuan, Guangdong Province	December 2004	225	Five-Star (in operation)
Country Garden Phoenix Hotel, Heshan (鶴山碧桂園鳳凰酒店)	Heshan Country Garden, Jiangmen, Guangdong Province	July 2005	282	Five-Star (in operation)
Country Garden Phoenix Hotel, Yangjiang (陽江碧桂園鳳凰酒店)	Yangdong Country Garden, Yangjiang, Guangdong Province	May 2007	342	Five-Star (in operation)
Country Garden Phoenix Hotel, Taishan (台山碧桂園鳳凰酒店)	Taishan Country Garden, Jiangmen, Guangdong Province	November 2007	337	Five-Star (in operation)

Name of Hotel	Location	Actual/*Estimated Opening Date	Number of Rooms	Star-rating <sup>(1)</sup>
Country Garden Phoenix Hot Spring Hotel, Xianning (咸寧碧桂園鳳凰溫泉酒店)	Country Garden—Hot Spring City, Xianning, Hubei Province	November 2009	328	Five-Star (in operation)
Country Garden Phoenix Hotel, Gaoming (五邑碧桂園鳳凰酒店)	Gaoming Country Garden, Foshan, Guangdong Province	November 2009	336	Five-Star (in operation)
Country Garden Phoenix Hotel, Changshou, Chongqing (重慶長壽碧桂園鳳凰酒店)	Changshou Country Garden, Changshou, Chongqing Municipality	September 2010	335	Five-Star (in operation)
Country Garden Phoenix Hotel, Jingmen (荊門碧桂園鳳凰酒店)	Jingmen Country Garden, Jingmen, Hubei Province	October 2010	138	Four-Star (in operation)
Country Garden Phoenix Hotel, Wuyi (五邑碧桂園鳳凰酒店)	Wuyi Country Garden, Jiangmen, Guangdong Province	December 2005	95	According to five-star rating standard (in operation)
Country Garden Phoenix Hotel, Changsha (長沙碧桂園鳳凰酒店)	Changsha Country Garden, Changsha, Hunan Province	October 2007	343	According to five-star rating standard (in operation)
Country Garden Phoenix Hotel, Zhaoqing (肇慶碧桂園鳳凰酒店)	Zhaoqing Country Garden, Zhaoqing, Guangdong Province	February 2009	285	According to five-star rating standard (in operation)



Name of Hotel	Location	Actual/*Estimated Opening Date	Number of Rooms	Star-rating <sup>(1)</sup>
Country Garden Phoenix Hotel, Xinhui (新會碧桂園鳳凰酒店)	Xinhui Country Garden, Jiangmen, Guangdong Province	March 2009	374	According to five-star rating standard (in operation)
Maritim Hotel, Wuhu (蕪湖碧桂園瑪麗蒂姆酒店)	Wuhu Country Garden, Wuhu, Anhui Province	December 2010	602	According to five-star rating standard (in operation)
Country Garden Phoenix Hotel, Wuhan (武漢碧桂園鳳凰酒店)	Wuhan Country Garden, Wuhan, Hubei Province	January 2011	331	According to five-star rating standard (in operation)
Country Garden Phoenix Hotel, Binhu City (濱湖城碧桂園鳳凰酒店)	Country Garden Lakeside City, Hefei, Anhui Province	January 2011	336	According to five-star rating standard (in operation)
Country Garden Phoenix Hotel, Huangshan (黃山碧桂園鳳凰酒店)	Huangshan Country Garden, Huangshan, Anhui Province	March 2011	378	According to five-star rating standard (in operation)
Country Garden Holiday Hotel, Shenyang (瀋陽碧桂園假日酒店)	Shenyang Country Garden, Shenyang, Liaoning Province	May 2011	50	According to five-star rating standard (in operation)
Maritim Hotel, Shenyang (瀋陽碧桂園瑪麗蒂姆酒店)	Country Garden—Galaxy Palace, Shenyang, Liaoning Province	July 2011	631	According to five-star rating standard (in operation)
Country Garden Phoenix Hotel, Tianjin (天津碧桂園鳳凰酒店)	Tianjin Country Garden, Balitai, Tianjin Municipality	August 2011	249	According to five-star rating standard (in operation)

Name of Hotel	Location	Actual/*Estimated Opening Date	Number of Rooms	Star-rating <sup>(1)</sup>
Country Garden Phoenix Hotel Shaoguan (韶關碧桂園鳳凰酒店)	Shaoguan Country Garden, Shaoguan, Guangdong Province	August 2011	335	According to five-star rating standard (in operation)
Country Garden Phoenix Hotel, Suizhou (隨州碧桂園鳳凰酒店)	Suizhou Country Garden, Suizhou, Hubei Province	October 2011	378	According to five-star rating standard (in operation)
Country Garden Hill Lake Phoenix Hotel (碧桂園如山湖鳳凰酒店)	Country Garden—Hill Lake City, Maanshan, Anhui Province	November 2011	454	According to five-star rating standard (in operation)
Country Garden Phoenix Hotel, Lechang (樂昌碧桂園鳳凰酒店)	Lechang Country Garden, Shaoguan, Guangdong Province	November 2011	129	According to five-star rating standard (in operation)
Country Garden Phoenix Hotel, Ningxiang (寧鄉碧桂園鳳凰酒店)	Country Garden—Hill Lake Palace, Changsha, Hunan Province	December 2011	129	According to five-star rating standard (in operation)
Country Garden Europe City Phoenix Hotel (碧桂園歐洲城鳳凰酒店)	Country Garden—Europe City, Chuzhou, Anhui Province	December 2011	333	According to five-star rating standard (in operation)
Country Garden Holiday Hot Spring Hotel, Fogang (佛岡碧桂園假日溫泉酒店)	Country Garden Spring City, Qingyuan, Guangdong Province	April 2012	11	According to five-star rating standard (in operation)

Name of Hotel	Location	Actual/*Estimated Opening Date	Number of Rooms	Star-rating <sup>(1)</sup>
Country Garden Phoenix Hotel, Chizhou (池州碧桂園鳳凰酒店)	Chizhou Country Garden, Chizhou, Anhui Province	June 2012	338	According to five-star rating standard (in operation)
Country Garden Phoenix Hotel, Tongliao (通遼碧桂園鳳凰酒店)	Tongliao Country Garden, Tongliao, Inner Mongolia	July 2012	321	According to five-star rating standard (in operation)
Country Garden Phoenix Hot Spring Hotel, Taizhou (泰州碧桂園鳳凰溫泉酒店)	Taizhou Country Garden, Taizhou, Jiangsu Province	July 2012	331	According to five-star rating standard (in operation)
Country Garden Phoenix City Hotel (碧桂園鳳凰城酒店)	Country Garden—Phoenix City, Zhenjiang, Jiangsu Province	September 2012	334	According to five-star rating standard (in operation)
Country Garden Silver Beach Hotel (碧桂園十里銀灘酒店)	Country Garden—Ten Miles Beach, Huizhou, Guangdong Province	October 2012	336	According to five-star rating standard (in operation)
Country Garden Phoenix Hotel, Chaohu (巢湖碧桂園鳳凰酒店)	Chaohu Country Garden, Hefei, Anhui Province	November 2012	336	According to five-star rating standard (in operation)
Country Garden Phoenix Hotel, Anqing (安慶碧桂園鳳凰酒店)	Anqing Country Garden, Anqing, Anhui Province	December 2012	336	According to five-star rating standard (in operation)

Name of Hotel	Location	Actual/*Estimated Opening Date	Number of Rooms	Star-rating <sup>(1)</sup>
Country Garden Phoenix Hotel, Huiyang (惠陽碧桂園鳳凰酒店)	Huiyang Country Garden, Huizhou, Guangdong Province	December 2012	118	According to five-star rating standard (in operation)
Country Garden Phoenix Hotel, Yunfu (雲浮碧桂園鳳凰酒店)	Yunfu Country Garden, Yunfu, Guangdong Province	March 2013	129	According to five-star rating standard (in operation)
Country Garden Phoenix Hotel, Xing'anmeng (興安盟碧桂園鳳凰酒店)	Xing'anmeng Country Garden, Xing'anmeng, Inner Mongolia	July 2013	134	According to five-star rating standard (in operation)
Country Garden Phoenix Hotel, Haicheng (海城碧桂園鳳凰酒店)	Haicheng Country Garden, Anshan, Liaoning Province	December 2013	134	According to five-star rating standard (in operation)
Country Garden Phoenix Hotel, Maoming (茂名碧桂園鳳凰酒店)	Country Garden City Garden, Maoming, Guangdong Province	January 2014	199	According to five-star rating standard (in operation)
Country Garden Golden Beach Hotel, Hainan (海南碧桂園金沙灘酒店)	Country Garden—Golden Beach, Lin'gao, Hainan Province	April 2014	84	According to five-star rating standard (in operation)
Hilton Foshan (佛山希爾頓酒店)	Country Garden City Garden, Foshan, Guangdong Province	July 2014	600	According to five-star rating standard (in operation)

Name of Hotel	Location	Actual/*Estimated Opening Date	Number of Rooms	Star-rating <sup>(1)</sup>
Country Garden Spring Town Holiday Hotel, Hainan (碧桂園海南小城之春假日酒店)	Country Garden Spring Town, Lin'gao, Hainan Province	July 2014	113	According to four-star rating standard (in operation)
Country Garden Holiday Hotel, Meizhou (梅州碧桂園假日酒店)	Shejiang Country Garden, Meizhou, Guangdong Province	October 2014	50	According to four-star rating standard (in operation)
Country Garden Sun Palace Phoenix Hotel (碧桂園太陽城鳳凰酒店)	Shaoguan Country Garden—Sun Palace, Shaoguan, Guangdong Province	February 2015	138	According to five-star rating standard (in operation)
Country Garden Jade Bay Phoenix Hotel (碧桂園翡翠灣鳳凰酒店)	Country Garden—Jade Bay, Jiangmen, Guangdong Province	October 2015	284	According to five-star rating standard (in operation)
Country Garden Airport Phoenix Hotel (碧桂園空港鳳凰酒店)	Country Garden Airport Plaza, Guangzhou, Guangdong Province	October 2015	202	According to four-star rating standard (in operation)
Country Garden Gold Beach Hotel (碧桂園十里金灘酒店)	Country Garden—Ten Miles Golden Beach, Yantai, Shandong Province	October 2015	336	According to five-star rating standard (in operation)
Country Garden Phoenix Hotel, Beiliu (北流碧桂園鳳凰酒店)	Beiliu Country Garden, Yulin, Guangxi Zhuang Autonomous Region	October 2015	210	According to five-star rating standard (in operation)

Name of Hotel	Location	Actual/*Estimated Opening Date	Number of Rooms	Star-rating <sup>(1)</sup>
Country Garden Phoenix Hotel, Shenyang (瀋陽碧桂園鳳凰酒店)	Country Garden—Phoenix City, Shenyang, Liaoning Province	November 2015	134	According to five-star rating standard (in operation)
Country Garden Holiday Hotel, Guiyang (貴陽碧桂園假日酒店)	Huaxi Country Garden, Guiyang, Guizhou Province	November 2015	82	According to four-star rating standard (in operation)
Hilton Wuhan Optics Valley (武漢光谷希爾頓酒店) <sup>(2)</sup>	Country Garden—Eco City, Wuhan, Hubei Province	*2016	510	According to five-star rating standard (under construction)
Country Garden Phoenix Hotel, Zhangjiajie (張家界碧桂園鳳凰酒店) <sup>(3)</sup>	Zhangjiajie Country Garden, Zhangjiajie, Hunan province	*2016	1,047	According to five-star rating standard (under construction)
Country Garden Phoenix Hotel, Longjiang (龍江碧桂園鳳凰酒店) <sup>(4)</sup>	Country Garden Grand Palace, Foshan, Guangdong Province	*2016	193	According to five-star rating standard (under construction)
Hilton Tianjin Binhai (天津濱海希爾頓酒店)	Independent Hotel, Tanggu, Tianjin Municipality	*2016	1,238	According to five-star rating standard (under construction)
Country Garden Phoenix Hotel, Yangshan (陽山碧桂園鳳凰酒店)	Yangshan Country Garden, Qingyuan, Guangdong Province	*2016	138	According to five-star rating standard (under construction)

Name of Hotel	Location	Actual/*Estimated Opening Date	Number of Rooms	Star-rating <sup>(1)</sup>
Country Garden Phoenix Hotel, Quzhou (衢州碧桂園鳳凰酒店)	Quzhou Country Garden, Quzhou, Zhejiang Province	*2016	254	According to five-star rating standard (under construction)
Country Garden Phoenix Hotel, Yiyang (益陽碧桂園鳳凰酒店)	Yiyang Country Garden, Yiyang, Hunan Province	*2016	251	According to five-star rating standard (under construction)
Country Garden Phoenix Hotel, Jianghai (江海碧桂園鳳凰酒店)	Jianghai Country Garden, Jiangmen, Guangdong Province	*2016	194	According to four-star rating standard (under construction)

\* Estimated opening date

Notes:

- (1) Hotels are only allowed to apply for star hotel certification after one year of operation.
- (2) Hilton Wuhan Optics Valley commenced partial trial operation on December 31, 2013.
- (3) Country Garden Phoenix Hotel, Zhangjiajie commenced partial trial operation on October 16, 2015.
- (4) Country Garden Phoenix Hotel, Longjiang commenced partial trial operation on November 29, 2015.

## Investment property

To further tap the value of our commercial properties, in late 2013, we set up Guangzhou Country Garden Commercial Management Co., Ltd, our wholly owned subsidiary, which is responsible for the strategic planning and management of our large-size commercial properties as well as community commercial properties. As of June 30, 2016, our investment property GFA is approximately 1,148,911 sq.m., with a fair value of approximately RMB9,638.8 billion (US\$1,450.3 billion) of which completed GFA is approximately 1,077,749 sq.m. with a fair value of approximately RMB8,959.6 billion (US\$1,348.1 billion). GFA under development is approximately 71,162 sq.m., with a fair value of approximately RMB679.2 billion (US\$102.2 billion). The top ten investment properties are as follows.

Project	City (District)	GFA of investment properties sq.m.	Completed properties			Property under development	
			community stores sq.m.	Large commercial centers sq.m.	Apartments sq.m.	community stores sq.m.	Large commercial centers sq.m.
Country Garden— Phoenix City (碧桂園·鳳凰城)	Zhenjiang (Jurong)	157,943	2,365	155,578			
Country Garden—Galaxy Palace (碧桂園·銀河城)	Shenyang (Yuhong)	92,538	8,971	76,724		6,843	
Zhaoqing Lanling Residence (肇慶藍領公寓)	Zhaoqing (Gaoxin)	58,136			58,136		
Yunfu Country Garden (雲浮碧桂園)	Yunfu (Jinshan)	56,666	5,534	51,132			
Shunde Country Garden—including Country Garden West Court (順德碧桂園(含碧桂園西苑))	Foshan (Shunde)	50,966	50,966				
Shaoguan Country Garden (韶關碧桂園)	Shaoguan (Zhenjiang)	44,347	33,149			11,198	
Xinhui Country Garden (新會碧桂園)	Jiangmen (Xinhui)	42,151	42,151				
Taizhou Country Garden (泰州碧桂園)	Taizhou (Hailing)	38,009	38,009				
Heshan Country Garden (鶴山碧桂園)	Jiangmen (Heshan)	36,103	36,103				
Tianjin Country Garden (天津碧桂園)	Tianjin (Balitai)	30,488	30,488				

## Asian Games City Project

On December 22, 2009, we and two other major property developers in the PRC, Agile and R&F through our and their respective subsidiaries, signed a land grant contract with the PRC government to acquire the Asian Games City Project. The Asian Games City Project is located in the Panyu District of Guangzhou City. The project occupies a site area of approximately 2,639,520 sq.m. and is to be developed as part of the Asian Games City for offering residential and commercial properties with a total planned GFA of approximately 4,380,000 sq.m. The Asian Games City Project is being developed by the Asian Games City JV, in which we hold a minority equity interest. Part of the Asian Games City Project has been constructed or is under construction and the Asian Games City JV is in the process of applying for necessary government approvals for the development of the remaining properties of this project. We believe that our participation, alongside other major property developers, in this landmark project will enhance our position in the PRC property market and bolster our market share and position in Guangzhou



City and Guangdong Province. We believe that the successful completion of the Asian Games City Project will reinforce our status as one of the leading property developers in the PRC.

Prior to June 24, 2010, we, Agile and R&F each held a 33%, 33% and 34% equity interest, respectively, in the Asian Games City JV and the corresponding payment obligations under the land grant contract. On June 24, 2010, we, Agile, Shimao, R&F and Citic South entered into certain agreements relating to the transfer of equity interests in the Asian Games City JV (the "Asian Games Equity Transfer Transactions"). As a result of the Asian Games Equity Transfer Transactions, we and our four joint venture partners each now hold a 20% equity interest, respectively, in the Asian Games City JV. As of June 30, 2016, the balance amount of investment in the Asian Games City JV was approximately RMB0.9 million (US\$0.1 million). The cost for the acquisition of the land use rights and development of the Asian Games City Project is shared equally among us and our four joint venture partners. The total land premium for acquiring the land use rights for this project is RMB25.5 billion which has been paid as of the date of this offering memorandum.

To finance the Asian Games City Project, the Asian Games City JV has entered into loan facilities and trust financing arrangements under which we and our four joint venture partners provided guarantees. As of June 30, 2016, our guarantees for the Asian games City JV for its borrowings amounted to RMB1,447.9 million (US\$217.9 million).

## Competition

The property industry in the PRC is highly competitive. Competitive factors include the size of land reserves and the geographical location, the types of properties offered, brand recognition, price, and design product qualities. Our existing and potential competitors include major domestic state-owned and private property developers in the PRC, and, to a lesser extent, property developers from Hong Kong and elsewhere in Asia. A number of our competitors have greater financial, marketing, land and other resources than we have, as well as greater economies of scale, broader name recognition, a longer track record and more established relationships in certain markets. An example of our principal competitors include China Vanke Co., Ltd. (萬科企業股份有限公司), because they have a presence in the regions in which we operate. For more information on competition, please refer to the section headed "Risk factors—Risks relating to our business—Increasing competition in the PRC may adversely affect our business, financial condition and results of operations."

## Intellectual property rights

Foshan Shunde Country Garden Property Development Co., Ltd. has registered the trademarks and service marks of "碧桂園" in the form of Chinese characters, as well as in the form of logos, with the PRC Trademark Office (中華人民共和國商標局) under various categories including construction, realty leasing, realty management and realty agency. Foshan Shunde Country Garden Property Development Co., Ltd has also registered the trademarks and service marks of "COUNTRY GARDEN" in the form of English characters with the PRC Trademark Office under various categories including advertisement, business management and human resource management.

Zhongshan Country Garden Real Estate Development Co., Ltd. has registered the trademarks and service marks of "秀麗湖" in the form of Chinese characters with the PRC Trademark Office under various categories including realty leasing, realty agency and advertisement.

On March 27, 2007, Foshan Shunde Country Garden Property Development Co., Ltd entered into a trademark license agreement with each of Qingyuan Country Garden Co., Jun'an Golf Club Co. and our original shareholders to grant them a non-exclusive right to use the “碧桂園” and certain other trademarks and service marks in respect of their businesses which, apart from Qingyuan Country Garden Co.'s business, are services ancillary to the housing properties constructed by us. Qingyuan Country Garden Co. has also granted Holiday Islands Hotel Co., our wholly owned subsidiary, a non-exclusive right to use the trademarks and service marks of “假日半島 Holiday Islands” (with respect to which Qingyuan Country Garden Co. has applied to register as a trademark in the PRC) in its business operation pursuant to a trademark license agreement entered into between Qingyuan Country Garden and Holiday Islands Hotel Co. on March 27, 2007.

We also own the domain names “bgy.cn,” “bgy.com.cn,” “countrygarden.cn” and “countrygarden.com.cn.” The information contained on our websites is not part of this offering memorandum.

## **Insurance**

We maintain public liability and assets insurance policies for our properties, the common facilities and the hotel operating areas of our properties. In addition, we carry social insurance for our employees, and our property management subsidiaries also maintain property management liability insurance coverage in connection with their business operations. We do not, however, maintain insurance coverage for non-performance of contract during construction and other risks associated with construction and installation works during the construction period. Consistent with what we believe to be customary practice in the property development industry in China, we also do not maintain insurance against personal injuries or property damage that may occur during the construction of our properties, except that we carry accidental insurance (i.e., employer's liability insurance) against personal injuries that may occur to construction workers.

To help ensure construction quality and safety, we have a set of standards and specifications for the construction workers to follow during the construction process. We engage qualified supervision companies to oversee the construction process. Under PRC law, the owner or manager of properties under construction bears civil liability for personal injuries arising out of construction work unless the owner or manager can prove that it is not at fault. Since we have taken the above steps to prevent construction accidents and personal injuries, we believe that we will generally be able to demonstrate that we were not at fault as the property owner if a personal injury claim is brought against us.

We believe the terms of our insurance policies are in line with industry practice in the PRC. However, our insurance coverage may not be sufficient for losses and damages that may arise in our business operations. See “Risk factors—Risks relating to our business—We do not have insurance to cover potential losses and claims in our operations” and “Regulation.”

## Employees

As of June 30, 2016, we had approximately 79,967 full-time employees, respectively. The following table provides a breakdown of our employees by responsibilities as of June 30, 2016:

Property development (headquarters) <sup>(1)</sup> .....	1,908
Property development (regional) <sup>(2)</sup> .....	11,393
Marketing and sales .....	15,118
Property management .....	31,258
Hotel .....	7,521
Construction, fitting and decoration management .....	4,235
Others .....	<u>8,534</u>
	79,967

### Notes:

(1) Includes employees from cost management, procurement, strategy management, legal and compliance, finance management, engineering management, investment management, human resources management, operations, customer services, inspection and logistic personnel departments.

(2) Includes employees from our property development subsidiaries in different regions in China, in Malaysia and in Australia where our operations are located.

The remuneration package of our employees includes salary, bonus and other cash subsidies. In general, we determine employee salaries based on each employee's qualification, position and seniority. We have designed an annual review system to assess the performance of our employees, which forms the basis of our determination on salary raise, bonus and promotion. We are subject to social insurance contribution plans organized by the PRC local governments. In accordance with the relevant national and local labor and social welfare laws and regulations, we are required to pay, on behalf of our employees, a monthly social insurance premium covering pension insurance, medical insurance, unemployment insurance, maternity insurance and housing reserve fund. We believe the salaries and benefits that our employees receive are competitive in comparison with market rates.

Our employees do not negotiate their terms of employment through any labor union or by way of collective bargaining agreements. We believe our relationship with our employees is good. We have not experienced significant labor disputes which adversely affected or are likely to have an adverse effect on the operations of our business had occurred.

## Environmental matters

We are subject to a variety of laws and regulations concerning environmental protection. See "Risk factors—Risks relating to our business—Potential liability for environmental problems could result in substantial costs." As of the date of this offering memorandum, we are not in material breach of any applicable environmental laws and regulations which has led to penalties imposed by the environmental authorities and there are no existing material legal proceedings, arbitrations or administrative penalties against us.

## Legal proceedings

From time to time, we have been involved in legal proceedings or other disputes in the ordinary course of our business which are primarily disputes with our customers, contractors and employees, and we have not incurred significant legal costs and expenses in connection with

these legal proceedings. We are not aware of any material legal proceedings, claims or disputes currently existing or pending against us that may have a material adverse impact on our business or our results of operations. See “Risk factors—Risks relating to our business—We may be involved in legal, administrative and other disputes arising out of our operations or subject to fines and sanctions in relation to our non-compliance with certain PRC laws and regulations from time to time and may face significant liabilities or damage our reputation as a result.”

# Regulation

## Legal supervision relating to property sector in the PRC

### A. Establishment of a property development enterprise

Pursuant to the “Law of the People’s Republic of China on Administration of Urban Real Estate” (the “Urban Real Estate Law”) (中華人民共和國城市房地產管理法) enacted by the Standing Committee of the National People’s Congress on July 5, 1994, effective in January 1995 and as amended on August 2007 and in August 2009, a property developer is defined as “an enterprise which engages in the development and sale of property for the purposes of making profits.” Under the “Regulations on Administration of Development of Urban Real Estate” (the “Development Regulations”) (城市房地產開發經營管理條例) which was promulgated by the State Council and became effective on July 20, 1998, a property development enterprise must satisfy the following requirements: (1) having a registered capital of not less than RMB1 million and (2) having four or more full-time professional property/construction technicians and two or more full-time accounting officers with the relevant qualifications. The Development Regulations also stipulate that people’s governments of the provinces, autonomous regions or municipalities directly under the central government may impose more stringent requirements regarding the registered capital and qualifications of professional personnel of a property development enterprise according to the local circumstances.

Pursuant to the Development Regulations, applications for registration of a property development enterprise have to be submitted to the department of administration of industry and commerce. The applicant must file a record with the property development authority in the location of the registration authority within 30 days of the receipt of its business license.

In May 2009, the State Council issued a “Notice on Adjusting the Percentage of Capital Fund for Investment Projects in Fixed Assets” (關於調整固定資產投資項目資本金比例的通知). The minimum internal capital ratio is 20% for ordinary commodity housing projects and affordable housing projects and 30% for other property projects.

In September 2015, the State Council issued a “Notice to Adjust and Promote the System of Capital Fund for Investment Projects in Fixed Assets” (關於調整和完善固定資產投資項目資本金制度的通知), under which the minimum capital ratio remains 20% for affordable housing projects and ordinary commodity residential projects, and is decreased to 25% for other property projects.

### B. Foreign-invested real estate enterprises

Foreign-invested real estate enterprises can be established in the form of sino-foreign equity joint venture, sino-foreign co-operative joint venture or wholly owned foreign enterprise according to the laws and administrative regulations relating to foreign-invested enterprises.

Under the Catalog of Guidance on Industries for Foreign Investment (2015 version) (the “Guidance Catalog”) (外商投資產業指導目錄) (2015年修訂) which was jointly promulgated by MOFCOM and NDRC on March 10, 2015 and became effective on April 10, 2015, the construction of golf course and villas falls within the category of industries in which foreign investment is prohibited, construction and operation of large theme parks falls within the restricted category, and other real estate development falls within the category of industries in which foreign investment is permitted.

On July 11, 2006, the Ministry of Construction, MOFCOM, NDRC, PBOC, SAIC and SAFE jointly enacted the "Circular on Standardizing the Admittance and Administration of Foreign Capital in the Real Estate Market", or "Circular No. 171" (關於規範房地產市場外資准入和管理的意見). According to this circular, foreign investment in property markets must comply with the following requirements:

(a) Foreign institutions or individuals purchasing property in China not for their own residential use shall follow the principle of commercial existence and apply for establishment of foreign-invested enterprises under the regulations of foreign investment in property. Foreign institutions and individuals can only carry on their business, pursuant to the approved business scope, after obtaining the approvals from relevant authorities and upon completion of the relevant registrations.

(b) If the total investment of a foreign-invested real estate development enterprise exceeds or equals US\$10 million, the registered capital must not be less than 50% of the total investment. If the total investment is less than US\$10 million, the amount of the registered capital shall follow the existing regulations.

(c) The commerce authorities and the department of administration of industry and commerce are in charge of granting approval for establishment and effecting registration of foreign-invested real estate enterprises and issuing approval certificates for foreign-invested enterprises and business licenses which are only effective for one year. After paying for the land use rights, the enterprises should apply for the land use rights certificate by presenting the above-mentioned approval certificates and business licenses. With the land use rights certificate, the enterprises will receive an official approval certificate for a foreign-invested enterprise from the commerce authorities, and shall replace the business license with one that has the same operational term as the formal approval certificate for foreign-invested enterprise in the department of administration of industry and commerce, and then apply for tax registration with the tax authorities.

(d) Transfers of projects of or shares in foreign-invested real estate enterprises, and the acquisitions of domestic real estate enterprises by foreign investors should strictly follow the relevant laws, regulations and policies to obtain approvals. Foreign investors should submit: (i) the guarantee letters for the performance of the State-Owned Land Use Rights Grant Contracts, Construction Land Planning Permit and Construction Work Planning Permit; (ii) Certificate of Land Use Rights; (iii) the certification on alteration of archival files issued by construction authorities; and (iv) the certification on the payment of tax issued by the relevant tax authorities.

(e) When acquiring domestic real estate enterprises by way of share transfer or otherwise, or purchasing shares from Chinese parties in sino-foreign equity joint ventures, foreign investors should make proper arrangements for the employees, settle the bank loans and pay the consideration in one single payment with its internal fund. Foreign investors with unsound financial track records shall not be allowed to conduct any of the aforementioned activities.

On May 23, 2007, MOFCOM and SAFE jointly issued the “Notice on Further Strengthening and Regulating the Approval and Supervision on Foreign Investment in Real Estate Sector in the PRC,” (關於進一步加強、規範外商直接投資房地產業審批和監管的通知) which stipulates the following requirements for the approval and supervision of foreign investment in the property sector:

- foreign investment in the PRC property sector relating to luxury properties should be strictly controlled;
- before obtaining approval for the establishment of property entities with foreign investment, (i) both the land use rights certificates and housing ownership rights certificates should have been obtained or, (ii) contracts for obtaining land use rights or housing ownership rights should be entered into;
- entities which have been set up with foreign investment, need to obtain approval before they expand their business operations into property development, and entities which have been set up for property development operations need to obtain new approval in order to expand their property business operations;
- acquisitions of property entities and foreign investment in the property sector by way of “round-trip” investment (返程投資) should be strictly regulated. Foreign-investors should not avoid approval procedures by changing actual controlling persons;
- parties to property entities with foreign investment, should not in any way guarantee a fixed investment return;
- registration shall be immediately effected according to applicable laws with MOFCOM regarding the setup of property entities with foreign-investment, approved by local PRC governmental authorities;
- foreign exchange administration authorities and banks authorized to conduct foreign exchange business should not effectuate foreign exchange settlements regarding capital account items to those who fail to file with MOFCOM or fail to pass the annual reviews; and
- for those property entities which are wrongfully approved by local authorities for their setups, (i) MOFCOM should carry out investigations and order punishment and corrections, and (ii) foreign exchange administrative authorities should not carry out foreign exchange registrations for them.

On July 10, 2007, the General Affairs Department of SAFE issued the “Notice Regarding the Publication of the List of the First Batch of Property Development Projects with Foreign Investment That Have Properly Registered with MOFCOM” (關於下發第一批通過商務部備案的外商投資房地產專案名單的通知) (“Notice No. 130”). This regulation restricts the ability of foreign-invested property companies to raise funds offshore for the purposes of injecting such funds into the companies either through a capital increase or by way of shareholder loans. Notice No. 130 was repealed in May 2013, but its restrictions have been stipulated by several other regulations as follows:

- SAFE will no longer process foreign debt registrations or applications for purchase of foreign exchange, submitted by real estate enterprises with foreign investment that obtained authorization certificates from and registered with MOFCOM on or after June 1, 2007; and

- SAFE will no longer process foreign exchange registrations (or change of such registrations) or applications for sale and purchase of foreign exchange submitted by real estate enterprises with foreign investment that obtained approval certificates from local government commerce departments on or after June 1, 2007 but that have not registered with MOFCOM.

In June 2008, to strengthen regulation of real estate enterprises with foreign investment, MOFCOM issued the “Notice Regarding Completing the Registration of Foreign Investment in the Real Estate Sector” (關於做好外商投資房地產業備案工作的通知) (“Notice No. 23”). According to Notice No. 23, when a foreign-invested real estate enterprise is established or increases its registered capital, the provincial level MOFCOM is required to verify all records regarding such foreign-invested real estate enterprise. Notice No. 23 also requires that each foreign-invested real estate enterprise undertake only one approved property project.

Under the “Measures for the Administration of the Approval and Record Filing of Foreign Investment Projects” (外商投資項目核准和備案管理辦法) promulgated by NDRC on May 17, 2014 and enforced on June 17, 2014, and revised and enforced on December 27, 2014, NDRC is responsible for the approval of encouraged projects with a total investment (including capital increase) of US\$1,000 million and above, which are projects required to be controlled by a Chinese shareholder under the Guidance Catalog, and restricted projects (excluding real estate projects) with a total investment (including capital increase) of US\$100 million and above. Projects with a total investment (including capital increase) of US\$2,000 million and above shall be filed with the State Council. Provincial governments are responsible for the approval of real estate projects within the restricted category under the Guidance Catalog and other restricted projects with a total investment (including capital increase) of not more than US\$100 million. Local government is responsible for the approval of encouraged projects with a total investment (including capital increase) of not more than US\$1,000 million, which is required to be controlled (including relatively controlled) by a Chinese shareholder under the Guidance Catalog.

On March 30, 2015, SAFE issued the “Notice on the Reform of the Administration of Foreign Exchange Registered Capital Settlement for Foreign-Invested Enterprises” (國家外匯管理局關於改革外商投資企業外匯資金結匯管理方式的通知) effective from June 1, 2015, under which a reform on the administration of foreign exchange capital settlement for foreign-invested enterprises is carried out in China and foreign-invested enterprises may make equity investments within China by utilizing the RMB funds converted from their foreign exchange registered capital. Besides the remittance of equity transfer payments in the original foreign currency, foreign-invested enterprises mainly engaged in investment activities (including foreign investment companies, foreign-invested venture capital enterprises and foreign-invested equity investment enterprises) are permitted to directly convert foreign capital funds into RMB funds or transfer the RMB funds converted from the foreign capital account to the bank account of the investee enterprise based on the actual investment scale on the premise that the domestic investment projects are authentic and in compliance. Equity investments within China remitted through equity transfer payments in the original foreign currency by general foreign-invested enterprises other than the above enterprises shall be governed by the current domestic reinvestment laws and regulations. If such foreign-invested enterprises make equity investments in China by using converted RMB funds, the investee enterprise shall first register this domestic reinvestment activity with the administration of the foreign exchange (bank) of its place of incorporation and open a corresponding RMB account for depositing the converted RMB funds. The foreign-invested enterprises shall then transfer the converted RMB funds into the RMB



account of the investee enterprise based on the actual investment scale. If the investee enterprise continues to make equity investments in China, the above principles shall apply. On June 9, 2016, SAFE issued the “Notice to Reform and Regulate the Administration Policies of Foreign Exchange Capital Settlement” (關於改革和規範資本項目結匯管理政策的通知) to further reform foreign exchange capital settlement nationwide.

On April 6, 2010, the State Council issued the “Opinions on Further Enhancing the Utilization of Foreign Investment” (關於進一步做好利用外資工作的若干意見), which provides that, except for the projects required to be approved by relevant departments of the State Council pursuant to the “Catalog of Investment Projects Subject to Government Approvals” (政府核准的投資項目目錄), a project within the encouraged or permitted industry categories under the Guidance Catalog may be approved by local government authorities, provided that the total investment (including additional invested capital) for such project is no more than US\$300 million.

On May 4, 2010, NDRC issued the “Circular on Doing a Good Job in Delegating the Power to Verify Foreign-invested Projects” (關於做好外商投資項目下放核准權限工作的通知), specifying that the power to verify foreign invested projects shall be delegated and project verification procedures shall be simplified. The circular provides that, except for the projects that are required to be verified by relevant departments of the State Council in accordance with the Catalog of Investment Projects Subject to Government Approvals, the foreign invested projects which are within the encouraged or permitted industry categories under the Guideline Catalog shall be verified by NDRC at the provincial level, provided that such projects have a total investment (including additional invested capital) of no more than US\$300 million. In addition, the circular specifies that, after the power to verify is delegated, project application and verification documents and verification conditions and procedures shall still be determined in accordance with the Tentative Administrative Measures for Verification of Foreign-invested Projects. According to the circular, the power to verify the projects within the restricted category under the Guideline Catalog is not delegated for the time being.

On June 10, 2010, MOFCOM released the “Circular on Issues Concerning Delegating the Examination and Approval Authority for the Foreign Investment” (商務部關於下放外商投資審批權限有關問題的通知). Under the circular, local authorities are granted the power to examine, approve and administrate the establishment and replacement of (i) foreign-invested enterprises which are within the encouraged and permitted categories under the Guidance Catalog and have a total investment of no more than US\$300 million, and (ii) foreign-invested enterprises which are within the restricted category under the Guidance Catalog and have a total investment of no more than US\$50 million.

On September 3, 2016, the National People’s Congress Standing Committee (NPCSC) adopted a decision on amending the law of foreign invested companies which became effective from October 1, 2016. Upon the effectiveness of the decision, the establishment of the foreign invested enterprise and its subsequent changes will be required to be filed with the relevant authorities instead of obtaining approvals from relevant commerce authorities as required by the existing PRC laws, except for the foreign invested enterprises which are subject to the special administrative measures regarding foreign investment entry. On September 30, 2016, the State Administration for Industry & Commerce issued a circular on relevant issues of the registration of foreign invested enterprises to implement the decision of NPCSC. On October 8, 2016, NDRC and MOFCOM jointly issued a notice according to which the industries falling within the categories in which foreign investment is prohibited or restricted and those falling within the encouraged category subject to

relevant requirements of equity or senior management under the Guidance Catalog, will be subject to the special administrative measures for foreign investment entry. On the same day, MOFCOM promulgated the “Provisional Measures for Filing Administration of Establishment and Changes of Foreign-invested Enterprises” (外商投資企業設立及變更備案管理暫行辦法).

In November 2010, MOFCOM promulgated the “Notice on Strengthening Administration of the Approval and Registration of Foreign Investment into Real Estate Industry” (關於加強外商投資房地產業審批備案管理的通知), which reiterated a number of these limitations on foreign-invested real estate enterprises. On June 24, 2014, the MOFCOM and the SAFE jointly issued the Notice on Improving the Registration of Foreign Investment in Real Estate (關於改進外商投資房地產備案工作的通知), effective from August 1, 2014, to simplify the procedures of registration of foreign investment in real estate. On November 11, 2015, MOFCOM and SAFE jointly issued the “Circular on Further Improving the Record-filing for Foreign Investment in Real Estate” (關於進一步改進外商投資房地產備案工作的通知). According to this circular, the record-filing procedure has been cancelled.

### **C. Qualifications of a property developer**

#### ***(a) Classifications and assessment of a real estate development enterprise’s qualification***

Under the “Provisions on Administration of Qualifications of Real Estate Developers” (the “Provisions on Administration of Qualifications”) (房地產開發企業資質管理規定) promulgated by the Ministry of Construction in March 2000, a property developer is required to apply for registration of its qualifications according to the Provisions on Administration of Qualifications. An enterprise cannot engage in the development and sale of property without a qualification classification certificate for property development.

In accordance with the Provisions on Administration of Qualifications, property developers are classified into four classes. Developers with class 1 qualification are subject to preliminary examination and approval by the construction authority under the government of the relevant province, autonomous region or municipality directly under the central government and then final approval by the construction authority under the State Council. Procedures for approval of developers with class 2 or lower qualification shall be formulated by the construction authority under the government of the relevant province, autonomous region or municipality directly under the central government. A developer that passes the qualification examination will be issued a qualification certificate of the relevant class by the qualification examination authority. After a newly established property developer reports its establishment to the property development authority, the latter shall issue a provisional qualification certificate to the eligible developer within 30 days of receipt of the report. The provisional qualification certificate shall be effective for one year from the date of its issuance. The property development authority can extend the validity period for not more than two years after considering the actual business condition of the enterprise. Property developers are required to apply for a qualification classification by the property development authority within one month before the expiry of the provisional qualification certificate.

#### ***(b) The business scope of a property developer***

Under the Provisions on Administration of Qualifications, a developer of any qualification classification may only engage in the development and sale of property within its approved scope of business and may not engage in business which is limited to another classification. A class 1

property developer is not restricted as to the scale of a property project to be developed and may undertake a property development project anywhere in the country. A class 2 property developer or lower may undertake a project with a GFA of less than 250,000 sq.m. and its specific scope of business shall be as approved by the construction authority under the government of the relevant province, autonomous region or municipality.

***(c) The annual inspection of a property developer's qualification***

Pursuant to the Provisions on Administration of Qualifications, the qualification of a property developer is required to be inspected annually. The construction authority under the State Council or its authorized institution is responsible for the annual inspection of a class 1 property developer's qualification. Procedures for annual inspection of developers of a class 2 or lower qualification shall be formulated by the construction authority under the people's government of the relevant province, autonomous region or municipality.

**D. Development of a property project**

***(a) Land for property development***

Under the "Interim Regulations of the People's Republic of China on Assignment and Transfer of the Right to Use State-Owned Land in Urban Areas" (the "Interim Regulations on Assignment and Transfer") (中華人民共和國城鎮國有土地使用權出讓和轉讓暫行條例) promulgated and enforced by the State Council on May 19, 1990, a system of grant and transfer of the right to use state-owned land is adopted. A land user is required to pay a premium to the state as consideration for the grant of the land use rights within a certain term, and the land user can transfer, lease, mortgage or otherwise commercially use the land use rights within the term of use. Under the Interim Regulations on Assignment and Transfer and the Urban Real Estate law, the land administration authority under the local government of the relevant city or county is required to enter into a land grant contract with the land user for the grant of the land use rights. The land user is required to pay the land premium as provided for by the land grant contract. After payment in full of the land premium, the land user is required to register with the land administration authority and obtain a land use rights certificate evidencing the acquisition of land use rights. The Development Regulations provide that land use rights for a site intended for property development shall be obtained through government grant except for land use rights which may be obtained through allocation pursuant to the PRC laws or the stipulations of the State Council.

Under the "Regulations on the Assignment of State-Owned Land Use Rights through Competitive Bidding, Auction and Listing-for-Sale" (Regulation No. 11) (招標拍賣掛牌出讓國有土地使用權規定, 11號令) which were promulgated by the Ministry of Land and Resources on May 9, 2002 and became effective on July 1, 2002, land for commercial use, tourism, entertainment and commodity housing development is assigned by way of competitive bidding, public auction or listing-for-sale. The regulations were amended on September 28, 2007, and were renamed "Regulations on the Assignment of the Rights to Use State-Owned Land for Construction through Competitive Bidding, Auction and Listing-for-Sale" (Regulation No. 39) (招標拍賣掛牌出讓國有建設用地使用權規定, 39號令). The general procedures for assignment of state-owned land use rights are as follows:

- (a) The land authority under the people's government of the city and county (the "assignor") shall make an announcement at least 20 days prior to the date of the proposed competitive bidding, public auction or listing-for-sale. The announcement

should include basic particulars such as land parcel, the qualification requirements of the bidder and auction applicants, methods and criteria on confirming the winning tender or winning bidder, and other conditions such as the deposit for the bid.

(b) The assignor shall conduct a qualification verification of the bidding applicants and auction applicants, inform the applicants who satisfy the requirements set out in the announcement and invite them to attend the competitive bidding, public auction or listing-for-sale.

(c) After determining the winning tender or the winning bidder by either competitive bidding, public auction or listing-for-sale, the assignor and the winning tender or winning bidder are then required to enter into a confirmation. The assignor should return the bidding or tender deposits to other bidding or auction applicants.

(d) The assignor and the winning tender or winning bidder are required to enter into a contract for the grant of state-owned land use rights according to the time and venue set out in the confirmation. The deposit of the bid paid by the winning tender or winning bidder will be used to set off part of the land premium for the grant of the state-owned land use rights.

(e) The winning tender or winning bidder is required to apply for the land registration after paying off the land grant premium in accordance with the state-owned land use rights grant contract. The people's government above the city and county level should issue the "Land Use Permit for State-Owned Land."

According to the "Notice of the Ministry of Land and Resources on Strengthening the Administration of Land Supply and Promoting the Sustainable Sound Development of Real Estate Market" (關於加強土地供應管理促進房地產市場持續健康發展的通知) enacted by the Ministry of Land and Resources on September 4, 2003, land use for luxurious commodity houses shall be stringently controlled and applications for land use for building villas will not be accepted. On May 30, 2006, the Ministry of Land and Resources issued the "Urgent Notice of Further Strengthening the Administration of the Land" (the "Urgent Notice") (關於當前進一步從嚴土地管理的緊急通知) stipulating that land for property development must be assigned by way of competitive bidding, public auction or listing-for-sale, development projects for villas are not be permitted, and all supply of land for such purposes and the handling of related land use procedure will be ceased from issuance date of the notice.

Under the Urgent Notice, the land authority should rigidly execute the "Model Text of the State-owned Land Use Rights Assignment Contract" (國有土地使用權出讓合同示範文本) and "Model Text of the State-Owned Land Use Rights Assignment Supplementary Agreement (for Trial Implementation)" (國有土地使用權出讓合同補充協議示範文本(試行)) jointly promulgated by the Ministry of Land and Resources and SAIC. The document of the land grant should ascertain the requirement of planning, construction and land use such as the restriction of the dwelling size, plot ratio and the time limit of starting and completion. All these should be agreed in the land use rights grant contract. On April 29, 2008, the Ministry of Land and Resources and SAIC promulgated the revised "Model Text of the Rights to Use State-Owned Land for Construction Assignment Contract" (國有建設用地使用權出讓合同示範文本).

Under the "Regulations on the Assignment of the Rights to Use State-Owned Land for Construction through Competitive Bidding, Auction and Listing-for-Sale" (招標拍賣掛牌出讓國有建設用地使用權規定) which were promulgated by the Ministry of Land and

Resource on September 28, 2007, and became effective on November 1, 2007, land for industrial use (including land for warehouses but not land for mining), commercial use, tourism, entertainment and commodity housing development or more than two competing users on one piece of land is required to be assigned by way of competitive bidding, public auction or listing-for-sale. The assignee should obtain the land use rights certificate after paying off the total premium. The relevant land use rights certificates will not be issued prior to full payment of the appropriate land premium, and no land use rights certificates will be issued pro rata based on partial payment received.

In November 2009, the Ministry of Finance, the Ministry of Land and Resources, PBOC, the PRC Ministry of Supervision and the PRC National Audit Office jointly promulgated the Notice on Further Enhancing the Revenue and Expenditure Control over Land Grant (關於進一步加強土地出讓收支管理的通知). The notice raises the minimum down payment to 50% of the total land premium and requires the land premium to be fully paid within one year of signing a land grant contract, subject to limited exceptions.

On March 8, 2010, the Ministry of Land and Resources promulgated the Circular on Strengthening Real Estate Land Supply and Supervision (the "Circular") (關於加強房地產用地供應和監管有關問題的通知). Under the Circular, price for a given land transfer is required to be at least 70% of the benchmark price for land in the surrounding locality and the bidding deposit for such land transfer is required to be equal to at least 20% of the applicable minimum land premium. The Circular has made further strict provisions on land grant contract administration. The land grant contract shall be entered into within 10 working days after the land grant deal is closed, the down payment of 50% of the land premium (taking into account any deposits previously paid) shall be paid within one month as of the date of land grant contract, and the remaining shall be paid in accordance with provisions of the land grant contract within one year.

In September 2010, the Ministry of Land and Resources and MOHURD jointly promulgated the Notice on Further Strengthening Control and Regulation of Land and Construction of Property Development (關於進一步加強房地產用地和建設管理調控的通知), which stipulates, among other things, that: (i) at least 70% of land designated for construction of urban housing must be used for affordable housing, housing for resettlement of shanty towns and small to medium-sized ordinary commercial housing; in areas with high housing prices, the supply of land designated for small to medium-sized, price-capped housing must be increased; (ii) developers and their controlling shareholders are prohibited from participating in land auctions before the rectification of certain misconduct, including (1) illegal transfer of land use rights; (2) failure to commence required construction within one year from the delivery of land under land grant contracts due to such developers' own reasons; (3) noncompliance with the land development requirements specified in land grant contracts; and (4) crimes such as swindling land by forging official documents and illegal land speculation; (iii) developers are required to commence construction within one year from the date of delivery of land under the relevant land grant contract and complete construction within three years of commencement; (iv) development and construction of projects of low-density and large-sized housing must be strictly limited and the plot ratio of the planned GFA to the total site area of residential projects must be more than 1:1; and (v) the grant of two or more bundled parcels of lands and undeveloped land is prohibited.

In December 2010, the Ministry of Land and Resources promulgated the Notice on Strict Implementation of Policies Regarding Regulation and Control of Real Property Land and Promotion of the Healthy Development of Land Markets (關於嚴格落實房地產用地調控政策促進

土地市場健康發展有關問題的通知), which provides, among other things, that; (i) cities and counties that have less than 70% of their land supply designated for affordable housing, housing for redevelopment of shanty towns or small/medium residential units must not provide land for large-sized and high-end housing before the end of this year; (ii) land and resource authorities in local cities and counties will report to Ministry of Land and Resources and provincial land and resource authorities, respectively regarding land with a premium rate of more than 50%; (iii) land designated for affordable housing which is used for property development against relevant policies or involved illegal income will be confiscated and the relevant land use rights will be withdrawn. Moreover, changing the plot ratio without approval is strictly prohibited.

On January 26, 2011, the State Council circulated “Notice on Further Regulating the Real Estate Market” (國務院辦公廳關於進一步做好房地產市場調控工作有關問題的通知), which provides for more stringent management of housing land supply, among other things, that participants or individuals bidding on any land unit shall show proof of funding sources.

According to the “Notice on Implementation Measures on Urban Housing Land Management and Regulation in 2011” (關於切實做好2011年城市住房用地管理和調控重點工作的通知) promulgated by the Ministry of Land and Resources in February 2011, construction for 10 million units of affordable housing units shall be implemented in 2011. It also requires that the target total supply of urban housing land shall not be lower than the annual average supply for the preceding two years.

According to the “Notice on Implementation Measures on Urban Housing Land Management and Regulation in 2012” (關於做好2012年房地產用地管理和調控重點工作的通知) promulgated by the Ministry of Land and Resources in February 2012, the target total supply of urban housing land shall not be lower than the annual average supply for the preceding five years.

According to the Circular on the Distribution of the Catalog for Restricted Land Use Projects (2012 Edition) and the Catalog for Prohibited Land Use Projects (2012 Edition) (關於印發(限制用地項目目錄)(2012年本)和(禁制用地項目目錄)(2012年本)的通知) promulgated by the Ministry of Land and Resources in May 2012, the transferred area of the residential housing projects should not exceed (i) seven hectares for small cities and towns, (ii) 14 hectares for medium-sized cities, and (iii) 20 hectares for large cities, and plot ratio must be more than 1.0.

On February 26, 2013, the General Office of the State Council issued the “Notice on Continuing to improve the Regulation and Control of Real Estate Market” (國務院辦公廳關於繼續做好房地產市場調控工作的通知), which requires, among other things, expanding ordinary commodity housing units and increasing the supply of land. The overall housing land supply in 2013 shall not be lower than the average actual land supply for the preceding five years.

## **(b) Property project development**

### *i. Commencement of a property project and the idle land*

Under the Urban Real Estate Law, those which have obtained the land use rights through an assignment must develop the land in accordance with the terms of use and within the period of commencement prescribed in the land use rights assignment contract. On June 1, 2012, the Ministry of Land and Resources revised and promulgated the “Measure for the Disposal of Idle Land” (閑置土地處置辦法), which further clarified the scope and definition of idle land, as well as the corresponding punishment measures compared to the old version. Pursuant to the new

Measure for the Disposal of Idle Land, under the following circumstances, a parcel of land shall be defined as “idle land”:

- any state-owned land for construction use, of which the holder of the land use right fails to start the construction and development thereof within one year after the commencement date of the construction and development work as agreed upon and prescribed in the contract for fee-based use of state-owned land for construction use, or the decision on allocation of state-owned land for construction use; and
- any state-owned land for construction use, of which the construction and development have been started but the area of land that is under construction and development is less than one third of the total area of land that should have been under construction and development or the amount invested is less than 25% of the total investment, and the construction and development of which has been suspended for more than one year.

If a parcel of land is deemed as idle land by a competent department of land and resources, unless otherwise prescribed by the new Measure for the Disposal of Idle Land, the land shall be disposed of in the following ways:

- where the land has remained idle for more than one year, the competent department of land and resources at the municipal or county level shall, with the approval of the people’s government at the same level, issue a Decision on Collecting Charges for Idle Land to the holder of the land use right and collect the charges for idle land at the rate of 20% of the land assignment or allocation fee; and the said charges for idle land shall not be included in the production cost by the holder of the land use right; and
- where the land has remained idle for more than two years, the competent department of land and resources at the municipal or county level shall, with the approval of the people’s government at the same level, issue a Decision on Taking Back the Right to Use the state-owned Land for Construction Use to the holder of the land use right.

On January 3, 2008, the State Council reiterated the abovementioned policies in the “Notice on Enhancing the Economical and Intensive Use of Land.” (關於促進節約集約用地的通知) This notice states, among other things, that (i) policies in relation to the forfeiture of land use rights without compensation for land which has remained idle for more than two years shall be strictly implemented; (ii) if any land remains idle for one year, an idle land fee of 20% of the relevant land premium shall be levied; (iii) the prohibition of land supply for villa projects shall continue; (iv) the Ministry of Land and Resources and other authorities are required to research and commence the drafting of implementation rules concerning the levy of LAT on idle land; (v) in relation to the supply of residential land, planning conditions such as plot ratio limits and the number and type of units that can be constructed shall be taken into account in land grant contracts and allocation decisions to ensure that at least 70% of the total land grant for residential development will consist of low rental housing, economy housing, limited pricing housing and units of less than 90 sq.m. in size; and (vi) financial institutions are required to exercise caution when approving financing for any property developer who, after one year from the commencement date stipulated in the land grant contract, fails to complete at least one-third of the development of their project or provide at least 25% of the total investment in the project. On September 12, 2014, the Ministry of Land and Resources issued the Guidelines on Improving Economical and Intensive Use of Land (關於推進土地節約集約利用的指導意見), which requires relevant governmental authorities to reinforce the implementation of the rules

regarding idle land and to specify the control requirements of land use standards in relevant legal documents, including land use approvals and land grant contracts.

## *ii. Planning of a property project*

According to the “Urban and Rural Planning Law of the People’s Republic of China (replacing the previous “City Planning Law of the People’s Republic of China” (中華人民共和國城市規劃法) since January 2008) (中華人民共和國城鄉規劃法), the “Administrative Measures on Planning of Grant and Transfer of Urban State-Owned Land Use Rights” (城市國有土地使用權出讓轉讓規劃管理辦法) which were promulgated by the Ministry of Construction on December 4, 1992 and became effective on January 1, 1993 and the “Notice of the Ministry of Construction on Strengthening the Planning Administration of Grant of State-Owned Land Use Rights” (關於加強國有土地使用權出讓規劃管理工作的通知) which was promulgated by the Ministry of Construction and became effective on December 26, 2002, after signing an assignment contract, a property developer shall apply for an Opinion on Construction Project’s Site Selection and a Permit for Construction Site Planning from the city and county planning authority with the assignment contract. After obtaining a Permit for Construction Site Planning, a property developer shall organize the necessary planning and the design work with regard to planning and design requirements, and apply for a Permit for Construction Work Planning from city planning authority with the relevant approval documents.

On January 21, 2011, the “Regulations on the Expropriation of Buildings on State-Owned Land and Compensation” (國有土地上房屋徵收與補償條例) was promulgated by the State Council, a summary of the important provisions is set forth below:

- Where a building of any entity or individual on state-owned land is expropriated for public interest, the owner of the expropriated building shall be fairly compensated;
- The people’s government at the city or county level shall publish in a timely manner the public opinions solicited and the amendments made according to the public opinions;
- Before making a decision on building expropriation, the people’s government at the city or county level shall make a social stability risk assessment according to the relevant provisions;
- The compensation granted to an owner by the people’s government at the city or county level which makes the building expropriation decision shall include:
  - (1) compensation for the value of the building expropriated;
  - (2) compensation for the relocation or temporary settlement resulting from the building expropriation; and
  - (3) compensation for the production or business interruption losses resulting from the building expropriation;
- The compensation for the value of the building expropriated shall not be less than the market price of real estate similar to the building expropriated on the date of announcement of the building expropriation decision;
- An owner may choose either monetary compensation or exchange of titles; and



- Compensation shall be made before relocation, and demolition and relocation with violence is prohibited.

### *iii. Construction of a property project*

After obtaining the Permit for Construction Work Planning and prior to construction, a property developer is required to apply for a Construction Permit from the construction authority above the county level according to the “Measure for the Administration of Construction Permits for Construction Projects” (建築工程施工許可管理辦法) enacted by the Ministry of Housing and Urban-Rural Development on June 25, 2014 and effective from October 25, 2014.

### *iv. Completion of a property project*

According to the Development Regulation, the “Regulation on the Quality Management of Construction Projects” (建設工程質量管理條例) enacted and enforced by the State Council on January 30, 2000, the “Administrative Measures for Reporting Details Regarding Acceptance Examination Upon Completion of Buildings and Municipal Infrastructure” (房屋建築和市政基礎設施工程竣工驗收備案管理辦法) enacted by the Ministry of Construction in April 2000 and amended on October 19, 2009 and the “Provisions on Acceptance Examination Upon Completion of Buildings and Municipal Infrastructure” (房屋建築和市政基礎設施工程竣工驗收規定) which were promulgated by the Ministry of Housing and Urban-Rural Development in December 2013, after completion of work for a project, a property developer is required to apply for the acceptance examination to the property development authority under the people’s government on or above the county level and report details of the acceptance examination, upon which the “Record of acceptance examination upon project completion” is issued. For a housing estate or other building complex project, an acceptance examination is required to be conducted upon completion of the whole project and where such a project is developed in phases, separate acceptance examination is required to be carried out for each completed phase.

## **E. Property transactions**

### **(a) Transfer of property**

According to the Urban Real Estate Law and the “Provisions on Administration of Transfer of Urban Real Estate” (城市房地產轉讓管理規定) enacted by the Ministry of Construction on August 7, 1995 and revised on August 15, 2001, a property owner may sell, give or otherwise legally transfer a property to another person or legal entity. When transferring a building, the ownership of the building and the land use rights attached to the site on which the building is situated are transferred simultaneously. The parties to a transfer are required to enter into a property transfer contract in writing and register the transfer with the property administration authority having jurisdiction over the location of the property within 90 days of the execution of the transfer contract.

Where the land use rights were originally obtained by assignment, the real property may only be transferred on the condition that: (a) the assignment price has been paid in full for the assignment of the land use rights as provided by the assignment contract and a land use rights certificate has been obtained; and (b) if development is to be carried out according to the assignment contract and is a project in which buildings are being developed, development representing more than 25% of the total investment has been completed.

If the land use rights were originally obtained by assignment, the term of the land use rights after transfer of the property shall be the remaining portion of the original term provided by the land use rights assignment contract after deducting the time that has been used by the former land users. In the event that the transferee intends to change the use of the land provided in the original assignment contract, consent shall first be obtained from the original assignor and the planning administration authority under the local government of the relevant city or county and an agreement to amend the land use rights assignment contract or a new land use rights assignment contract shall be signed in order to, inter alia, adjust the land use rights assignment price accordingly.

If the land use rights were originally obtained by allocation, transfer of the real property shall be subject to the approval of the government vested with the necessary approval power as required under the regulations of the State Council. If the people's government vested with the necessary approval power approves such a transfer, the transferee shall complete the formalities for transfer of the land use rights, unless the relevant statutes require no transfer formalities, and pay the transfer price according to the relevant statutes.

### ***(b) Sale of commodity properties***

Under the "Regulatory Measures on the Sale of Commodity Properties" (商品房銷售管理辦法) which were promulgated by the Ministry of Construction on April 4, 2001 and became effective on June 1, 2001, sale of commodity properties can include both pre-completion and post-completion sales.

#### *i. Permit of Pre-Completion Sale of Commodity Properties*

According to the Development Regulations and the "Measures for Administration of Pre-completion Sale of Commodity Properties" (the "Pre-completion Sale Measures") (城市商品房預售管理辦法) enacted by the Ministry of Construction on November 15, 1994 and revised on August 15, 2001 and July 20, 2004, the pre-completion sale of commodity properties is subject to a permit system, under which a property developer intending to sell a commodity building before its completion is required to make the necessary pre-completion sale registration with the property development authority of the relevant city or county to obtain a permit of pre-completion sale of commodity properties. A commodity building can only be sold before completion provided that: (a) the assignment price has been paid in full for the assignment of the concerned land use rights and a land use rights certificate has been issued; (b) a Permit for Construction Work Planning and a Permit for Construction of Work have been obtained; (c) the funds invested in the development of the commodity properties put to pre-completion sale represent 25% or more of the total investment in the project and the progress of work and the completion and delivery dates have been ascertained; and (d) the pre-completion sale has been registered and a Permit for Pre-completion Sale of Commodity Properties has been obtained.

In addition, according to the "Regulations on Administration of Pre-completion Sale of Commodity Properties of Guangdong Province" (廣東省商品房預售管理條例) enacted by the Standing Committee of Guangdong Provincial People's Congress on August 22, 1998 and revised on October 14, 2000, July 23, 2010 and September 25, 2014, and the "Notice on Adjusting Conditions of Image and Progress for Commodity Building Pre-sale Project in Guangdong Province" (關於調整商品房預售項目工程形象進度條件的通知) issued by the Guangdong Provincial Construction Bureau in January 2001, the following conditions are required to be fulfilled for the

pre-completion sale of commodity properties in Guangdong: (a) the property developer has obtained a real property development qualification certificate and a business license; (b) the construction quality and safety monitoring procedures have been performed; (c) the structural construction and the topping-out must have been completed in respect of properties of not more than seven stories (including seven stories), and at least two-third of the structural construction must have been completed in respect of properties of more than seven stories; (d) a special property pre-completion sale account with a commercial bank in the place where the project is located has been opened; and (e) the properties, pre-completion sale project and its land use rights are free from any third party rights.

*ii. Management of pre-completion sale proceeds of commodity properties*

According to the Pre-completion Sale Measures, the proceeds obtained by a property developer from the advance sale of commercial houses must be used for the construction of the relevant projects. The specific measures for the supervision on proceeds from the advance sale of commodity properties shall be formulated by the property administrative departments.

*iii. Conditions of the sale of post-completion commodity properties*

Under the "Regulatory Measures on the Sale of Commodity Properties," commodity properties can may be put to post-completion sale only when the following preconditions have been satisfied: (a) the real estate development enterprise offering to sell the post-completion properties has a enterprise legal person business license and a qualification certificate of a property developer; (b) the enterprise has obtained a land use rights certificate or other approval documents of land use; (c) the enterprise has the permit for construction project planning and the permit for construction; (d) the commodity properties have been completed and been inspected and accepted as qualified; (e) the relocation of the original residents has been well settled; (f) the supplementary essential facilities for supplying water, electricity, heating, gas, communication, etc. have been made ready for use, and other supplementary essential facilities and public facilities have been made ready for use, or the schedule for construction and delivery date thereof have been specified; and (g) the property management plan has been completed.

Before the post-completion sale of a commodity building, a property developer is required to submit the Real Estate Development Project Manual and other documents showing that the preconditions for post-completion sale have been fulfilled to the property development authority for making a record.

*iv. Regulations on sale of commodity properties*

According to the Development Regulations and the Pre-completion Sale Measures, for the pre-completion sale of a commodity property, the developer is required to sign a contract on the pre-sale of the commodity property with the purchaser. The developer shall, within 30 days upon signing the contract, apply for registration and record the contract for pre-completion sale commodity property to the relevant administrative departments governing the property and land administration department of the city or country governments. The property administrative department is required to take the initiative to apply network information technology to gradually implement the web-based registration of pre-sale contracts.

Pursuant to the "Circular of the General Office of the State Council on Forwarding the Opinion of the Ministry of Construction and Other Department on Doing a Good Job of Stabilizing House

Prices” (國務院辦公廳轉發建設部等部門關於做好穩定住房價格工作意見的通知) on May 9, 2005, there are several regulations concerning commodity properties sales:

- The buyer of a commodity building is prohibited from conducting any transfer of the pre-sale of the commodity building that he has bought but is still under construction. Before completion and delivery of an advance sale commodity building to the advance buyer, and before the advance buyer obtains the individual property ownership certificate, the property administration department shall not handle any transfer of the commodity building. If there is a discrepancy in the name of the applicant for property ownership and the name of the advance buyer in the advance sales contract, the property ownership registration administration shall not record the application of real estate ownership.
- A real name system for house purchase should be applied; and an immediate archival filing network system should be carried out for the pre-sale contracts of commodity properties.

On April 13, 2010, the MOHURD issued the “Notice on Further Enhancing the Supervision of the Real Estate market and Perfecting the Pre-sale System of Commodity Houses” (關於進一步加強房地產市場監管完善商品住房預售制度有關問題的通知). Pursuant to the notice, without the pre-sale approval, the commodity houses are not permitted to be pre-sold and the real estate developer is not allowed to charge the buyer any deposit or pre-payment or payment of the similar nature. In addition, the notice urges local governments to enact regulations on the sale of completed commodity properties in light of the local conditions, and encourages property developers to engage in the practice of selling completed commodity properties.

The “Provisions on Sales of Commodity Properties at Clearly Marked Price” (商品房銷售明碼標價規定) was promulgated by the NDRC on March 16, 2011 and became effective on May 1, 2011. According to the provisions, any real estate developer or real estate agency (“real estate operators”) is required to mark the selling price explicitly and clearly for both newly-build and second-hand commodity properties. The provisions require real estate operators to clearly indicate to the public the prices and relevant fees of commodity properties, as well as other factors affecting the prices of commodity properties. With respect to the real estate development projects that have received property pre-sale license or have completed the filing procedures for the sales of constructed properties, real estate operators shall announce all the commodity properties available for sales at once within the specified time limit. Furthermore, with regard to a property that has been sold, real estate operators are obliged to disclose this information and to disclose the actual transaction price. Real estate operators cannot sell commodity properties beyond the stated price or charge any other fees not explicitly marked. Moreover, real estate operators may neither mislead property purchasers with false or irregular price marking, nor engage in price fraud by using false or misleading price marking methods.

### ***(c) Mortgages of property***

Under the Urban Real Estate Law and the “The Security Law of the People’s Republic of China” (中華人民共和國擔保法) which was promulgated by the Standing Committee of the National People’s Congress on June 30, 1995 and became effective on October 1, 1995, and the “Measures on the Administration of Mortgage of Buildings in Urban Areas” (城市房地產抵押管理辦法) which was promulgated by the Ministry of Construction in May 1997 and revised on August 15, 2001, mortgage refers to the act of a debtor, or a third party, who, without transferring the occupancy

of the properties, charge those properties as security for the creditor's rights. When the debtor fails to pay his debt, the creditor has a right to obtain compensation, in accordance with the stipulations of the aforesaid law and regulation, by converting the properties into money or seek preferential payments from the proceeds from the auction or sale of the concerned properties. The obligation secured by a mortgagor shall not exceed the value of the properties mortgaged. After being mortgaged, the balance of value of the properties that exceeded the creditor's rights can be mortgaged for a second time, but the sum of the mortgage shall not exceed the value of the balance. When a mortgage is created on the ownership of a building on state-owned land legally obtained, a mortgage shall be simultaneously created on the land use rights of the land on which the building is erected. When the land use rights of state-owned lands acquired through means of assignment is mortgaged, the buildings on the land shall also be mortgaged at the same time. The land use rights of town and village enterprises cannot be mortgaged individually. When the buildings of the town and village enterprises are mortgaged, the land use rights occupied by the buildings shall also be mortgaged at the same time. The mortgagor and the mortgagee are required to sign a mortgage contract in writing. Within 30 days after a property mortgage contract has been signed, the parties to the mortgage are required to register the mortgage with the property administration authority at the location where the property is situated. A real estate mortgage contract shall become effective on the date of registration of the mortgage. If a mortgage is created on the real estate in respect of which a property ownership certificate has been obtained legally, the registration authority shall make an entry under the "third party rights" item on the original real estate ownership certificate and then issue a Certificate of Third Party Rights to Real Estate to the mortgagee. If a mortgage is created on the commodity building put to pre-completion sale or under construction, the registration authority shall record the details on the mortgage contract. If construction of a real property is completed during the term of a mortgage, the parties involved shall re-register the mortgage of the real property after the issuance of the certificates evidencing the ownership of the property.

In September 2010, PBOC and the CBRC jointly issued the "Notice on Relevant Issues Regarding the improvement of Differential Mortgage Loan Policies" (關於完善差別化住房信貸政策有關問題的通知), which provides, among other things, that (i) the minimum down payment is raised to 30% for all first home purchases; (ii) commercial banks in China shall suspend mortgage loans to purchasers (including the borrower, spouse and minor children) for their third or further residential property or to non-local residents who cannot provide documentation certifying payment of local tax or social security for longer than a one-year period; and (iii) all property companies with records of being involved in abuse of land, changing the land-use purpose or nature of use of land, postponing the construction commencement or completion date, hoarding or other non-compliance will be restricted from obtaining bank loans for new projects or extension of credit facilities. In addition, certain cities have promulgated measures to restrict the number of residential properties one family is allowed to purchase, such as Guangzhou, Shenzhen, Changzhou, Shanghai, Beijing, Suzhou, Nanjing, Tianjin, Wuhan, Ningbo, Fuzhou, Nanchang, Hangzhou and Dalian.

In November 2010, MOHURD, the Ministry of Finance, CBRC and PBOC jointly promulgated the "Notice on Relevant Issues Concerning Policies of Regulation of Individual Housing Reserve Loan" (關於規範住房公積金個人住房貸款政策有關問題的通知), which provides that, among other things: (i) where a first-time house purchaser (including the borrower, his or her spouse and minor children) uses housing reserve loans to buy an ordinary house for self-use with a unit floor area: (a) equal to or less than 90 square meters, the minimum down payment shall be at least 20%, (b) more than 90 square meters, the minimum down payment shall be at least 30%; (ii) for a second-time house purchaser using housing reserve loans, the minimum down payment shall be

at least 50% with the minimum lending interest rate of 110% of the benchmark rate; (iii) the second housing reserve loan will only be available to families whose per capital housing area is below the average in locality and such loan must only be used to purchase an ordinary house for self-use to improve residence conditions; and (iv) housing reserve loans to families for their third and further residential property will be suspended.

On January 26, 2011, the State Council issued the “Notice on Further Strengthening Regulation and Control of Real Property Markets” (關於進一步做好房地產市場調控工作有關問題的通知), requiring: (i) a minimum down payment of at least 60% of the total purchase price with a minimum mortgage lending interest rate of 110% of the benchmark rate published by PBOC for the purchase of a second residential property; and (ii) in municipalities directly under the central government, cities listed on state plans, provincial capitals, and cities where the housing prices are overly high or increasing at an excessively high rate, purchasers (including their spouses and minor children) that are either local residents or non-local residents that can provide documentation certifying payment of local tax or social security for longer than a specified time period, are not permitted to purchase a second (or further) residential property, and purchasers (including their spouses and minor children) that are non-local residents that are unable to provide documentation certifying payment of local tax or social security for longer than a specified time period, are not permitted to purchase any residential properties. In order to implement the Notice on Further Strengthening Regulation and Control of Real Property Markets, certain cities, including Beijing, Shanghai, Chengdu, Qingdao and Jinan, have promulgated measures to restrict the number of residential properties one family is allowed to purchase.

The people’s governments of certain cities, such as Beijing, Shanghai, Guangzhou, Tianjin, Nanjing, Chengdu, Wuxi, Qingdao, Hangzhou, Xi’an, Changzhou, Shenyang and Dalian, had respectively promulgated local measures for restriction of housing purchases to implement the Notice of the State Council on Issues Related to Further Enhancing the Regulation and Control of the Real Estate Market (國務院辦公廳關於進一步做好房地產市場調控工作有關問題的通知).

On February 26, 2013, the PRC government further adopted more strict policies to restrict properties purchase, including increasing down payment ratios and interest rates for loans to purchasers of second homes in cities where the housing price is growing excessively, and imposing individual income tax at a rate of 20% on the gains generated from the sale of a self-owned property. In the third quarter of 2013, several cities, including Guangzhou, Shanghai and Hangzhou, have increased the minimum down payment for purchasers of second homes to 70% of the purchase price. Since August 2014, most of the local governments have issued their respective measures to lift the restrictions on the purchase of residential properties.

#### ***(d) Lease of buildings***

On December 1, 2010, the Ministry of Housing and Urban-Rural Development issued the “Administrative Measures for Commodity Housing Tenancy” (商品房屋租賃管理辦法), according to which, the parties to a housing tenancy are required to go through the housing tenancy registration formalities with the competent construction (real estate) departments of the municipalities directly under the PRC central government, cities and counties where the housing is located within 30 days after the housing tenancy contract is signed. The relevant construction (real estate) departments are authorized to impose a fine below RMB1,000 on individuals, and a fine between RMB1,000 and RMB10,000 on other violators who are not natural persons who fail

to comply with the regulations within the specified time limit. The above measures came into effect on February 1, 2011. On June 3, 2016, the General Office of the State Council issued the “Opinions on Accelerating the Cultivation and Development of Leasing Market” (國務院辦公廳關於加快培育和發展住房租賃市場的若干意見), which encourages real estate developers to carry out house leasing businesses. The said opinions support real estate developers to utilize built residential properties or newly built residential properties to carry out leasing businesses. The opinions also encourage real estate developers to put up the residential properties for rent and to cooperate with residential property leasing enterprises to develop rental properties.

## **F. Property financing**

PBOC issued the “Circular on Further Strengthening the Management of Loans for Property Business” (關於進一步加強房地產信貸業務管理的通知) on June 5, 2003 to specify the requirements for banks to provide loans for the purposes of property development and individual home mortgage as follows:

- (a) The property loan by commercial banks to real estate enterprises shall be granted only under the title of property development loan and it is strictly forbidden to extend such loans as a current capital loan for property development project or other loan item. No lending of any type shall be granted to enterprises which have not obtained the land use rights certificates, construction land permit, construction planning permit and construction work permit;
- (b) Commercial banks shall not grant loans to property developers to pay off land premium; and
- (c) Commercial banks may only provide mortgage loans to individual buyers when the main structural buildings have been topped out. When a borrower applies for individual home loans for his first residential unit, the down payment remains at 20%. In respect of his loan application for an additional purchase of residential unit(s), the percentage of the first installment shall be increased.

Pursuant to the “Guidance on Risk Management of Property Loans of Commercial Banks” (商業銀行房地產貸款風險管理指引) issued by China Banking Regulatory Commission on September 2, 2004, any property developer applying for property development loans is required to have at least 35% of capital funds required for the development.

According to the “Notice of the People’s Bank of China on the Adjustment of Commercial Bank Housing Loan Policies and the Interest Rate of Excess Reserve Deposit,” (中國人民銀行關於調整商業銀行住房信貸政策和超額儲備金存款利率的通知) enacted by PBOC on March 16, 2005, starting from March 17, 2005, the down payment for individual homes increased from 20% to 30% in cities and areas where property prices grow too quickly. The commercial banks can independently determine scope of such property price rise according to specific situations in different cities or areas.

On May 24, 2006, the State Council passed the “Opinion of the Ministry of Construction and Other Departments on Adjusting the Housing Supply Control Structure and Stabilizing the Property Prices.” (關於調整住房供應結構穩定住房價格的意見) The regulations provide the following:

- (a) Tightening the control of advancing loan facilities. The commercial banks are not allowed to advance their loan facilities to property developers which do not have the required 35% or more of the total capital for the construction projects. The commercial

banks should be prudent in granting loan facilities and revolving credit facilities in any form to the property developers who have a large number of idle land and unsold commodity properties. Banks should not accept mortgages of commodity properties remaining unsold for three years or longer;

(b) From June 1, 2006 and onward, purchasers need to pay a minimum of 30% of the purchase price as down payment, except for apartments with a floor area of 90 sq.m. or less for residential purposes, for which the existing requirement of 20% of the purchase price as down payment remains unchanged.

According to the Circular on Standardizing the Admittance and Administration of Foreign Capital in Real Estate Market, foreign-invested real estate enterprises which have not paid up their registered capital fully, or failed to obtain a land use rights certificate, or with under 35% of the capital for the project, will not be allowed to obtain a loan in or outside China, and foreign exchange administration departments will not approve any settlement of foreign loans by such enterprises.

On May 23, 2007, MOFCOM and SAFE jointly issued the "Notice on Further Strengthening and Regulating the Approval and Supervision on Foreign Investment in Real Estate Sector in the PRC" (關於進一步加強規範外商直接投資房地產業審批和監管的通知). On April 28, 2013, SAFE issued the "Notice Regarding Promulgation of Administrative Measures on Foreign Debt Registration" (國家外匯管理局關於發佈《外債登記管理辦法》的通知), which became effective on May 13, 2013 and contains an appendix named the Operating Guidelines for Foreign Debt Registration Administration (外債登記管理操作指引). These notices indicate that SAFE will not process any foreign debt registrations or foreign debt applications for the settlement of foreign exchange submitted by real estate enterprises with foreign investment that obtained authorization certificates from and registered with MOFCOM on or after June 1, 2007.

On September 27, 2007, PBOC and the CBRC issued the "Circular on Strengthening the Credit Management for Commercial Real Property," (關於加強商業性房地產信貸管理的通知) with a supplement issued in December 2007. The circular aims to tighten the control over property loans from commercial banks to prevent excessive credit granting. The measures adopted include:

- for a first time home buyer, increasing the minimum amount to 30% of the purchase price as down payment where the property has a unit floor area of 90 sq.m. or above and the purchaser is buying the property as for own residence;
- for a second time home buyer, increasing (i) the minimum amount of down payment to 40% of the purchase price and (ii) the minimum mortgage loan interest rate to 110% of the relevant PBOC benchmark bank lending interest rate. If a member of a family (including the buyer, his/her spouse and their children under 18) finances the purchase of a residential unit, any member of the family that buys another residential unit with loans from banks will be regarded as a second time home buyer;
- for a commercial property buyer, (i) requiring banks not to finance any purchase of pre-sold properties, (ii) increasing the minimum amount of down payment to 50% of the purchase price, (iii) increasing the minimum mortgage loan interest rate to 110% of the relevant PBOC benchmark bank lending interest rate, and (iv) limiting the terms of such bank loans to no more than 10 years, although commercial banks are allowed flexibility based on its risk assessment;



- for a buyer of commercial/residential dual-purpose properties, increasing the minimum amount of down payment to 45% of the purchase price, with the other terms to be decided by reference to commercial properties; and
- prohibiting commercial banks from providing loans to property developers which have been found by relevant government authorities to be holding excessive amounts of land and properties.

In addition, commercial banks are also prohibited from providing loans to projects that have less than 35% of capital funds (proprietary interests), or where there is failure to obtain land use rights certificates, construction land planning permits, construction works planning permits and construction permits. Commercial banks are also prohibited from accepting commercial premises that have been vacant for more than three years as collateral for loans. In principle, property development loans provided by commercial banks should only be used for projects in areas where the commercial bank is located. Commercial banks may not provide loans to property developers to finance the payment of land use rights grant fees.

According to the notice on “Issues on Enlarging the Floating Range of the Downward Movement of Interest Rates for Individual Mortgage Loans,” (關於擴大商業性個人住房貸款利率下浮幅度等有關問題的通知) issued by PBOC on October 22, 2008 and effective on October 27, 2008, the PRC government lowered the minimum interest rate for individual mortgage loans to 70% of the corresponding PBOC benchmark bank lending rates. Further, the minimum down payment of residential properties was lowered to 20%.

In January 2010, the General Office of the State Council issued a “Circular on Facilitating the Stable and Healthy Development of Property Market” (關於促進房地產市場平穩健康發展的通知), adopting a series of measures to strengthen and improve the regulation of the property market, stabilize market expectations and facilitate the stable and healthy development of the property market. These include, among others, measures to increase the supply of affordable housing and ordinary commodity housing, provide guidance for the purchase of property, restrain speculation of property, and strengthen risk prevention and market supervision. Additionally, it explicitly requires a family (including a borrower, his or her spouse and children under 18), that has already purchased a residence through mortgage financing and has applied to purchase a second or additional residences through mortgage financing, to pay a minimum down payment of 40% of the purchase price.

On April 17, 2010, the State Council Issued Notice on Resolutely Curbing the Rapid Rising of the House Price in Certain Cities (堅決遏制部分城市房價過快上漲的通知) (the “April 17 Notice”), which provides that where the first home purchaser (including a borrower, his or her spouse and children under 18) purchases a residence with a unit floor area of more than 90 sq.m. for self use, the minimum down payment is required not to be less than 30%; where for the second home buyers that use mortgage financing, it is required that the minimum down payment is required to be 50% of the purchase price with minimum mortgage lending interest rate at the rate of 110% of the benchmark rate published by PBOC; where a third or further buyers that use mortgage financing, the minimum down payment and interest rate thereof is required to be substantially further raised. The April 17 Notice, further requires that in cities where property prices are overly high with excessive price hike and strained housing supply, commercial banks may in light of risk exposure suspend extending bank loans for a third or further buyers; also provision of housing loans shall be suspended to non-local residents who cannot present the local tax returns or social insurances certification of more than one year.

On May 26, 2010, the MOHURD, PBOC and the CBRC jointly issued the “Circular on Regulating the Criteria for Identifying the Second Residential Properties in Connection with Personal Commercial Housing Loans” (關於規範商業性個人住房貸款中第二套住房認定標準的通知), which provides, among others, that the number of residential properties owned by an individual property purchaser who is applying for mortgage loans is required to be determined by taking into account the total number of residential properties owned by the family of such purchaser (including the purchaser and his or her spouse and children under the age of 18 years). In addition, the circular depicts a number of circumstances under which different credit policies shall be applied in connection with purchases of the second or further residential property.

In September 2010, PBOC and the CBRC jointly issued the “Notice on Relevant Issues Regarding the improvement of Differential Mortgage Loan Policies” (關於完善差別化住房信貸政策有關問題的通知), which provides, among other things, that (i) the minimum down payment is increased to 30% for all first home purchases; (ii) commercial banks in China are required to suspend mortgage loans to purchasers (including the borrower, spouse and minor children) for their third or further residential property or to non-local residents who cannot provide documentation certifying payment of local tax or social security for longer than a one-year period; and (iii) all property companies with records of being involved in abuse of land, changing the land-use purpose, postponing the construction commencement or completion date, hoarding or other non-compliance will be restricted from obtaining bank loans for new projects or extension of credit facilities. In addition, certain cities have promulgated measures to restrict the number of residential properties one family is allowed to purchase, such as Guangzhou, Shenzhen, Suzhou, Nanjing, Tianjin, Wuhan, Ningbo, Fuzhou, Nanchang, Hangzhou and Dalian.

In November 2010, MOHURD and SAFE jointly promulgated the “Notice on Further Regulating Administration of Purchase of Houses by Overseas Institutions and Individuals” (關於進一步規範境外機構和個人購房管理的通知), pursuant to which, a foreign individual can only purchase one house for self-use within the PRC and an overseas institution which has established a branch or representative office in the PRC can only purchase non-residential houses for business use in the city where it is registered within the PRC.

On January 26, 2011, the State Council issued the “Notice on Further Strengthening Regulation and Control of Real Property Markets” (關於進一步做好房地產市場調控工作有關問題的通知), which: (i) imposes a minimum down payment of at least 60% of the total purchase price with a minimum mortgage lending interest rate of 110% of the benchmark rate published by PBOC for the purchase of a second residential property; and (ii) in municipalities directly under the central government, cities listed on state plans, provincial capitals, and cities where the housing prices are overly high or increasing at an excessively high rate, purchasers (including their spouses and minor children) that are local residents with two or more residential properties, non-local residents with one or more residential properties, or non-local residents that are unable to provide documentation are not permitted to certifying payment of local tax or social security for longer than a specified time period, purchase any residential properties. In order to implement the Notice on Further Strengthening Regulation and Control of Real Property Markets, certain cities, including Beijing, Shanghai, Chengdu, Qingdao and Jinan, have promulgated measures to restrict the number of residential properties one family is allowed to purchase.

On February 26, 2013, the General Office of the State Council issued the “Notice on Continuing to Improve the Regulation and Control of the Real Estate Market” (國務院辦公廳關於繼續做好房地產市場調控工作的通知), pursuant to which, in cities where the housing price are increasing at an excessively high rate, the local counterparts of the PBOC may further

increase down payment ratios and interest rates for loans to purchase second properties in accordance with the price control policies and targets of the corresponding local governments. In the third quarter of 2013, several cities, including Guangzhou, Shanghai and Hangzhou, have increased the minimum down payment for purchasers of second residential properties to 70% of the purchase price.

To support the demand of purchasers of residential property and to promote the sustainable development of the real estate market, the PBOC and the CBRC jointly issued the Notice on Further Improving Financial Services for Residential Property (關於進一步做好住房金融服務工作的通知) on September 29, 2014, which provides that for any family that wishes to use a loan to purchase a residential property, the minimum down payment will be 30% of the property price and the minimum loan interest rate will be 70% of the benchmark lending interest rate, with the specific terms of such loan to be decided by the banking financial institution that provides the loan, based on the risk profile of the borrower. Where a family that owns a residential property and has paid off its existing mortgage loan applies for a new mortgage loan to purchase another residential property to improve living conditions, the bank may apply mortgage loan policy for first-time purchasers of residential property. In cities that have lifted restrictions on the purchase of residential property by residents or those that have not imposed such restrictions, when a family that owns two residential properties or more and has paid off its existing mortgage loans applies for a new mortgage loan to purchase another residential property, the bank is required to assess the credit profile of the borrower, taking into consideration the solvency and credit standing of the borrower and other factors, to decide the down payment ratio and loan interest rate. In view of the local urbanization plan, banks may provide mortgage loans to non-local residents that meet the conditions required by the related policies. In March 2015, the PBOC, CBRC and MOHURD jointly issued a notice to lower the minimum down payment to 40% for households that own a residential property and have not paid off their existing mortgage loan applying for a new mortgage loan to purchase another ordinary residential property to improve their living conditions, and allow the bank to decide at its own discretion the down payment ratio and loan interest rate taking into consideration the solvency and credit standing of the borrower. On February 1, 2016, the PBOC and CBRC jointly issued the “Notice on the Adjustment of Individual Housing Loans Policies” (關於調整個人住房貸款政策有關問題的通知) which provides that in cities where property purchase control measures are not being implemented, the minimum down payment ratio for a personal housing commercial loan obtained by a household for purchasing its first ordinary residential property is, in principle, 25% of the property price, which can be adjusted downward by 5% by local authorities. For existing residential property household owners which have not fully repaid the previous loan and are obtaining further personal housing commercial loan to purchase an additional ordinary residential property for the purpose of improving living conditions, the minimum down payment ratio shall be not less than 30% which is lower than the previous requirement of not less than 40%.

### **G. Insurance of a property project**

There are no mandatory provisions in the PRC laws, regulations and government rules which require a property developer to take out insurance policies for its property projects.

In light of the “Construction Law of the People’s Republic of China” (中華人民共和國建築法) which was promulgated by the Standing Committee of the National People’s Congress on November 1, 1997, and became effective on March 1, 1998), and which was subsequently amended on April 22, 2011 (with the amendments became effective on July 1, 2011), construction enterprises

must maintain accident and casualty insurance for workers engaged in dangerous operations. In the “Opinions of the Ministry of Construction on Strengthening the Insurance of Accidental Injury in the Construction Work” (關於加強建築意外傷害保險工作的指導意見) promulgated by the Ministry of Construction on May 23, 2003, the Ministry of Construction further emphasized the importance of insurance to cover accidental injury in construction work and put forward detailed guidance. The “Guidance on the Insurance of Accidental Injury in the Construction Work of Guangdong Province” (廣東省建築意外傷害保險工作導則) enacted by the construction department of Guangdong Province on September 8, 2004 prescribes the scope, object, term, coverage, amount and premium of insurance for accidental injury. It further emphasizes that the persons who have already been insured for work-related injury insurances still need accidental injury insurance when he or she takes part in the on-site construction work. According to the common practice of the property industry in Guangdong, except for the accidental injury insurance, construction companies are usually required to submit insurance proposals in the course of tendering and bidding for construction projects.

Construction companies are required to pay for the insurance premium at their own costs and take out various types of insurance to cover their liabilities, such as property risks, third party’s liability risk, performance guarantee in the course of construction and all-risks associated with the construction and installation work throughout the construction period. The requirements for insurance for all the aforementioned risks shall cease immediately after the completion and acceptance upon inspection of construction.

## **H. Major taxes applicable to property developers**

### **(a) Income tax**

According to the “PRC Enterprise Income Tax Law” (中華人民共和國企業所得稅法) which was promulgated by the National People’s Congress on March 16, 2007 and became effective on January 1, 2008, a uniform income tax rate of 25% is applied towards foreign-invested enterprises and foreign enterprises which have set up production and operation facilities in the PRC as well as PRC enterprises.

Furthermore, the PRC Enterprise Income Tax Law and its implementation provide that an income tax rate of 10% is generally be applicable to dividends payable to non-PRC enterprise investors which are derived from sources within the PRC, unless there exists a tax treaty between the PRC and the relevant jurisdictions in which such non-PRC enterprise shareholders reside whereupon the relevant tax may be reduced or exempted.

### **(b) Business tax**

Pursuant to the “Interim Regulations of the People’s Republic of China on Business Tax” which was promulgated by the State Council on December 13, 1993 and became effective on January 1, 1994 as amended on November 10, 2008 and its “Detailed Implementation Rules on the Provisional Regulations of The People’s Republic of China on Business Tax” issued by the Ministry of Finance on December 25, 1993, the tax rate on transfer of immovable properties, their superstructures and attachments is 5%.

Pursuant to the “Notice on Adjustment of Transforming Business Tax to Appreciation Tax” (關於全面推開營業稅改徵增值稅試點的通知) (Cai Shui[2016]No. 36) issued on March 23, 2016 and implemented on May 1, 2016 by the MOF and the SAT, the sale of self-developed old real estate

projects (refers to real estate projects launched time before April 30, 2016 stating on the construction works commencement permit) by a common taxpayer among real estate developers shall be subject to a simple tax rate of 5%. Real estate developers selling real estate project by advance payment will be subject to an appreciation tax of 3% when receiving advance payment.

Pursuant to the “Interim Measures on the Management of Value Added Tax of Self-developed Real Estate Project by the Sale of Real Estate Developers” (房地產開發企業銷售自行開發的房地產項目增值稅徵收管理暫行辦法) issued on March 31, 2016 and implemented on May 1, 2016 by SAT, “self-development” means infrastructure facilities and buildings erected on the land with land use rights which are developed by a real estate development company (“taxpayer”). These measures are also applicable to a development completed by a taxpayer after such project is taken over.

VAT is payable by taxpayers in the calendar month immediately following receipt of presale proceeds of real estate self-development in accordance with a given formula. The applicable rate is 11%. Nevertheless, for taxpayers conducting old real estate projects and who have chosen to apply the simplified tax method, the simplified rate of 5% will be applied in calculating the prepaid VAT. Once the simplified tax method is chosen, it will be applicable for 36 months.

Old real estate projects refer to (1) real estate projects with commencement dates of construction stated in the Construction Permits prior to April 30, 2016, and (2) construction projects with no commencement dates not stated in the Construction Permits, or construction projects with commencement dates of construction stated in the construction contracts prior to April 30, 2016, but have not yet received Construction Permits.

### **(c) Land appreciation tax**

According to the requirements of the “Provisional Regulations of The People’s Republic of China on Land Appreciation Tax” (the “Land Appreciation Provisional Regulations”) (中華人民共和國土地增值稅暫行條例) which was promulgated on December 13, 1993 and became effective on January 1, 1994, and the “Detailed Implementation Rules on the Provisional Regulations of The People’s Republic of China on Land Appreciation Tax” (the “Land Appreciation Detailed Implementation Rules”) (中華人民共和國土地增值稅暫行條例實施細則) which was promulgated and became effective on January 27, 1995, any appreciation gained from taxpayer’s transfer of property is subject to LAT. LAT is set at four different rates: 30% on appreciation not exceeding 50% of the sum of deductible items; 40% on appreciation exceeding 50% but not exceeding 100% of the sum of deductible items; 50% on appreciation exceeding 100% but not exceeding 200% of the sum of deductible items; and 60% on appreciation exceeding 200% of the sum of deductible items. The deductible items include the following:

- amount paid for obtaining the land use rights;
- costs and expenses for development of land;
- costs and expenses of new buildings and ancillary facilities, or estimated prices of old buildings and constructions;
- related tax payable for transfer of property; and
- other deductible items as specified by MOF.

According to the requirements of the Land Appreciation Provisional Regulations, the Land Appreciation Detailed Implementation Rules and the Notice issued by the MOF in respect of the

“Levy and Exemption of Land Appreciation Tax for Development and Transfer Contracts Signed before January 1, 1994” (關於對1994年1月1日前簽訂開發及轉讓合同的房地產徵免土地增值稅的通知) which was announced by the MOF and State Administration of Taxation on January 27, 1995, LAT is exempted under any one of the following circumstances:

- For ordinary standard residential properties (i.e. residential properties built in accordance with the local standard for general civilian residential properties and not deluxe apartments, villas, resorts etc.) where the appreciation amount does not exceed 20% of the sum of deductible items;
- Where property taken over and repossessed according to laws due to the construction requirements of the State;
- Individuals who relocate as a result of redeployment of work or improvement of living standards transfer their self-used residential property where they have been living for 5 years or more, and after obtaining tax authorities’ approval;
- For property transfer contracts which were signed before January 1, 1994, whenever the properties are transferred;
- If the property assignment contracts were signed before January 1, 1994 or the project proposal has been approved and that capital was injected for development in accordance with the conditions agreed, LAT shall be exempted if the properties are transferred for the first time within five years after January 1, 1994. The date of signing the contract shall be the date of signing the sale and purchase agreement. For particular property projects approved by the Government for the development of the entire piece of land and long-term development, if the properties are transferred for the first time after the five-year tax-free period, after auditing being conducted by the local financial and tax authorities, and approved by the MOF and the State Administration of Taxation, the tax-free period would be appropriately prolonged.

After the issuance of the Land Appreciation Provisional Regulations and the Land Appreciation Detailed Implementation Rules, due to the relatively long period required for property development and transfer, many districts, while they were implementing the regulations and rules, did not mandatorily require the real estate enterprises to declare and pay LAT. Therefore, in order to assist the local tax authorities in the collection of LAT, the MOF, State Administration of Taxation, the Ministry of Construction and the Ministry of Land and Resource had separately and jointly issued several notices to restate the following: After the assignment contracts are signed, taxpayers should declare the tax to the local tax authorities where the property is located, and pay LAT in accordance in the amount calculated by the tax authority and within the specified time limit. For those who fail to acquire proof of tax payment or tax exemption from the tax authorities, the property administration authority shall not process the relevant title change procedures, and shall not issue the property title certificate.

The State Administration of Taxation also issued the “Notice issued by State Administration of Taxation in respect of the Serious Handling of Administration Work in relation to the Collection of Land Appreciation Tax” (關於認真做好土地增值稅徵收管理工作的通知) on July 10, 2002 to request local tax authorities to modify the management system of LAT collection and operation procedures, to build up a proper tax return system for LAT, and to improve the methods of pre-levying for the pre-sale of property. That notice also pointed out the preferential policy of LAT exemption for the first time transfer of properties under property development contracts

signed before January 1, 1994 or a project proposal that has been approved and for which capital was injected for development has expired, and that such tax shall be levied again.

The State Administration of Taxation issued the “Notice of State Administration of Taxation in respect of the Strengthening of Administration Work in relation to the Collection of Land Appreciation Tax” (關於加強土地增值稅管理工作的通知) on August 2, 2004 and the “Notice of State Administration of Taxation in respect of the Further Strengthening of Administration Work in relation to the Collection of Land Appreciation Tax and Land Use Tax in Cities and Towns” (關於進一步加強城鎮土地使用稅和土地增值稅徵收管理工作的通知) on August 5, 2004. The aforesaid notices point out that the administration work in relation to the collection of LAT should be further strengthened. The preferential policy of LAT exemption for the first time transfer of properties under property development contracts signed before January 1, 1994 has expired and such tax shall be levied again. Where such taxes were still not levied, the situation should be corrected immediately. Also, the notice required that the system of tax declaration and tax sources registration in relation to LAT should be further improved and perfected.

On March 2, 2006, the MOF and State Administration of Taxation issued the “Notice of Certain Issues Regarding Land Appreciation Tax.” (關於土地增值稅若干問題的通知) The notice clarifies the relevant issues regarding LAT as follows:

*(a) Tax Collection and Exemption in the Sale of Ordinary Standard Residential Properties*

The notice sets out the recognized standards for ordinary standard residential properties. Where any developers build ordinary standard residential properties or commercial properties, the value of land appreciation shall be assessed individually. No retroactive adjustment will be made in respect of ordinary standard residential properties for which application for tax exemption has been filed before the notice is issued and for which LAT exemption has been granted by the tax authority on the basis of the standards of ordinary residential properties originally set down by the people’s government of the province, autonomous region or municipality directly under the Central Government.

*(b) Advance Collection and Settlement of LAT*

- All regions shall further improve the measures for the advance collection of LAT, and decide the advance collection rate in a scientific and reasonable manner, and adjust it at a proper time according to the level of value appreciation in the property industry and market conditions within the region and on the basis of the specific property categories, namely, ordinary standard residential properties, non-ordinary standard residential properties and commercial properties. After a project is completed, the relevant settlement shall be handled in a timely manner, with any overpayment refunded or any underpayment being made up.
- If any tax pre-payment is not paid within the advance collection period, overdue fines will apply as of the day following the expiration of the prescribed advance collection period.
- As to any property project that has been completed and gone through the acceptance, where the floor area of the property as transferred makes up 85% or more in the saleable floor area, the tax authority may require the relevant taxpayer to conduct the settlement of LAT on the transferred property according to the matching principles regarding the proportion between the income generated from the transfer of property and the

deductible items. The specific method of settlement shall be prescribed by the local tax authority.

On December 28, 2006, the State Administration of Taxation issued the "Notice on the Administration of the Settlement of Land Appreciation Tax of Property Development Enterprises" (關於房地產開發企業土地增值稅清算管理有關問題的通知) which came into effect on February 1, 2007. The notice sets out further provisions concerning, among other things, the settlement of LAT by property developers by clarifying issues on responsibility for the settlement of LAT, requirements, materials to be submitted, auditing and verification, recognition of revenue of indirect sale and self-use properties, deductible items and the handling of transfer after tax is imposed and settled. Local provincial tax authorities can formulate their own implementation rules in accordance with the notice and local situation.

Pursuant to the notice, a property developer shall settle and clear the LAT payment of its development projects that meet certain criteria with the tax authorities in accordance with the applicable LAT tax rates. The LAT is required to be settled for projects approved by the competent authorities; and for projects developed in different stages, the LAT is required to be settled in stages. LAT must be settled if (1) the property development project has been completed and fully sold; (2) the property developer transfers the whole in completed development project; or (3) the land-use rights with respect to the project is transferred. In addition, the relevant tax authorities may require the developer to settle the LAT if either of the following criteria is met: (1) for completed property development projects, the transferred GFA represents more than 85% of total salable GFA, or the proportion represented is less than 85%, but the remaining salable GFA has been leased out or used by the developer; (2) the project has not been sold out for more than three years after obtaining the sale or pre-sale permit; (3) the developer applies for cancellation of the tax registration without having settled the relevant LAT; or (4) other conditions stipulated by the tax authorities.

The notice also indicates that if a property developer satisfies any of the following circumstances, the tax authorities will levy and collect LAT as per the levying rate no lower than the pre-payment rate with reference to the bearing rate of LAT of local enterprises with a similar development scale and income level: (i) failure to maintain an account book as required by law or administrative regulation; (ii) destroying the account book without authorization or refusing to provide taxation information; (iii) the accounts are disorganized or illegible, or cost materials, income vouchers and cost vouchers are damaged and incomplete, making it difficult to determine transferred income or amount of deductible items; (iv) failure to go through LAT settlement within the prescribed period without being remedied within the period required by the relevant tax authorities; (v) the basis for tax calculation as submitted is obviously low without justifiable cause. Local provincial tax authorities can formulate their own implementation rules in accordance with the notice and local situation.

To further strengthen LAT collection, in May 2009, the State Administration of Taxation released the "Rules on the Administration of the Settlement of Land Appreciation Tax" (土地增值稅清算管理規程), which became effective on June 1, 2009. The rules reiterated the circumstances under which the LAT must be settled, the criteria that are to be met for relevant tax authorities to require the settlement of LAT and the circumstances under which the tax authorities shall levy and collect LAT as prescribed by the aforesaid notice issued on December 28, 2006. The rules further stipulate detailed procedures for the examination and verification of settlement of LAT to be carried out by relevant tax authorities.



On May 19, 2010, the SAT issued the “Circular on Issuers Concerning Settlement of Land Appreciation Tax” (關於土地增值稅清算有關問題的通知) to strengthen the settlement of LAT. The circular clarifies certain issues with respect to calculation and settlement of LAT, such as (i) the recognition of the revenue upon the settlement of LAT, and (ii) the deduction of fees incurred in connection with the property development.

On May 25, 2010, the SAT issued the “Notice on Strengthening the Collection Land Appreciation Tax” (關於加強土地增值稅徵管工作的通知), which requires the minimum LAT prepayment rate be 2% for provinces in the eastern region, 1.5% for provinces in the central and northeastern regions, and 1% for provinces in the western region. According to the notice, the local tax bureaus shall determine the applicable LAT prepayment rates based on the types of the properties.

#### **(d) Deed tax**

Pursuant to the “Interim Regulations of the People’s Republic of China on Deed Tax” (中華人民共和國契稅暫行條例) which were promulgated by the State Council on July 7, 1997 and became effective on October 1, 1997, the transferee, whether an entity or individual, of the title to a land site or building in the PRC shall have to pay deed tax. The rate of deed tax is 3%–5%. Provincial, regional or municipal governments directly under the central government may, within the aforesaid range, determine and report their effective tax rates to the MOF and the State Administration of Taxation for the record.

Pursuant to the “Notice on Adjustment of Preferential Treatment Policies in respect of Deed Tax and Business Tax on Real Estate Transactions” (關於調整房地產交易環節契稅、營業稅優惠政策的通知) promulgated by MOF, SAT and MOHURD on February 17, 2016 and implemented on February 22, 2016, the rate of deed tax payable for real estate transactions was adjusted downward as follows:

- (1) for an individual purchasing the only residential property for his/her household, the rate of deed tax was adjusted downward to 1% for a property of 90 sq.m. or less and to 1.5% for a property of more than 90 sq.m.; and
- (2) for an individual purchasing the second residential property for his/her household to improve the living conditions, the rate of deed tax was reduced to 1% for a property of 90 sq.m. or less and to 2% for a property of more than 90 sq.m.

If a taxpayer applies for tax preferential treatments, the competent real estate authority at the location of the property will issue written search results on the housing status of the taxpayer’s household pursuant to his/her application or authorization and promptly provide the search results and the relevant housing status information to the tax authority. Detailed operation measures will be collectively formulated by the competent financial, tax and real estate departments of various provinces, autonomous region and municipalities.

Beijing, Shanghai, Guangzhou and Shenzhen are temporarily not subject to the above deed tax preferential treatment policies.

#### **(e) Urban land use tax**

Pursuant to the “Provisional Regulations of the People’s Republic of China Governing Land Use Tax in Cities and Towns” (中華人民共和國城鎮土地使用稅暫行條例) enacted by the State Council on September 27, 1988 and revised on December 31, 2006 and December 7, 2013, respectively, the

land use tax in respect of urban land is levied according to the area of the relevant land. The annual tax as of January 1, 2007 shall be between RMB0.6 and RMB30.0 per square meter of urban land, calculated according to the tax rate determined by local tax authorities.

**(f) Property tax**

Under the “Interim Regulations of the People’s Republic of China on Property Tax” (中華人民共和國房產稅暫行條例) which were promulgated by the State Council on September 15, 1986 and became effective on October 1, 1986, property tax is 1.2% if it is calculated on the basis of the residual value of a building, and 12% if it is calculated on the basis of the rental.

On January 27, 2011, the government of Chongqing Municipality issued the “Interim Measures Concerning Pilot Property Tax Scheme on Certain Personal Residential Properties” (關於進行對部分個人住房徵收房產稅改革試點的暫行辦法) and the “Implementation Rules for Collecting Administration Regarding Property Tax on Personal Residential Properties” (重慶市個人住房房產稅徵收管理實施細則), each became effective on January 28, 2011. The Chongqing government will execute the pilot scheme to impose property tax on personal residential properties within the nine major districts of Chongqing Municipality in stages from January 28, 2011. The first batch of personal properties subject to property tax include (i) stand-alone residential properties (such as villas) owned by individuals, (ii) high-end residential properties purchased by individuals on or after January 28, 2011, the purchase prices per square meter of which are two or more times of the average price of new residential properties developed within the nine major districts of Chongqing in the last two years, and (iii) the second or further ordinary residential properties purchased on or after January 28, 2011 by non-resident individuals in Chongqing who are not employed in and do not own an enterprise in Chongqing. Stand-alone residential properties (such as villas) and high-end residential properties that are priced less than three times, three to four times or more than four times of the average price per square meter of new residential properties developed within the nine major districts in the last two years will be subject to property tax at 0.5%, 1% or 1.2%, respectively, of the property’s purchase price. The second or further ordinary residential properties purchased on or after January 28, 2011 by non-resident individuals who are not employed in and do not own an enterprise in Chongqing will be subject to property tax at 0.5% of the property’s purchase price. The following area will be deductible from the tax base: (i) 180 sq.m. for stand-alone residential properties (such as villas) purchased before January 28, 2011, and (ii) 100 sq.m. for stand-alone residential properties (such as villas) and high-end residential properties purchased on or after January 28, 2011. The deductible area will apply to only one taxable residential property for one family, but not to any non-resident individual who is not employed in and does not own an enterprise in Chongqing.

On January 27, 2011, the government of Shanghai Municipality issued the “Interim Measures on Pilot Property Tax Scheme on Certain Personal Residential Properties in Shanghai” (上海市開展對部分個人住房徵收房產稅試點的暫行辦法), which provides that, within the territory of the administrative regions of the Shanghai Municipality, property tax will be imposed on any purchase of a second (or further) residential property by local residents or any purchase of a residential property by non-local residents on or after January 28, 2011, at rates ranging from 0.4% to 0.6% based on 70% of the purchase price of the property. These measures became effective on January 28, 2011.

**(g) Stamp duty**

Under the “Interim Regulations of the People’s Republic of China on Stamp Duty” (中華人民共和國印花稅暫行條例) enacted by the State Council on August 6, 1988 and enforced on

October 1, 1988, for property rights transfer instruments, including those in respect of property ownership transfer, the rate of stamp duty is 0.05% of the amount stated therein; for permits and certificates relating to rights, including property title certificates and land use rights certificates, stamp duty is levied at RMB5 per item.

#### ***(h) Municipal maintenance tax***

Under the "Interim Regulations of the People's Republic of China on Municipal Maintenance Tax" (中華人民共和國城市維護建設稅暫行條例) enacted by the State Council on February 8, 1985, any taxpayer, whether an entity or individual, of product tax, value-added tax or business tax is required to pay municipal maintenance tax. The tax rate shall be 7% for a taxpayer whose domicile is in an urban area, 5% for a taxpayer whose domicile is in a county or a town, and 1% for a taxpayer whose domicile is not in any urban area or county or town.

In October 2010, the State Council issued the "Notice on Unification of the Application of Municipal Maintenance Tax and Education Surcharge by Domestic and Foreign Enterprises and Individuals" (關於統一內外資企業和個人城市維護建設稅和教育費附加制度的通知), pursuant to which, from December 1, 2010, municipal maintenance tax is applicable to both foreign-invested enterprises, foreign enterprises and foreign individuals as well as domestic enterprises and individuals. Pursuant to the "Notice on Relevant Issues of Imposition of Municipal Maintenance and Education Surcharge on Foreign-Invested Enterprises" (關於對外資企業徵收城市維護建設稅和教育費附加有關問題的通知) promulgated by the Ministry of Finance and the State Administration of Taxation in November 2010, foreign-invested enterprises must pay municipal maintenance tax on any value added tax, consumption tax and business tax incurred on or after December 1, 2010. However, foreign-invested enterprises are exempted from municipal maintenance tax on any value-added tax, consumption tax and business tax in current before December 1, 2010.

#### ***(i) Education surcharge***

Under the "Interim Provisions on Imposition of Education Surcharge" (徵收教育費附加的暫行規定) enacted by the State Council on April 28, 1986 and revised on June 7, 1990 and August 20, 2005, a taxpayer, whether an entity or individual, of product tax, value-added tax or business tax is required to pay an education surcharge, unless such taxpayer is instead required to pay a rural area education surcharge as provided by the "Notice of the State Council on Raising Funds for Schools in Rural Areas." (國務院關於籌措農村學校辦學經費的通知) Under the "Supplementary Notice Concerning Imposition of Education Surcharge" (國務院關於教育費附加徵收問題的補充通知) issued by the State Council on October 12, 1994, the Circular Concerning Temporary Exemption from Municipal Maintenance Tax and Education Surcharge For Enterprises with Foreign Investment and Foreign Enterprises and the Approval on Exemption of Municipal Maintenance Tax and Education Surcharge in Foreign Invested Freightage Enterprises, whether foreign-invested enterprises are subject to the education surcharge will be determined in accordance with notices issued by the State Council; and such tax is not applicable to enterprises with foreign investment for the time being, until further explicit stipulations are issued by the State Council.

Pursuant to the aforesaid Unification of Application of Municipal Maintenance Tax and Education Surcharge by Domestic and Foreign Enterprises and individuals (關於統一內外資企業和個人城市維護建設稅和教育費附加制度的通知), from December 1, 2010, an education surcharge is applicable to both foreign-invested enterprises, foreign enterprises and foreign individuals as well as domestic enterprises and individuals.

Pursuant to the aforesaid Notice on Relevant issues of Imposition of Municipal Maintenance and Education Surcharge on Foreign-invested Enterprises (關於對外資企業徵收城市維護建設稅和教育費附加有關問題的通知), foreign-invested enterprises must pay an education surcharge on any value-added tax, consumption tax and business tax incurred on or after December 1, 2010. However, foreign-invested enterprises are exempted from paying an education surcharge on any value-added tax, consumption tax and business tax incurred before December 1, 2010.

#### **I. Measures on adjusting the structure of housing supply and stabilizing housing price**

The General Office of the State Council enacted the "Circular on Stabilizing Housing Price" (關於切實穩定住房價格的通知) on March 26, 2005, requiring measures to be taken to restrain the housing price from increasing too fast and to promote the healthy development of the property market.

On May 9, 2005, the General Office of the State Council revised the Opinion of the Ministry of Construction and other Departments on Doing a Good Job of Stabilizing House Prices, which provides the following:

##### ***(a) Intensifying the planning and control and improving the supply structure of houses***

Where the housing price is growing excessively and where the supply of ordinary commodity houses in the medium or low price range, and economical houses is insufficient, construction of residential properties should mainly involve projects of ordinary commodity houses in the medium or low price range and economical houses. The construction of low-density, upmarket houses shall be strictly controlled. With respect to construction projects of medium- or low-price ordinary commodity houses, before any grant of land, the municipal planning authority shall, according to the level of control required, set out conditions for planning and design such as height of buildings, plot ratio and green space. The property authority shall, in collaboration with other relevant authorities, set forth such controlling requirements as sale price, type and apartment sizes. Such conditions and requirements will be set out as preconditions of land assignment to ensure an effective supply of small or medium-sized houses at moderate and low prices. The local government must intensify the supervision of planning permit for property development projects. Housing projects that have not commenced within two years must be examined again, and those that turn out to be not in compliance with the planning permits will be revoked.

##### ***(b) Intensifying the control over the supply of land and rigorously enforcing the administration of land***

Where the price of land for residential use and residential properties grows too rapidly, the proportion of land for residential use to the total land supply should be appropriately raised, and the land supply for the construction of ordinary commodity houses in the medium- or low-price range and economical house should be increased. Land supply for villa construction continues to be suspended, and land supply for high-end housing property construction is strictly restricted.

##### ***(c) Adjusting the policies of business tax on residential property house transfer and strictly regulating the collection and administration of tax***

From June 1, 2005, the business tax on transfer of a residential property by an individual within two years of the purchase is levied on the basis of the full amount of the sale proceeds. Transfer

of an ordinary residential property by an individual who sells two years or more after the purchase is exempted for business tax. For transfer of a house other than ordinary residential property by an individual two years or more after the purchase, the business tax is levied on the basis of the balance between the proceeds from selling the property and the purchase price.

***(d) Rectifying and regulating for an orderly market***

The buyer of a pre-completion commodity property is prohibited from conducting any transfer of the pre-sale commodity property that he has bought that is still under construction. A real name system for property purchase should be applied, and an immediate archival filing network system for advance sales contracts of commodity properties should be carried out.

On May 24, 2006, the State Council forwarded the "Opinion on Adjusting the Housing Supply Structure and Stabilizing Property Prices" (關於調整住房供應結構穩定住房價格的意見) (the "Opinion") of the Ministry of Construction and other relevant government authorities. The opinion provides the following:

***(1) Adjusting the Housing Supply Structure***

- Developers must focus on providing small- to medium-sized ordinary commodity properties at low- to mid-level prices to cater to the demands of local residents.
- As of June 1, 2006, newly approved and newly commenced building construction projects must have at least 70% of the total construction work area designated for small apartments with floor areas of 90 sq.m. or below (including economically affordable apartments). If municipalities directly under the central government, cities listed on state plans (計劃單列市) or provincial capital cities (省會城市) have special reasons to adjust such prescribed ratio, they must obtain special approval from the Ministry of Construction. Construction projects that have been approved but have not yet obtained a construction permit must follow the prescribed ratio.

***(2) Further adjustments by tax, loan and land policies***

- From June 1, 2006, business tax is levied on the full amount of the sale proceeds on conveyance of residential properties within a period of five years from the date of purchase. If an individual sells his ordinary standard apartment after five or more years from the date of purchase, business tax will normally be exempted. If an individual sells his non-ordinary apartment after five or more years from the date of purchase, business tax will be levied on the balance between the selling price and the purchase price.
- Commercial banks are not allowed to advance loan facilities to property developers which do not have the required 35% minimum of the total capital for the construction projects. Commercial banks should be prudent in granting loan facilities and/or revolving credit facilities in any form to the property developers who have a large number of idle lands and unsold commodity apartments. Banks shall not accept mortgages of commodity apartments remaining unsold for three years or more.
- According to regulations issued by CBRC, purchasers of homes equal to or smaller than 90 sq.m. are required to pay a minimum of 20% of the purchase price as down payment. If the purchased home is larger than 90 sq.m., a minimum of 30% of the purchase price as

down payment is required, pursuant to a regulation from June 1, 2006. Furthermore, on September 27, 2007 PBOC and CBRC increased the minimum down payment for purchasers of second homes from 30% to 40% of the purchase price regardless of the size of the second home, if the purchaser obtained his or her first home through a mortgage. Moreover, the mortgage loan rates for subsequent mortgages are required to be not less than 1.1 times the corresponding PBOC benchmark lending rates. Monthly mortgage payments are limited to 50% of an individual borrower's monthly income.

- At least 70% of the total land supply for residential property development must be used for developing small-to-medium-sized low-cost public housing. Based on the restrictions of residential property size ratio and residential property price, land supply will be granted by way of auction to the property developer who offers the highest bid. Land supply for villa construction will continue to be suspended, and land supply for low-density and large-area housing property construction will be restricted.
- The relevant authorities will levy a higher surcharge against those property developers who have not commenced the construction work for longer than one year from the commencement date stipulated in the construction contract and will order them to set a date for commencing the construction work and a date of completion. The relevant authorities will confiscate without compensation the land from those property developers who have not commenced the construction work beyond two years from the commencement date stipulated in the construction contract without proper reasons. The relevant authorities will dispose of the idle land of those property developers who have suspended construction work for one year without an approval, who have invested less than one-fourth of the total proposed investment and who have developed less than one-third of the total proposed construction area.

### *(3) Reasonably Monitoring the Scope and Progress of Demolition of Urban Housing*

- The management and reasonable control of the scope and progress of the demolition of urban housing should be strengthened to halt "excessive property growth triggered by passive means" (被動性住房需求的過快增長).

### *(4) Further Rectifying and Regulating the Order of the Property Market*

- In order to ensure that the prescribed ratio regarding types and sizes is followed, the relevant authorities will need to re-examine the approval of those construction projects which have been granted planning permits but have not been commenced. The relevant authorities will ensure that no planning permit (規劃許可證), construction permit (施工許可證) or permit for pre-sale of commodity properties (商品房預售許可證) are issued to those construction projects which do not satisfy the regulatory requirements, in particular, the prescribed ratio requirement. If the property developers, without an approval, alter the architectural design, the construction items, and exceed the prescribed ratio, the relevant authorities have the power to dispose of the land and to confiscate the land in accordance with the law.
- The property administration authority and the administration of industry and commerce will investigate illegal dealings such as contract fraud cases in accordance with the law. The illegal conduct of pre-completion sale of commodity apartments without

satisfying all the conditions is prohibited and an administrative penalty will be imposed on offenders in accordance with the law. For property developers which deliberately manipulate the supply of commodity housing, the relevant authorities will impose substantial administrative penalties, including revoking the business licenses of serious offenders and pursuing personal liability for individuals concerned.

*(5) Gradually relieving the housing demands for low-income families*

- To expedite the establishment of low-cost public housing supply systems in various cities and counties; to monitor and regulate the construction of economically affordable apartments; to aggressively develop the second-hand property market and property rental market.

*(6) Improving information disclosure system and system for collecting property statistics*

On July 6, 2006, the Ministry of Construction promulgated a supplemental Opinion on Carrying Out the Residential Property Size Ratio in Newly-Built Residential Buildings (Jianzhufang 2006 No. 165) (關於落實新建住房結構比例要求的若干意見) (“the Supplemental Opinion”). The Supplemental Opinion provides the following:

- As of June 1, 2006, of the newly approved and newly commenced construction projects in different cities, including town and counties, at least 70% of the total construction area must be used for building small apartments with unit floor area of 90 sq.m. or below (including economically affordable apartments). The relevant authorities in different localities must strictly follow the prescribed ratio requirement in their respective locality.
- The relevant authorities must ensure the conditions of newly built commodity apartments including the planning and the design, and must ensure that the property size ratio is adhered to. If a property developer has not followed the ratio requirement without providing proper reasons, the town planning authorities will not issue a planning permit. If the property developer has not followed the requirements of the planning permit, the relevant authority reviewing the planning documents will not issue a certification, the construction authority will not issue a construction permit, and the property authority will not issue a permit for pre-completion sale of the commodity apartments.

In the case of construction projects that were granted approval before June 1, 2006 but that were not granted a construction work permit by that date, the relevant local governments in different localities should ascertain the details of the projects and ensure that the prescribed residential property size ratio requirement is complied with.

On September 27, 2007, PBOC and CBRC further tightened mortgage lending by PRC banks, by increasing the amount of down payment a property purchase must make before seeking mortgage financing. See “—Legal supervision relating to property sector in the PRC—F. Property financing.”

*(e) Implementing restrictions on the payment terms for land use rights*

On October 10, 2007, the Ministry of Land and Resources issued a regulation, which reiterated that property developers must fully pay the land premium for the entire parcel under the land grant contract before they can receive a land use rights certificate or commence development on the land, effective on November 1, 2007.

Pursuant to the notice on Enlarging the Floating Range of the Downward Movement of Interest Rates for Individual Mortgage Loans, the PRC government lowered the minimum interest rate for individual mortgage loans to 70% of the corresponding PBOC benchmark bank lending rates. Further, the minimum down payment of residential properties was lowered to 20%.

On December 20, 2008, the General Office of the State Council issued the “Several Opinions on Facilitating the Healthy Development of the Real Estate Market,” (關於促進房地產市場健康發展的若干意見) which aims to, among other things, encourage the consumption of ordinary residential units and support property developers in changing market conditions. Pursuant to the opinion, in order to encourage the consumption of ordinary residential units, from January 1, 2009 to December 31, 2009, (i) business tax is imposed on the full amount of the sale price, upon the transfer of a non-ordinary residential unit by an individual within two years from the purchase date; (ii) for the transfer of a non-ordinary residential unit which has been held by the purchaser for more than two years from the purchase date and a ordinary residential unit which has been held by the purchaser for two years or less from the purchase date, the business tax is to be levied on the difference between the sale price and the purchase price; (iii) and in the case of an ordinary residential unit, business tax is fully exempted if that transfer occurs after two years from the purchase date. Furthermore, individuals with an existing ordinary residential unit that is smaller than the average size for their locality may buy a second ordinary residential unit under favorable loan terms similar to first time buyers. In addition, support for property developers to deal with the changing market is to be provided by increasing credit financing services to “low-to medium-level price” or “small- to medium-sized” ordinary commercial housing projects, particularly those under construction, and providing financial support and other related services to property developers with good credit standing for merger and acquisition activities.

On January 26, 2011, the State Council issued the “Notice on Further Strengthening Regulation and Control of Real Property Markets” (關於進一步做好房地產市場調控工作有關問題的通知), under which the transfer of all residential properties purchased and held by individuals for less than five years shall be subject to business tax based on total sale price from such transfer.

On January 27, 2011, the Ministry of Finance and the State Administration of Taxation jointly issued a new “Notice on Adjusting the Policy of Business Tax on Re-sale of Personal Residential Properties” (關於調整個人住房轉讓營業稅政策的通知), under which business tax is imposed on (i) the full amount of the transfer price upon the transfer of any residential property by an individual owner within five years from such individual owner’s purchase and (ii) the difference between the transfer price and the original purchase price upon the transfer of any non-ordinary residential property by an individual owner more than five years from such individual owner’s purchase. Business tax is exempted for ordinary residential properties if the transfer occurs after five years from the individual owner’s purchase. This notice became effective on January 28, 2011.

On February 26, 2013, the General Office of the State Council issued the “Notice on Continuing to Improve the Regulation and Control of the Real Estate Market” (國務院辦公廳關於繼續做好房地產市場調控工作的通知), which among others, provides the following requirements: (i) limitations on the purchase of commodity properties must be strictly implemented, and the scope of such limitations must cover all newly constructed commodity properties and second-hand properties located within the entire administrative area of the city in question; (ii) for those cities with excessive growth in housing prices, the local counterparts of the PBOC may further increase down payment ratios and interest rates for loans to purchase second



properties in accordance with the price control policies and targets of the corresponding local governments; (iii) the gains generated from the sale of a self-owned property shall be subject to individual income tax at a rate of 20%, if the original value of such property can be verified through historical information such as tax filings and property registration.

On November 24, 2014, the State Council promulgated the Interim Regulations on Real Estate Registration (不動產登記暫行條例), effective from March 1, 2015, which provides for the following, among others:

- i) the competent department of land and resources under the State Council shall be responsible for guiding and supervising the real estate registration of the State. The local government at or above the county level shall designate a department as the real estate registration authority within its administrative region which shall be subject to the guidance and supervision by the competent real estate registration authority at the higher level;
- ii) the real estate authority shall establish a uniform real estate registration book to record the items including, without limitation, the natural condition and ownership conditions of the real estate, and restriction of rights;
- iii) the competent department of land and resources under the State Council shall, in coordination with other related departments, establish a uniform management platform for real estate registration information. The information registered by the real estate registration authorities at all levels shall be incorporated into the uniform management platform to ensure the real-time sharing of registration information at the national, provincial, municipal and county levels; and
- iv) any right holder or interested party may inquire about or copy the real estate registration materials and the registration authority shall not refuse to provide such information. Units and individuals inquiring about the real estate registration information shall not use such registration information for any other purposes and no such information may be disclosed to the public or others without the consent of the right holder.

The “Implementing Rules of the Interim Regulations on Real Estate Registration” (不動產登記暫行條例實施細則), effective from January 1, 2016, authorizes the real estate registration authority to perform a site inspection following an acceptance of the application for real estate registration and sets out regulations regarding real estate registration information management.

On August 27, 2015, the MOHURD, the MOF and PBOC jointly issued the “Notice on the Adjustment of the Rate of the Minimum Down Payment for Personal Housing Loans from Housing Provident Fund” (關於調整住房公積金個人住房貸款購房最低首付款比例的通知) to further improve the policies on the personal housing loans from a housing provident fund and support the needs of depositing workers, under which, from September 1, 2015, with regard to families which have already owned one house and settled the housing payment, when applying for loans from the housing provident fund for a second housing so as to improve living conditions, the lowest down payment rate will be reduced from 30% to 20%.

On February 1, 2016, the PBOC and CBRC jointly issued the “Notice on the Adjustment of Individual Housing Loans Policies” (關於調整個人住房貸款政策有關問題的通知) which provides that in cities where property purchase control measures are not being implemented, the minimum down

payment ratio for a personal housing commercial loan obtained by a household for purchasing its first ordinary residential property is, in principle, 25% of the property price, which can be adjusted downward by 5% by local authorities. For existing residential property household owners which have not fully repaid the previous loan and are obtaining further personal housing commercial loan to purchase an additional ordinary residential property for the purpose of improving living conditions, the minimum down payment ratio shall be not less than 30% which is lower than the previous requirement of not less than 40%. On October 10, 2016, the MOHURD issued the “Circular on Further Regulating Operations of Real Estate Developers to Safeguard the Real Estate Market Order” (關於進一步規範房地產開發企業經營行為維護房地產市場秩序的通知), which requires that improper operations of real estate developers shall be investigated and punished according to law. The improper operations include releasing or spreading false housing information and advertisements, maliciously pushing higher and artificially inflating housing prices by fabricating or spreading information on rising property price and other operations.

## **Legal supervision relating to hotel sector in the PRC**

### **A. Foreign invested hotel project**

According to the Guidance Catalog, construction and operation of hotels falls within the category of “Permitted Foreign Investment Industry.” A foreign-invested enterprise investing in the hotel business can set up an enterprise in the form of sino-foreign equity joint venture, sino-foreign co-operative joint venture or wholly foreign-owned enterprise according to the Guidance Catalog and the requirements of the relevant laws and the administrative regulations on foreign-invested enterprises.

### **B. Hotel management**

The procedures involved in hotel construction in China including obtaining approval for land use, project planning and project construction shall also be subject to the aforementioned regulations relating to property project development. There is currently no special authority in China responsible for the daily management of hotel business. The supervision of daily management of hotel business belongs to different authorities in accordance with the respective business scopes of different hotels. The supervision mainly includes the following:

#### ***(a) Legal supervision on security and fire control***

Pursuant to the “Measures for the Control of Security in the Hotel Industry” (旅館業治安管理办法) issued by the Ministry of Public Security of the People’s Republic of China, enforced on November 10, 1987 and as amended on January 8, 2011, a hotel can operate only after obtaining an approval from the local public security bureau and a business license has been granted. The hotel enterprise should make a filing with the local public security bureau and its branches in the county or city, if hotel enterprise has any change including closing, transferring or merging of business, changing place of business and name, etc. Pursuant to the “Provisions on the Administration of Fire Control Safety of State Organs, Organizations, Enterprises and Institutions” (機關、團體、企業、事業單位消防安全管理規定) which were promulgated by the Ministry of Public Security on November 14, 2001 and became effective on May 1, 2002, hotels (or motels) are units which require special supervision on fire control and safety. When a hotel is under construction, renovation or re-construction, a fire control

examination procedure is required and when the construction, renovation or re-construction project is completed, a hotel can only open for business after passing a fire control inspection.

***(b) Supervision on public health***

According to relevant regulations and rules in relation to public health, hotels fall in the scope of public health supervision. The operating enterprise should acquire the sanitation license. The measures for granting and managing the sanitation license are formulated by public health authority of province, autonomous region, and municipality directly under the central government. The sanitation license is signed by the relevant public health administration and the public health and epidemic prevention institutions grant the license. The sanitation license should be reviewed once every two years.

***(c) Supervision on food hygiene***

According to the relevant regulations and rules in relation to food hygiene supervision, hotels operating catering services should obtain food hygiene licenses. Food hygiene licenses are granted by food hygiene administrative bodies above county level. The purchase, reserve and processing of food, tableware, and service should meet relevant requirements and standards of food hygiene.

***(d) Supervision on entertainment***

According to the "Regulation on the Administration of Entertainment Venues" (娛樂場所管理條例) enacted by the State Council on January 29, 2006 and enforced on March 1, 2006, hotels that operate singing, dancing and game places for profits are required to apply to the relevant local competent departments for culture administration for entertainment commercial operation approval. The relevant local competent departments for entertainment administration shall issue a license for entertainment business operations, which verifies the number of consumers acceptable to the entertainment venues according to the prescriptions set down by the competent department governing entertainment administrations under the State Council if it approves the relevant local application. According to the regulations concerning broadcast, movie and TV, hotels above three-star or the second rank of the national standards may apply to local broadcast and television administration of the county or above for setting ground equipment receiving satellite signal to receive entertainment programs from abroad. After finishing setting ground equipment and gaining the approval from broadcast and television administration from the relevant provincial, regional and municipal government and the approval from state security administration, the permit of receiving foreign television program from satellite is issued.

***(e) Supervision on disposition of sewage and pollutants***

According to Decision on Setting Administrative Licensing on Items Requiring Administrative Approval that Really Need Reserved (國務院對確需保留的行政審批項目設定行政許可的決定) enacted by the State Council on June 29, 2004, effective on July 1, 2004 and as amended on January 29, 2009, hotels that have been using or planning to use the city sewage system for water drainage are required to apply to the local city construction authority for a city water-draining permit.

***(f) Supervision on special equipment security***

Equipments such as elevators (lifts or escalators), boilers and pressure containers, are special equipments. According to the “Regulations on Security Supervisal of Special Equipment” (特種設備安全監察條例) which were promulgated by the State Council on March 11, 2003 and became effective on June 1, 2003, as amended on January 24, 2009, hotels are required to register with the special equipment security supervision authority of municipal government or city which has set up districts, and are required to apply for inspection regularly with the special equipment examination institution a month before the expiration of security examination according to the requirement of regular examination by technical security standard.

***(g) Supervision on sale of tobacco and alcohol***

According to law and regulations in relation to sale of tobacco, hotels that sell tobacco should apply to the tobacco monopoly administration for a Tobacco Monopoly Retail License. According to the “Measures for the Administration on Foreign Investment in Commercial Fields” (外商投資商業領域管理辦法) which were promulgated by Ministry of Commerce on April 16, 2004 and became effective on June 1, 2004, a foreign-invested enterprise that operates wholesale and retail is not allowed to operate in tobacco business. According to the “Measures for the Administration of Alcohol Circulation” (酒類流通管理辦法) which were promulgated by Ministry of Commerce on November 7, 2005 and became effective on January 1, 2006, an enterprise that sells alcohol is required to handle the archival filing and registration in the administrative department of commerce at the same level as the administrative department for industry and commerce where the registration is handled. The licensing system shall apply in those regions where the licensing administration of alcohol circulation has been carried out according to law.

**Legal supervision relating to property management sector in the PRC**

**A. Foreign-invested real estate management enterprises**

According to the Guidance Catalog, property management falls within the category of permitted foreign-invested industries. According to the Guidance Catalog and the relevant requirements under the laws and the administrative regulations on foreign-invested enterprises, a foreign-invested real estate management enterprise can be set up in the form of a sino-foreign equity joint venture, a sino-foreign cooperative joint venture or a wholly foreign owned enterprise.

**B. Qualifications of a real estate management enterprise**

According to the “Regulation on Real Estate Management” (物業管理條例) enacted by the State Council on June 8, 2003 and enforced on September 1, 2003, as amended on August 26, 2007 and effective on October 1, 2007, the state implements a qualification scheme system in monitoring the real estate management enterprises. According to the “Measures for Administration of Qualifications of Real Estate Service Enterprises” (物業服務企業資質管理辦法) which were promulgated by the Ministry of Construction on March 17, 2004 and became effective on May 1, 2004, as amended on November 26, 2007, a newly established real estate service enterprise is required to, within 30 days from the date of receiving its business license, apply to the relevant local bureau in charge of the property management under the local government or to the municipalities directly under the central government for a grading assessment. The departments of qualification examination and approval will check and issue a “real estate service qualification certificate” corresponding to their grading assessment results.

According to the Measures for the Administration on Qualifications of Real Estate Service Enterprises, real estate service enterprise shall be classified as either class one, class two or class three. The competent construction department of the State Council is responsible for the issuance and administration of the qualification certificate for class one real estate service enterprises. The competent construction departments of the relevant provincial and regional government is responsible for issuing and administrating the qualification certificate for class two real estate service enterprises, and the competent realty departments of the relevant municipal government is responsible for issuing and administrating the qualification certificate for class two and three real estate service enterprises. The competent realty departments of the people's governments of the cities divided into districts shall be responsible for the issuance and administration of the qualification certificate of the class three real estate service enterprises.

The real estate service enterprises with class one qualification may undertake various property service projects. The real estate service enterprises with class two qualification may undertake the property service business of residential management projects of less than 300,000 sq.m. and non-residential management projects of less than 80,000 sq.m. The real estate service enterprises with class three qualification may undertake the property service business of residential projects of less than 200,000 sq.m. and non-residential projects under 50,000 sq.m.

### **C. Employment of a real estate service enterprise**

According to the Regulation on Real Estate Management, owners may engage or dismiss a property management company with the consent of more than half of the owners who in the aggregate hold more than 50% of the total non-communal area of the building. If, before the formal employment of a property management company by the owners or the general meeting, the property developer shall enter into a preparation stage property services contract in writing with the real estate management enterprise.

## **Legal supervision relating to construction sector in the PRC**

### **A. Foreign-invested construction enterprise**

According to the Guidance Catalog, construction business falls within the category of permitted foreign investment industries.

### **B. The qualification of a construction enterprise**

According to Construction Law of the PRC and the "Provisions on the Administration of Qualifications of Enterprises in Construction Industry" (建築業企業資質管理規定), which was promulgated by the MOHURD on January 22, 2015 and became effective on March 1, 2015, and other relevant regulations, the enterprises in the construction industry shall be classified into different qualification classes pursuant to, amongst other things, the amount of its net asset value, professional personnel, technical equipments and performance records of completed construction works. A construction enterprise can engage in construction activities within its approved scope after obtaining the construction qualification certificate.

According to above-mentioned Provisions on the Administration of Qualifications of Enterprises in Construction Industry, the qualifications will be divided into three categories, namely, that for undertaking the whole of a construction project, that for undertaking a specialized contract and that for undertaking a labor service by subcontract. The categories of qualifications for

undertaking the whole of a construction project, undertaking a specialized contract and undertaking a labor service by subcontract are divided into several qualification types according to the nature of the project and technical features. Each qualification type is further divided into several classes according to the prescribed conditions.

The department in charge of construction under the State Council is responsible for the approval of the qualification of special class or first class enterprises for undertaking the whole of a construction project, the second class enterprises for undertaking the whole of a railway construction project, the qualification of the first class enterprises in highways, water carriage, water resources, railway, and airline industry and the second class enterprises in railway or airline for undertaking the specialized contract, and the qualification of first class enterprises for undertaking the specialized contract involving several specialties. The administrative department in charge of construction of the relevant provincial, autonomous regional or municipal government at the place where the concerned enterprise is registered is responsible for the approval of the qualification of the second class enterprises for undertaking the whole of a construction project, the third class enterprises for undertaking the whole of a railway or communication engineering construction project, the first and second class enterprises for undertaking a specialized contract, the third class enterprises for undertaking a specialized contract in railway as well as qualification for undertaking a specialized contract for special projects, except for those required to be approved by the department in charge of construction under the State Council. The administrative department in charge of construction of the relevant city government at the place where the concerned enterprise is registered is responsible for the approval of the qualification of the third class enterprises for undertaking the whole of a construction project, the third class enterprises for undertaking a specialized contract, qualification for undertaking a specialized contract in respect of premixed concrete and formwork scaffolds, the qualification of an enterprise of labor service by subcontract or gas appliance installation and repair, except for those required to be approved by the department in charge of construction under the State Council or at the provincial level.

According to the "Measures of the Ministry of Construction for the Implementation of the Relevant Qualification Administration Provided in the Provisions on the Administration of Foreign Funded Construction Enterprises" enacted by the Ministry of Construction and enforced on April 8, 2003, where a foreign enterprise purchases a domestic-funded construction enterprise, and the enterprise is restructured into a foreign-funded construction enterprise, the qualification of that enterprise is reviewed anew according to the standard it actually meets.

According to the Regulation on the Quality Management of Construction Projects an enterprise which undertakes a project without obtaining the qualification certificate for enterprises in the construction industry shall be banned, and be imposed a fine of 2% to 4% of the contractual price of the project. If it obtains any illegal proceeds, such proceeds shall be confiscated.

### **C. The business scope of qualifications for a wholly foreign owned construction enterprise**

According to the Regulations on the Administration of Foreign-invested Construction Enterprise, a wholly foreign owned construction enterprise is allowed to contract, within its scope of qualifications, the following projects: (a) a project that is to be constructed totally with the investment of a foreign country or the donation of a foreign country or the investment and donation of a foreign country; (b) a project funded by an international financial institution or

granted through international bidding according to terms of loan; (c) a joint construction project of which foreign investment holds 50% or more, and a sino-foreign joint construction enterprise in which foreign investment holds less than 50% but which cannot be independently implemented by any Chinese construction enterprise due to technical difficulties and has been approved by the administrative department of construction of the relevant provincial, regional or municipal government; and (d) a construction project using Chinese investment but that cannot be independently implemented by any Chinese construction enterprise due to technical difficulties and for which the administrative department of construction of the relevant provincial, regional or municipal government has approved being jointly contracted by Chinese and foreign construction enterprises.

### **Regulation on foreign exchange registration of offshore investment by PRC residents**

In July 2014, Circular No. 75 was abolished by SAFE and was superseded by the Notice Regarding Certain Issues on the Foreign Exchange Administration on the Offshore Investment and Financing and Round-trip Investment by PRC Residents through Special Purpose Vehicles (關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知), or Circular No. 37.

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

## Management

The following table sets forth certain information with respect to our directors and senior management as of the date of this offering memorandum.

Name	Age	Title
Mr. Yeung Kwok Keung	62	Chairman and Executive Director
Ms. Yang Huiyan	35	Vice Chairman and Executive Director
Mr. Mo Bin	49	President and Executive Director
Mr. Zhu Rongbin	43	Associate President and Executive Director
Mr. Wu Jianbin	54	Chief Financial Officer and Executive Director
Ms. Yang Ziying	28	Executive Director
Mr. Su Rubo	62	Executive Director
Mr. Ou Xueming	67	Executive Director
Mr. Yang Zhicheng	43	Executive Director
Mr. Xie Shutai	52	Executive Director
Mr. Song Jun	49	Executive Director
Mr. Liang Guokun	58	Executive Director
Mr. Su Baiyuan	51	Executive Director
Mr. Lai Ming, Joseph	72	Independent Non-Executive Director
Mr. Shek Lai Him, Abraham	71	Independent Non-Executive Director
Mr. Tong Wui Tung, Ronald	66	Independent Non-Executive Director
Mr. Huang Hongyan	46	Independent Non-Executive Director
Ms. Huang Xiao	49	Independent Non-Executive Director
Mr. Mei Wenjue	46	Independent Non-Executive Director
Mr. Yeung Kwok On	55	Independent Non-Executive Director
Mr. Cheng Guangyu	36	Vice President
Mr. Chen Bin	47	Vice President
Mr. Wang Shaojun	51	Vice President
Mr. Li Xiaolin	44	Vice President
Mr. Peng Zhibin	43	Vice President
Mr. Lin Zhaoxian	52	Chief Strategy Officer
Mr. Wang Zhidun	47	Vice President
Ms. Wu Bijun	42	Vice President
Mr. Zhang Zhiyuan	43	Vice President
Ms. Yang Cuilong	45	Vice President
Ms. Yang Lixing	45	Vice President
Mr. Huang Yuzhuang	41	Vice President
Ms. Chen Liyan	42	Vice President
Mr. Zhu Jianmin	39	Vice President
Mr. Leung Chong Shun	51	Company Secretary



## Directors

Our board currently consists of 20 directors, seven of whom are independent non-executive directors. Mr. Mo Bin was appointed as our president and executive director in July 2010. Ms. Yang Ziying was appointed as our executive director in May 2011. Mr. Huang Hongyan and Ms. Huang Xiao were appointed as our independent non-executive directors in December 2012. Mr. Zhu Rongbin was appointed as our associate president and executive director in May 2013. Mr. Xie Shutai, Mr. Song Jun and Mr. Liang Guokun were appointed as our executive directors in May 2013. Mr. Mei Wenjue was appointed as our independent non-executive director in May 2013. Mr. Su Baiyuan was appointed as our executive director in December 2013. Mr. Wu Jianbin and Mr. Yeung Kwok On were appointed as our chief financial officer and executive director and our independent non-executive director, respectively, in April 2014. All the remaining directors were appointed in December 2006.

### *Executive directors*

**Yeung Kwok Keung (楊國強)**, aged 62, was appointed as our chairman and an executive director in December 2006. Mr. Yeung is also the chairman of our nomination committee, corporate governance committee and executive committee, a member of our remuneration committee and a director of our various members. Mr. Yeung is responsible for the formulation of development strategies, investment planning and overall project planning as well as ensuring the board functioned properly with good corporate governance practice. From 1992 to 1997, Mr. Yeung was the general manager of Shunde Sanhe Property Development Co., Ltd. (順德市三和物業發展有限公司) (“Shunde Sanhe Co.”), the real estate business in which Mr. Yeung was engaged before he founded our Group. From 1986 to 1997, Mr. Yeung served as the general manager and the chairman of Shunde Beijiao Construction Company Limited (順德市北滘建築工程有限公司) (“Beijiao Construction Co.”) and also served as our general manager from 1997 to 2003. He has been the chairman of our board since our Company was listed in 2007. Mr. Yeung has over 39 years of experience in construction and over 25 years of experience in property development. Mr. Yeung was recognized as “China Charity Outstanding Contributions Person” and “Top Ten Contributions Persons to China Real Estate” in 2009, “China Real Estate Entrepreneur Charity Award” and “Person of China Real Estate” in 2010, “Individual under Non-collectively Own Category for Helping Poverty in Guangdong” in 2011, “2012 China Corporate Social Responsibility Award for Outstanding Entrepreneur” in 2012, “2015 China Poverty Eradication Award” in 2015, “China Charity Award-The Most Caring Contributing Individual” as well as “Contribution Award of National Poverty Alleviation Prize” in 2016. Mr. Yeung is currently a member of the 12th National Committee of the Chinese People’s Political Consultative Conference (全國政協委員). Mr. Yeung is the father of Ms. Yang Huiyan, our vice chairman, executive director and controlling shareholder, the father of Ms. Yang Ziying, our executive director, and the uncle of Mr. Yang Zhicheng, our executive director.

**Yang Huiyan (楊惠妍)**, aged 35, was appointed as our executive director in December 2006 and our vice chairman in March 2012. Ms. Yang is also a member of our corporate governance committee, executive committee and finance committee and a director of several of our members. Ms. Yang graduated from Ohio State University with a bachelor degree in marketing and logistics. She joined us in 2005 and served as the manager of our procurement department. Currently, she is primarily responsible for the formulation of our development strategies. Ms. Yang received the “China Charity Award Special Contribution Award” in 2008. Ms. Yang is

the daughter of Mr. Yeung Kwok Keung, our chairman and executive director, the sister of Ms. Yang Ziying and a cousin of Mr. Yang Zhicheng, both being our executive director.

**Mo Bin (莫斌)**, aged 49, was appointed as our president and executive director in July 2010. Mr. Mo is also a member of our remuneration committee, corporate governance committee, executive committee and finance committee and a director of several of our members. Mr. Mo graduated from Hengyang Institute of Technology (衡陽工學院) (currently known as University of South China (南華大學)) with a bachelor degree in industrial and civil architecture, obtained his postgraduate degree from Zhongnan University of Economics and Law (中南財經政法大學) and is a professor-grade senior engineer. Mr. Mo is primarily responsible for the management of our daily operation and general administration. Prior to joining us, Mr. Mo was employed by an internationally competitive construction and property group in the PRC, China State Construction Engineering Corporation (中國建築工程總公司) (“China Construction”), in a number of senior positions since 1989, most recently as a director and general manager of China Construction Fifth Engineering Division Corp., Ltd. (中國建築第五工程局有限公司) (“China Construction Fifth Division”). Mr. Mo has over 26 years of extensive experience in property development, construction business, construction management, marketing, cost control and corporate management.

**Zhu Rongbin (朱榮斌)**, aged 43, was appointed as our associate president and executive director in May 2013. Mr. Zhu is also a member of our executive committee and a director of several of our members. Mr. Zhu graduated from the Faculty of Civil Engineering of Tsinghua University with a master degree and is holding a title of senior engineer. Mr. Zhu was responsible for the management of our investment and product design and now is primarily responsible for the management of business division of first tier-cities. Mr. Zhu worked in China Overseas Holdings Limited from 1995 to 2008, most recently as director, assistant general manager and general manager (eastern China region) of China Overseas Property Group Company Limited and was responsible for property development and project management in various locations, namely Guangzhou, Hong Kong, Shenzhen, Beijing and Shanghai. From 2008 and before joining us in May 2013, Mr. Zhu worked in R&F, most recently as vice president and general manager (southern China region) of R&F. Mr. Zhu has over 21 years of experience in property development and related business.

**Wu Jianbin (吳建斌)**, aged 54, was appointed as our chief financial officer and executive director in April 2014. Mr. Wu is also the chairman of our finance committee, a member of our executive committee and a director of several of our members. Mr. Wu graduated from the School of Finance and Economics of Xi’an Jiaotong University (西安交通大學經濟與金融學院) (formerly known as Shaanxi Institute of Finance and Economics (陝西財經學院)) and obtained a master degree and a doctorate degree in Business Administration from the Macau University of Science and Technology (澳門科技大學), respectively. Mr. Wu is a senior accountant and is an adjunct professor at the Xi’an Jiaotong University and Shanghai University of International Business and Economics (上海對外經貿大學). Mr. Wu joined China Construction in 1984 and was seconded to China Overseas Land & Investment Ltd. in 1987. He was appointed as a director and a financial controller of China Overseas Holdings Limited in 2001 and appointed as an executive director and a financial controller of China Overseas Land & Investment Ltd. in 2002 and was re-designated as vice chairman and non-executive director in 2009. Prior to joining us in April 2014, Mr. Wu was an executive director and a deputy general manager of China Overseas Holdings Limited and the chairman of China Overseas Investment Developing Holdings Limited. Mr. Wu has received a number of awards between 2004 and 2009, including “the Achievement Award for Financial Management of 30th Anniversary of China’s Reform and Opening up”

(改革開放30周年財務管理成就獎) and “the 60th Anniversary of China’s Financial Value Leadership Award” (建國60周年中國財務價值領軍人物) awarded by the China Chief Financial Officer Press (中國總會計師雜誌社) and China CFO International Summit (中國CFO國際峰會) in 2008 and 2009, respectively. Mr. Wu is also a member of the 11th Shaanxi Provincial Committee of the Chinese People’s Political Consultative Conference (第十一屆政協委員). Mr. Wu has 33 years of experience in corporate finance, accounting, investment operations and information management.

**Yang Ziyang (楊子瑩)**, aged 28, was appointed as our executive director in May 2011. Ms. Yang is also a member of our executive committee and a director of several of our members. Ms. Yang graduated from Ohio State University with a bachelor degree in psychology. Ms. Yang joined us in 2008 as an assistant to the chairman. Currently, she is primarily responsible for overseeing our finances, including offshore and onshore financing. Prior to joining us, Ms. Yang worked in a renowned global investment bank. Ms. Yang is the daughter of Mr. Yeung Kwok Keung, our chairman and executive director, the sister of Ms. Yang Huiyan, our vice chairman, executive director and controlling shareholder, and a cousin of Mr. Yang Zhicheng, our executive director.

**Su Rubo (蘇汝波)**, aged 62, was appointed as our executive director in December 2006 and is also a director of several of our members. Mr. Su graduated from the School of Economic Management of Jinan University. He is primarily responsible for the construction management, supervision and coordination of some of our property development projects. From 1994 to 1997, Mr. Su served as a deputy general manager of Shunde Sanhe Co.. From 1986 to 1997, Mr. Su served as a deputy general manager of Beijiao Construction Co. and has been serving as a director and deputy general manager of Giant Leap Construction Co. and Shunde Country Garden since 1997. Mr. Su has over 39 years of experience in construction, approximately 23 years of experience in property development and approximately 20 years of experience in procurement of construction materials.

**Ou Xueming (歐學銘)**, aged 67, was appointed as our executive director in December 2006 and is also a director of several of our members. He is primarily responsible for the construction management, supervision and coordination of some of our property development projects. From 1994 to 1997, Mr. Ou served as a deputy general manager of Shunde Sanhe Co.. From 1986 to 1997, Mr. Ou served as a deputy general manager of Beijiao Construction Co. and has been serving as a director and a deputy general manager of Giant Leap Construction Co. and Shunde Country Garden since 1997. Mr. Ou has over 39 years of experience in construction and approximately 23 years of experience in the operation and management of property development.

**Yang Zhicheng (楊志成)**, aged 43, was appointed as our executive director in December 2006 and our regional president. Mr. Yang is also a member of our executive committee. He is primarily responsible for the overall development and management of some of our property development projects. Prior to joining us in 1997, Mr. Yang served as a project manager of Shunde Sanhe Co. and the general manager of Foshan Shunde Jun’an Country Garden Property Development Co., Ltd. (佛山市順德區均安碧桂園物業發展有限公司). After joining us, he served as our project general manager. Mr. Yang has approximately 23 years of experience in project development. Mr. Yang is a nephew of Mr. Yeung Kwok Keung, our chairman and executive director, and a cousin of Ms. Yang Huiyan, our vice chairman, executive director and controlling shareholder, and Ms. Yang Ziyang, our executive director.

**Xie Shutai (謝樹太)**, aged 52, was appointed as our executive director in May 2013. Mr. Xie graduated from Hunan University (湖南大學) with a bachelor degree in engineering and is a

qualified PRC civil engineer. He is primarily responsible for the overall management and supervision of some of our property development projects as well as the overall management of our hotel management, business management and property management companies. Prior to joining us in 1997, Mr. Xie worked in Hengyang City Construction Institute (衡陽市建築設計研究院) from 1986 to 1991 responsible for structural design work. He also worked in Shunde Sanhe Co. from 1992 to 1997 responsible for property management. Since 1997, he has been working in Shunde Country Garden and CG Property Services responsible for our overall property and hotel management, and served as our vice president from 2007 to May 2013. Mr. Xie has 25 years of experience in property management and approximately 20 years of experience in hotel management.

**Song Jun (宋軍)**, aged 49, was appointed as our executive director in May 2013. Mr. Song graduated from Chongqing College of Construction and Architecture (重慶建築工程學院), currently known as Chongqing University (重慶大學), with a bachelor degree in engineering and is a qualified PRC architect. Prior to joining us in 1994, Mr. Song worked in Hunan Province Jishou City Construction Institute (湖南省吉首市建築規劃勘察設計院) and Guangdong Elite Architectural Co., Ltd. and was responsible for architectural design work. Since 1997, he served as a project manager and a general manager of Shunde Country Garden and Guangzhou Country Garden, and served as our vice president since 2005, responsible for the management of our property project development. Currently, Mr. Song is responsible for the overall operation, management and sustainable development of our property projects in certain regions. Mr. Song has 19 years of experience in the management of property development.

**Liang Guokun (梁國坤)**, aged 58, was appointed as our executive director in May 2013. Mr. Liang is primarily responsible for our landscape design and gardening system management and supervision. Prior to joining us in 1999, Mr. Liang worked in Chung Shan Hot Spring Golf Club (中山溫泉高爾夫球會俱樂部) from 1985 to 1994. He also worked in Dongguan Yin Li Golf Club (東莞銀利外商俱樂部), Shenzhen Mission Hills Golf Club (深圳觀瀾湖高爾夫球會) and Shenzhen Longgang Green Club (深圳龍崗綠色俱樂部), currently known as Citic Green Golf Club (中信綠色高爾夫球會), in a number of senior positions, from 1994 to 1999. Mr. Liang served as our vice president since 2011. Mr. Liang has 32 years of experience in golf course design management and landscape design management.

**Su Baiyuan (蘇柏垣)**, aged 51, was appointed as our executive director in December 2013. Mr. Su graduated from Guangzhou Normal Institute (廣州師範學院) (currently known as Guangzhou University (廣州大學)), with a degree in geography and obtained a postgraduate degree in human geography from Sun Yat-Sen University (中山大學). Prior to joining us in 2005, Mr. Su had over 11 years of experience in land planning and development as well as operational management. Mr. Su was our vice president until February 2013, and was primarily responsible for investment development and the overall management of some of our property development projects. Currently, Mr. Su is primarily responsible for overseas development and the management of some of our overseas property development projects.

### ***Independent non-executive directors***

**Lai Ming, Joseph (黎明)**, aged 72, was appointed as our independent non-executive director in December 2006 and is currently the chairman of our audit committee and a member of our remuneration committee and nomination committee. Mr. Lai is a fellow member of Hong Kong Institute of Certified Public Accountants ("HKICPA"), CPA Australia, the Chartered Institute of Management Accountants ("CIMA") and the Hong Kong Institute of Directors. Mr. Lai was one of

the co-founders of the Hong Kong Branch of CIMA founded in 1973 and was its president in 1974/75 and 1979/80. He was the president of the HKICPA in 1986. Mr. Lai is an independent non-executive director of Jolimark Holdings Limited and R&F and retired as an independent non-executive director of Yuhua Energy Holdings Limited (formerly known as Shinhint Acoustic Link Holdings Limited) on May 23, 2014, all of which are companies whose shares are listed on the Hong Kong Stock Exchange. Mr. Lai also holds directorships in several private companies engaging in property development in Canada. He is also an independent non-executive director of Nan Fung Group Holdings Limited.

**Shek Lai Him, Abraham (石禮謙)** G.B.S., J.P., aged 71, was appointed as our independent non-executive director in December 2006 and is currently a member of our audit committee and remuneration committee. Mr. Shek graduated from the University of Sydney and holds a Bachelor of Arts degree and a Diploma in Education. He was appointed as a Justice of the Peace in 1995 and was awarded the Gold Bauhinia Star by the government of the HKSAR in 2013. He is a member of the HKSAR Legislative Council representing the Real Estate and Construction Functional Constituency, a member of the Court of Hong Kong University of Science and Technology, a member of Court and Council of University of Hong Kong, and has retired from the Independent Police Complaints Council as a vice chairman since January 1, 2015. Mr. Shek is an independent non-executive director of Midas International Holdings Limited, Lifestyle International Holdings Limited, NWS Holdings Limited, ITC Corporation Limited, Hop Hing Group Holdings Limited, MTR Corporation Limited, SJM Holdings Limited, Paliburg Holdings Limited, Lai Fung Holdings Limited, Chuang's Consortium International Limited, China Resources Cement Holdings Limited, TUS International Limited and Cosmopolitan International Holdings Limited, the vice chairman and an independent non-executive director of ITC Properties Group Limited, and the chairman and an independent non-executive director of Chuang's China Investments Limited, all of which are companies whose shares are listed on the Hong Kong Stock Exchange, as well as a director of Mandatory Provident Fund Schemes Authority. Mr. Shek is also an independent non-executive director of Eagle Asset Management (CP) Limited (the manager of Champion Real Estate Investment Trust) and Regal Portfolio Management Limited (the manager of Regal Real Estate Investment Trust), both trusts are listed on the Hong Kong Stock Exchange. Mr. Shek ceased to be an independent non-executive director of Titan Petrochemicals Group Limited, with effect from February 27, 2014 and of Hsin Chong Construction Group Limited with effect from May 12, 2014, both of which are companies whose shares are listed on the Hong Kong Stock Exchange, and of Dorsett Hospitality International Limited with effect from March 11, 2016, whose shares had been withdrawn from listing on the Hong Kong Stock Exchange since October 16, 2015 and a non-executive director of The Hong Kong Mortgage Corporation Limited since April 25, 2016.

**Tong Wui Tung, Ronald (唐滙棟)**, aged 66, was appointed as our independent non-executive director in December 2006. He is the chairman of our remuneration committee and a member of our audit committee and nomination committee. He has been practicing as a solicitor in Hong Kong for over 30 years and is a partner of the law firm, Messrs. Cheung Tong & Rosa Solicitors. He is also a Notary Public and a China Appointed Attesting Officer, and is admitted as a solicitor in several other jurisdictions. Mr. Tong is currently a non-executive director of Yip's Chemical Holdings Limited, a company whose shares are listed on the Hong Kong Stock Exchange.

**Huang Hongyan (黃洪燕)**, aged 46, was appointed as our independent non-executive director in December 2012 and is currently a member of our audit committee, nomination committee and remuneration committee. Mr. Huang graduated from the Department of Finance, the School of

Economics of Jinan University and holds a Bachelor of International Finance degree, and is also qualified as a Chinese certified public accountant, a Chinese certified tax agent, a Chinese certified public valuer, a certified internal auditor and a corporate accountant. Currently, Mr. Huang serves as a general manager of Foshan Yestar Consulting Co., Ltd.. Mr. Huang is an independent non-executive director of C&S Paper Co., Ltd., whose shares are listed on the Shenzhen Stock Exchange. Mr. Huang ceased to be an independent non-executive director of Guangdong Vanward New Electric Co., Ltd., whose shares are listed on the Shenzhen Stock Exchange, with effect from January 1, 2016.

**Huang Xiao (黃曉)**, aged 49, was appointed as our independent non-executive director in December 2012 and is currently a member of our audit committee, nomination committee and remuneration committee. Ms. Huang graduated from Jinan University and holds a Bachelor of Accounting degree. Ms. Huang has also graduated from the University of New South Wales, Australia and holds a Master of Commerce degree with a major in international accounting. Ms. Huang is qualified as a Chinese certified public accountant and a senior accountant. Currently, Ms. Huang serves as the officer of the examination and training department of Guangdong Provincial Institute of Certified Public Accountants and a member of registration committee of Guangdong Provincial Institute of Certified Public Accountants.

**Mei Wenjue (梅文瑀)**, aged 46, was appointed as our independent non-executive director in May 2013. Mr. Mei graduated from Sun Yat-Sen University with a bachelor degree in English language and literature and a master degree in public administration, and from School of Management of Cranfield University in United Kingdom with a master of business administration. Mr. Mei served as a director of safety management system office, the secretary of safety committee and safety information manager of China Southern Airlines Company Limited (“CSA”), the deputy representative of CSA in the safety security and quality functional executives of Sky Team. Mr. Mei also served as the chief representative of the Shenzhen Office of China Europe International Business School. Currently, Mr. Mei serves as the chief executive officer of Reocar Rental Chain Group (瑞卡連鎖租車集團). Mr. Mei ceased to be an independent non-executive director of Miko International Holdings Limited with effect from March 24, 2016, a company whose shares are listed on the Hong Kong Stock Exchange.

**Yeung Kwok On (楊國安)**, aged 55, was appointed as our independent non-executive director on April 1, 2014. Mr. Yeung obtained his doctorate degree in Strategic Human Resource Management at the University of Michigan in 1990 and a master degree in Management at the University of Hong Kong (香港大學) (Faculty of Social Sciences) in 1986. Mr. Yeung is a senior management advisor of Tencent Group, president of Y-Triangle Organizational Learning Oasis, and adjunct management professor at China Europe International Business School. Mr. Yeung served as the chief human resources officer of Acer Group from early 1999 to June 2002. Currently, Mr. Yeung serves as an independent non-executive director of SITC International Holdings Company Limited, a company whose shares are listed on the Hong Kong Stock Exchange, and Trina Solar Limited, a company whose shares are listed on the New York Stock Exchange. Mr. Yeung ceased to be an independent non-executive director of Kingdee International Software Group Company Limited with effect from March 17, 2014, a company whose shares are listed on the Hong Kong Stock Exchange.

### **Chief financial officer**

**Wu Jianbin (吳建斌)**, aged 54, was appointed as our chief financial officer and executive director in April 2014. See “—Executive directors—Wu Jianbin” above.

## Senior management

**Cheng Guangyu (程光煜)**, aged 36, is our vice president. Mr. Cheng graduated from Department of Civil Engineering of Tsinghua University with a bachelor and doctorate degree of Civil Engineering in 2002 and 2007, respectively, and obtained an EMBA degree from Guanghua School of Management of Peking University in 2015. Mr. Cheng joined us in 2007 and was responsible for overall operation management and sustainable development of property projects in certain regions under his supervision since 2012. Since 2014, Mr. Cheng has been primarily responsible for our overall sales and marketing management. Mr. Cheng has five years of experience in civil engineering research and nine years of experience in management of property development.

**Chen Bin (陳斌)**, aged 47, is our vice president since May 2015. Mr. Chen graduated from Dongnan University with a bachelor degree in industrial and civil architecture engineering, an MBA (Kellogg-HKUST), and is a qualified PRC senior engineer. Prior to joining us in May 2015, Mr. Chen worked in China Overseas Grand Oceans Group Ltd. as an executive director and the chief executive officer. Mr. Chen is a member of The Society of Professional Engineers, The Chartered Association of Building Engineers and The Chartered Institute of Building (Hong Kong). Mr. Chen has 22 years of management experience in construction business and personnel administration.

**Wang Shaojun (王少軍)**, aged 51, is our vice president. Mr. Wang graduated from Harbin Institute of Architecture and Engineering (哈爾濱建築工程學院) (currently known as Civil Engineering School of Harbin Institute of Technology (哈爾濱工業大學土木工程學院)) with a bachelor degree in industrial and civil architectures and a master degree in structural engineering and is a qualified PRC senior civil engineer. Prior to joining us in 2013, Mr. Wang worked in Dalian Wanda Commercial Properties Co., Ltd. as the general manager of its Guangzhou Company responsible for property development; and worked in Fantasia Holdings Group Co. Ltd. as the executive vice president responsible for the management and operation of property development business. Mr. Wang has 24 years of experience in management of property development.

**Li Xiaolin (黎曉林)**, aged 44, is our vice president. Mr. Li graduated from Department of Civil Engineering of Tsinghua University with a bachelor degree of architecture and structural engineering and Guanghua School of Management of Peking University with EMBA, and is a qualified PRC architecture engineer and a qualified real estate appraiser in the PRC. Mr. Li is primarily responsible for the operation and management of some of our property development projects. Prior to joining us in 2008, Mr. Li worked in Zhuhai Zhuguang Architecture Design Engineering Company responsible for architecture design, as well as in various property developers, namely New Home (Zhuhai) Real Estate Co. Ltd., Zhongshan Paramount Development Co., Ltd. and China Vanke Co., Ltd., responsible for property development and management. Since 2008, Mr. Li is responsible for the overall operation, management and sustainable development of property projects in certain regions under his supervision. Mr. Li has 20 years of experience in the management of real estate development.

**Peng Zhibin (彭志斌)**, aged 43, is our vice president. Mr. Peng graduated from Hefei University of Technology (合肥工業大學) with a bachelor degree of civil engineering in 1996 and Wuhan University (武漢大學) with a master degree of Business Administration in 2003. In August 2014, Mr. Peng graduated from China Europe International Business School with EMBA. Mr. Peng is primarily responsible for our human resources management. Prior to joining us in 2010, Mr. Peng worked in China Railway Siyuan Survey and Design Group Co., Ltd. (中鐵第四勘察設計院集團有限公司)

as an engineer and the head of professional design. Mr. Peng worked in ZTE Corporation (中興通訊股份有限公司) as a cadre management manager of human resources management center and the head of human resources (Middle East region) from 2003 to 2006; worked in Watson Wyatt Worldwide (華信惠悅諮詢公司) as a consultant and a project manager from 2006 to 2008; and worked in COFCO Property (Group) Co., Ltd. (中糧地產(集團)股份有限公司) as a controller of human resources (southern region) and a group vice controller of human resources from 2008 to 2010. Mr. Peng joined us in June 2010 as an assistant to president and the director of human resources. Mr. Peng has 15 years of experience in the human resources management.

**Lin Zhaoxian (林昭憲)**, aged 52, is our vice president and chief strategy officer. Mr. Lin graduated from the Department of Political Science, College of Law of National Taiwan University with a bachelor's degree and University of Chicago Booth School of Business with an MBA. Prior to joining us in 2015, Mr. Lin was an deputy brand manager at Procter & Gamble. He held senior positions such as director, partner and president in various international strategic consultancies and investment corporations, including Boston Consulting Group, Roland Berger Strategy Consultants and Strategic Bang Group. Mr. Lin has more than 20 years of experience in investment and strategy consultancy, assisting over 20 Fortune 500 companies and various onshore and offshore private equity funds or venture capital funds in their strategy and investment services. Significant projects he was responsible for cover new and high-tech, consumer electronics, internet, healthy medical, media and television, industrial real estate, finance and investment, etc.

**Wang Zhidun (王志敦)**, aged 47, is our vice president. Mr. Wang graduated from Shantou University (汕頭大學) with a bachelor degree in international business laws with qualification as a PRC lawyer. Prior to joining us in 2003, Mr. Wang was a partner of Guangdong Bowen Law Firm from 1996 to 2003. Mr. Wang left us in 2009 and rejoined in 2013. Currently, Mr. Wang is responsible for the investment and development of certain of our overseas property development projects.

**Wu Bijun (伍碧君)**, aged 42, is our vice president since April 2014. Ms. Wu is also the general manager of our finance center. Ms. Wu graduated from the Department of Public Finance and Taxation of Zhongnan University of Finance and Economics (中南財經大學) (currently known as Zhongnan University of Economics and Law (中南財經政法大學)) with a bachelor degree of economics, majoring in public finance in 1995, and obtained an EMBA degree from China Europe International Business School in 2015. She is qualified as a Chinese certified public accountant and a Chinese certified tax agent. Ms. Wu is responsible for our finance and capital management. Prior to joining us in 2005, Ms. Wu worked at Jingzhou, Hubei Branch of China Construction Bank and was responsible for accounting and auditing management. From 1999 to 2002, Ms. Wu was the chief auditor of Guangdong Foshan Zhixin Certified Public Accountants Co., Ltd. and was responsible for reviewing the accountant's reports. From 2002 to 2005, Ms. Wu worked at Shunde Finance Bureau and was responsible for the financial management of foreign investment enterprises. Ms. Wu joined us in 2005 and was mainly responsible for our financial management. Ms. Wu has 11 years of experience in the management of real estate financial resources and approximately 21 years of experience in the financial management.

**Zhang Zhiyuan (張志遠)**, aged 43, is our vice president. Mr. Zhang graduated from Changsha Railway Institute of Central South University (中南大學) with a bachelor degree in industrial and civil construction. He is also a senior engineer. Prior to joining us in 2014, Mr. Zhang worked at China Construction Fifth Division from 1995 to March 2014. He was a director and deputy general



manager of China Construction Fifth Division from October 2010 to March 2014. Mr. Zhang is a regional president of the northwest region of our Group.

**Yang Cuilong (楊翠隴)**, aged 45, is our vice president. Ms. Yang graduated from South China University of Technology (華南理工大學) with a bachelor degree of engineer majoring in architecture and is a national first class registered architect in the PRC. Prior to joining us in 2000, Ms. Yang worked at Guangdong Elite Architectural Co., Ltd. as director of the architectural office from 1993 to 2000 and was responsible for architecture design. Since 2000, she had served as the head of general office of our projects and an assistant to president, as well as the general manager in the project tendering management department. She was appointed as both our vice president as well as the general manager of our cost management center in September 2014 and is responsible for our construction cost, construction tender and total cost management. Ms. Yang has eight years of experience in architectural design and management and 15 years of experience in operation management and construction cost management for real estate.

**Yang Lixing (楊麗興)**, aged 45, is our vice president. Ms. Yang graduated from South China University of Technology (華南理工大學) majoring in management. Ms. Yang has been responsible for our procurement management since she joined us in 1992. Ms. Yang was appointed as our vice president in September 2014 as well as the general manager of our procurement center. Ms. Yang has 23 years of experience in the procurement management for real estate.

**Huang Yuzhuang (黃宇裝)**, aged 41, is our vice president. Mr. Huang graduated from Zhejiang University and Peking University with a bachelor degree in architecture and a master degree in geography (urban and regional planning) respectively and is a first-class national registered architect. Prior to joining us, Mr. Huang worked in Hong Kong Huayi Design Consultants (Shenzhen) Limited as the managing director and a design director. Mr. Huang has 16 years of experience in architecture design with extensive practical experience in engineering and acquired dozens of awards both in China and overseas with his advanced design ideas. Mr. Huang was recognized as "The First Top Ten Architect of Shenzhen", "The Ninth Chinese Architecture Academy Young Architect" and "New Real Estate Architect for the year of 2014". Mr. Huang joined us in March 2015. He is our chief designer and is responsible for the design system.

**Chen Liyan (陳立艷)**, aged 42, is our vice president. Ms. Chen graduated from Renmin's University of China (中國人民大學) majoring in financial accounting. Prior to joining us in 2014, Ms. Chen worked in UFIDA software Co., Ltd (用友軟體集團) as a product business analyst, consulting and implementation director, general manager of real estate architecture department and assistant president and was responsible for leading and designing the software supporting the profit model of the whole real estate industry chain. Ms. Chen was appointed as our vice president as well as the general manager of our information management center in November 2014. Currently, Ms. Chen is responsible for our information system and information management.

**Zhu Jianmin (朱劍敏)**, aged 39, is our vice president. Mr. Zhu graduated from Foreign Language Department of Jiangxi Gannan Normal University and China Journalism College with a dual bachelor's degree, and School of Journalism and Communication, Peking University with a master's degree in communication. Prior to joining us, Mr. Zhu worked in the Xinhua News Agency in a number of positions namely journalist, editor, chief editor and office director of editorial department. Mr. Zhu was appointed as leader of the tenth poverty alleviation team of the Xinhua News Agency and worked as assistant to mayor of Tongren City in Guizhou and deputy secretary of the Party Committee in Sinan County in 2014. Mr. Zhu is also the head of our

general office and spokesman of our Group and is responsible for the executive system and the management of culture brand and strategic research.

### **Company secretary**

**Leung Chong Shun** (梁創順), aged 51, was appointed as our company secretary since October 2016. Mr. Leung was graduated from the University of Hong Kong in November 1988 where he was awarded a bachelor degree of Laws with honors. He is qualified as solicitor in both Hong Kong and England and has been a practising lawyer in Hong Kong since 1991.

### **Compensation of directors**

Our executive directors receive remuneration in the form of salaries, discretionary bonuses, contributions to pension schemes and benefits in kind. The aggregate salary paid to our executive directors for each of the three years ended December 31, 2013, 2014 and 2015, was RMB22.9 million, RMB69.8 million and RMB67.0 million, respectively. In accordance with the rules and regulations in the PRC, our PRC based employees, including employees who are directors, participate in various defined contribution retirement benefit plans organized by the relevant municipal and provincial governments in the PRC under which we and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries. For the years ended December 31, 2013, 2014 and 2015, we contributed approximately RMB372,000, RMB620,000 and RMB692,000, respectively, to the plans in respect of our executive directors. The aggregate amounts of compensation (including salaries, discretionary bonuses, contributions to pension schemes and benefits in kind) which were paid to our executive directors during each of the three years ended December 31, 2013, 2014 and 2015 were RMB31.9 million, RMB97.4 million and RMB89.9 million, respectively.

Save as disclosed above, no other amounts have been paid or are payable by us to the directors in respect of each of the three years ended December 31, 2013, 2014, 2015.

### **Audit committee**

We have established an audit committee. The primary duty of our audit committee is to provide an independent review of the effectiveness of the financial reporting process, internal control and risk management system of our Group, oversee the audit process and perform other duties and responsibilities as may be assigned by our board from time to time. The members of the audit committee are five of our independent non-executive directors, namely Mr. Lai Ming, Joseph, Mr. Shek Lai Him, Abraham, Mr. Tong Wui Tung, Ronald, Mr. Huang Hongyan and Ms. Huang Xiao. Mr. Lai Ming, Joseph is the chairman of our audit committee.

### **Remuneration committee**

We have established a remuneration committee. The primary duty of our remuneration committee is to make recommendations to the board on the Company's policy and structure for

all remuneration of directors and senior management of our Group, review and approve the management's remuneration proposals with reference to our board's corporate goals and objectives, and make recommendations to our board on the remuneration packages of individual directors and senior management. The remuneration committee consists of seven members, of whom two are executive directors being Mr. Yeung Kwok Keung and Mr. Mo Bin, and five are independent non-executive directors being Mr. Lai Ming, Joseph, Mr. Shek Lai Him, Abraham, Mr. Tong Wui Tung, Ronald, Mr. Huang Hongyan and Ms. Huang Xiao. Mr. Tong Wui Tung, Ronald is the chairman of our remuneration committee.

### **Corporate governance committee**

We have established a corporate governance committee. The primary duty of our corporate governance committee is to develop and review our Company's policies and practices on corporate governance and make recommendations to our board, review and monitor the training and continuous professional development of directors and senior management, review and monitor our Company's policies and practices on compliance with legal and regulatory requirements, develop, review and monitor the code of conduct and compliance manual (if any) applicable to our Group's employees and directors, and review our Company's compliance with the corporate governance code as set out in Appendix 14 of the Listing Rules and disclosure in our corporate governance report. The corporate governance committee consists of three members, of whom all three are executive directors, namely Mr. Yeung Kwok Keung, Ms. Yang Huiyan and Mr. Mo Bin. Mr. Yeung Kwok Keung is the chairman of our corporate governance committee.

### **Nomination committee**

We have established a nomination committee. The primary duty of our nomination committee is to review the structure, size and composition of our board and make recommendations on any proposed changes to our board to complement our Company's corporate strategy, identify individuals suitably qualified to become board members and select or make recommendations to the board on the selection of individuals nominated for directorships, assess the independence of independent non-executive directors, and make recommendations to our board on the appointment or re-appointment of directors and succession planning for directors. The nomination committee consists of five members, an executive director, Mr. Yeung Kwok Keung and four independent non-executive directors, namely Mr. Lai Ming, Joseph, Mr. Tong Wui Tung, Ronald, Mr. Huang Hongyan and Ms. Huang Xiao. Mr. Yeung Kwok Keung is the chairman of our nomination committee.

### **Executive committee**

We have established an executive committee. The primary duty of our executive committee is to discuss and make decisions on matters relating to our management and operations, including, but not limited to, corporate matters and financial/treasury planning, and to establish strategies, consider and make recommendations to our board on acquisitions of or investments in business or projects, and review and discuss any other matters, as may from time to time, be delegated by our board. The executive committee consists of seven members, of whom all seven are executive directors, namely Mr. Yeung Kwok Keung, Ms. Yang Huiyan, Mr. Mo Bin, Mr. Zhu Rongbin, Mr. Wu Jianbin, Ms. Yang Ziyang and Mr. Yang Zhicheng. Mr. Yeung Kwok Keung is the chairman of our executive committee.

## **Finance committee**

We have established a finance committee. The primary duty of our finance committee is to discuss and make decisions on the matter relating to the management of finance and capital, including, but not limited to, approve any financial projects and/or guarantees whose upper limits are US\$300 million per transaction, and review and discuss any other matters, as may from time to time, be delegated by our board. The finance committee consists of six members, three executive directors, namely Ms. Yang Huiyan, Mr. Mo Bin, and Mr. Wu Jianbin, and other three senior management of our finance centre. Mr. Wu Jianbin is the chairman of our finance committee.

## Directors' interests

As of the date of this offering memorandum, the interests of the directors of our Company who held office at the date of this offering memorandum in the shares, underlying shares and debentures of our Company and its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register which were required to be kept under section 352 of the SFO, or as otherwise notified to our Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules were as follows:

Name of Directors	Capacity	Number of ordinary shares held	Number of underlying shares held	Total	Percentage to the issued share capital as of the date of this offering memorandum	Amount of debentures held
Mr. Yeung Kwok Keung	Interest of controlled corporation	53,372,800 <sup>1</sup>	-	53,372,800	0.24%	-
Ms. Yang Huiyan	Interest of controlled corporation	12,236,706,943 <sup>2</sup>	-	12,236,706,943	56.10%	-
Mr. Mo Bin	Beneficiary of a trust	3,200,000	-	-	-	-
	Beneficial owner	7,511,000	-	10,711,000	0.04%	-
Mr. Zhu Rongbin	Beneficial owner	2,756,042	-	2,756,042	0.01%	-
Mr. Wu Jianbin	Beneficial owner	3,200,849	-	3,200,849	0.01%	-
Ms. Yang Ziyang	Interest of controlled corporation	2,750,000 <sup>3</sup>	-	2,750,000	0.01%	-
Mr. Su Rubo	Interest of controlled corporation	749,437,312 <sup>4</sup>	-	-	-	-
	Beneficial owner	-	186,342 <sup>5</sup>	749,623,654	3.43%	-
Mr. Ou Xueming	Interest of controlled corporation	772,144,068 <sup>6</sup>	-	-	-	-
	Beneficial owner	-	968,146 <sup>5</sup>	773,112,214	3.54%	-
Mr. Yang Zhicheng	Beneficial owner	-	3,999,635 <sup>5</sup>	3,999,635	0.01%	-
Mr. Xie Shutai	Interest of spouse	901,266 <sup>7</sup>	-	901,266	0.01%	-
Mr. Song Jun	Beneficial owner	-	2,626,801 <sup>5</sup>	2,626,801	0.01%	-
Mr. Liang Guokun	Interest of spouse	1,674,936 <sup>8</sup>	-	1,674,936	0.01%	-
Mr. Su Baiyuan	Beneficial owner	436,096	-	-	-	-
	Interest of spouse	419,643 <sup>9</sup>	-	855,739	0.01%	-
Mr. Lai Ming, Joseph	Beneficial owner	-	1,014,786 <sup>5</sup>	1,014,786	0.01%	-
Mr. Shek Lai Him, Abraham	Beneficial owner	-	1,014,786 <sup>5</sup>	1,014,786	0.01%	-
Mr. Tong Wui Tung, Ronald	Beneficial owner	-	1,014,786 <sup>5</sup>	1,014,786	0.01%	-

*Notes:*

1. These shares represent shares held by Kenpac Investments Limited and in which Mr. Yeung Kwok Keung beneficially owns 90% of the issued share capital.
2. These shares represent shares held by Concrete Win Limited, Genesis Capital Global Limited and Golden Value Investments Limited in which Ms. Yang Huiyan beneficially owns the entire issued share capital, respectively.
3. These shares represent shares held by Shiny Dragon Assets Limited in which Ms. Yang Ziyang and Mr. Zhou Hongru, being her spouse, beneficially own the entire issued share capital in joint tenancy with rights of survivorship.
4. These shares represent shares held by Easy Hope Holdings Ltd in which Mr. Su Rubo beneficially owns the entire issued share capital.
5. The relevant interests are unlisted physically settled options granted pursuant to the Share Options Scheme (as defined below). Upon exercise of the share options in accordance with the Share Options Scheme, ordinary shares of HK\$0.10 each in the share capital of our Company are issuable. The share options are personal to the respective directors.
6. These shares represent shares held by Highlander Group Limited in which Mr. Ou Xueming beneficially owns the entire issued share capital.
7. These shares represent shares held by Ms. Yang Congrong being the spouse of Mr. Xie Shutai.
8. These shares represent shares held by Ms. Ma Minhua being the spouse of Mr. Liang Guokun.
9. These shares represent shares held by Ms. Liu Qing being the spouse of Mr. Su Baiyuan.

## **Employee incentive scheme**

We have set up an employee incentive scheme (the “Employee Incentive Scheme”). The trust deed in respect of the Employee Incentive Scheme for the benefit of our senior management and employees which excludes any of our connected persons together with the scheme rules were approved by our board officially. The purpose of the Employee Incentive Scheme is to provide the participants with an opportunity to hold a personal stake in us so as to motivate such participants and to enhance their performance and efficiency. During the six months ended June 30, 2016, we had not purchased any of our shares from the market and had not acquired any shares by other way in accordance with the Employee Incentive Scheme. Our board has recently resolved the granting of share awards under the Employee Incentive Scheme of 3,658,545 shares, 5,365,064 shares and 764,071 shares on March 15, 2016, May 11, 2016 and August 18, 2016, respectively, subject to registration and transfer procedures, which had yet to be completed as of the date of this offering memorandum. The cumulative total number of our shares acquired for purposes of the Employee Incentive Scheme as of June 30, 2016 were 107,771,551 shares, amongst 10,092,791 share awards have completed the registration and transfer procedures and effectuated the granting of share awards on September 19, 2016.

Our board will continue to monitor the Employee Incentive Scheme for the benefit of our senior management and employees and if we consider appropriate and/or desirable, may modify or replace the Employee Incentive Scheme with and/or adopt other incentive scheme.

## **Share option scheme**

We adopted a share option scheme (the “Share Option Scheme”) on March 20, 2007. The purpose of the Share Option Scheme is to provide incentives to our employees including our executive directors and non-executive directors (each a “participant”). Our board may, at any time within 10 years after the date of adoption of the Share Option Scheme, make an offer to any participant. The subscription price for shares granted pursuant to the Share Option Scheme is the highest of:

- the closing price of the shares of the Company on the Hong Kong Stock Exchange on the business day on which an offer is made to a participant;
- the average of the closing prices of the shares on the Hong Kong Stock Exchange for the five business days immediately preceding the date on which such offer is made; and
- the nominal value of the shares of the Company.

The total number of shares which may be issued upon exercise of all options granted under the Share Option Scheme must not, in aggregate, exceed 10% of the issued share capital of the Company at the date of approval of the Share Option Scheme. The 10% limit may be refreshed with the approval by ordinary resolution of our shareholders. The maximum number of shares which may be issued upon exercise of all outstanding options granted, and yet to be exercised, under the Share Option Scheme must not exceed 30% of our issued share capital.

The total number of shares issued and to be issued upon exercise of all options granted under the Share Option Scheme to each participant (including both exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the total number of issued shares of the Company. If shares issued and to be issued upon exercise of all options granted under the Share Option Scheme (including options exercised, cancelled and outstanding) to a participant who is a substantial shareholder or an independent non-executive director of the Company in any 12-month period, (i) represent in aggregate more than 0.1% of the total number of shares in issue and (ii) have an aggregate value, based on the closing price of the shares of the Company at the date of each grant, in excess of HK\$5,000,000, the proposed grant of option must be approved by our shareholders by poll in a general meeting.

The exercise period of any option granted under the Share Option Scheme shall not be longer than 10 years from the date of grant of the relevant option. Our board has the authority to determine the minimum period for which an option must be held before it can vest.

As of the date of this offering memorandum, details of the movements in the share options granted under the Share Option Scheme were as follows:

Category and name of grantees	Options to subscribe for shares of our Company					Outstanding as of the date of this offering memorandum	Exercise price per share HKD	Date of grant	Exercisable period
	Outstanding at January 1, 2016	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period				
<b>Directors</b>									
Mr. Lai Ming, Joseph .....	1,014,786	-	-	-	-	1,014,786	3.646	30.11.2012	30.11.2012-29.11.2022
Mr. Shek Lai Him, Abraham .....	1,014,786	-	-	-	-	1,014,786	3.646	30.11.2012	30.11.2012-29.11.2022
Mr. Tong Wui Tung, Ronald .....	1,014,786	-	-	-	-	1,014,786	3.646	30.11.2012	30.11.2012-29.11.2022
Mr. Su Rubo .....	-	204,231	-	-	204,231	-	3.020	14.01.2016	14.01.2021-13.01.2026
	-	186,342	-	-	-	186,342	3.332	16.03.2016	16.03.2021-15.03.2026
Mr. Ou Xueming .....	968,146	-	-	-	-	968,146	4.773	13.12.2013	13.12.2018-12.12.2023
Mr. Yang Zhicheng ...	1,515,933	-	-	-	-	1,515,933	4.773	13.12.2013	13.12.2018-12.12.2023
	-	1,653,950	-	-	1,653,950	-	3.020	14.01.2016	14.01.2021-13.01.2026
	-	1,509,074	-	-	-	1,509,074	3.332	16.03.2016	16.03.2021-15.03.2026
	-	525,597	-	-	-	525,597	3.106	11.05.2016	11.05.2021-10.05.2026
	-	449,031	-	-	-	449,031	3.740	19.08.2016	19.08.2021-18.08.2026
Mr. Song Jun .....	-	807,192	-	-	807,192	-	3.020	14.01.2016	14.01.2021-13.01.2026
	-	736,487	-	-	-	736,487	3.332	16.03.2016	16.03.2021-15.03.2026
	-	1,074,264	-	-	-	1,074,264	3.106	11.05.2016	11.05.2021-10.05.2026
	-	816,050	-	-	-	816,050	3.740	19.08.2016	19.08.2021-18.08.2026
Sub-total .....	5,528,437	7,962,218	-	-	-2,665,373	10,825,282			
<b>Employees of the Group</b> .....	3,236,589	-	-	-	-	3,236,589	4.773	13.12.2013	13.12.2018-12.12.2023
Sub-total .....	3,236,589	-	-	-	-	3,236,589			
<b>Total</b> .....	8,765,026	7,962,218	-	-	-2,665,373	14,061,871			



## Principal shareholders

As of the date of this offering memorandum, the interested persons, other than the directors or chief executive of our Company in the shares and the underlying shares of our Company representing 5% or more in the shares comprised in the relevant share capital of our Company as recorded in the register kept by our Company under Section 336 of the SFO were as follows:

Name of shareholders	Capacity	Number of ordinary shares	Percentage of issued share capital
Concrete Win Limited . . . . .	Beneficial Owner	9,303,378,010 <sup>1</sup>	42.66%
Genesis Capital Global Limited . . . . .	Beneficial Owner	2,840,000,000 <sup>2</sup>	13.02%
Ping An Life Insurance Company of China, Ltd. . . . .	Beneficial Owner	2,236,200,000 <sup>3</sup>	10.02%

*Notes:*

1. These shares are held by Concrete Win Limited, the entire issued share capital of which is beneficially owned by Ms. Yang Huiyan.
2. These shares are held by Genesis Capital Global Limited, the entire issued share capital of which is beneficially owned by Ms. Yang Huiyan.
3. These shares are held by Ping An Life Insurance Company of China, Ltd., which is a subsidiary of Ping An Insurance (Group) Company of China, Ltd., a joint stock limited company duly incorporated in the PRC with limited liability, the H Shares of which are listed on the main board of the Hong Kong Stock Exchange (Stock Code: 2318) and the A Shares of which are listed on the Shanghai Stock Exchange (Stock Code: 601318).

Save as disclosed, none of the directors knows of any person (not being a director or chief executive of our Company) who will have an interest or short position in the shares or underlying shares of our Company as representing 5% or more in the shares comprised in the relevant share capital of our Company.

## Related party transactions

The following discussion describes certain material related party transactions in 2013, 2014, 2015 and the first half of 2016 between our consolidated subsidiaries and our directors, executive officers, original shareholders and associates and, in each case, the companies with which they are affiliated.

The following table summarizes our related party transactions for the periods indicated.

(in thousands)	For the year ended December 31,				For the six months ended June 30,		
	2013	2014	2015	2015	2015	2016	2016
	(RMB)	(RMB)	(RMB)	(US\$)	(RMB)	(RMB)	(US\$)
<b>Construction and decoration service income</b>							
Controlled by our ultimate controlling shareholder and/or her close family members <sup>(1)</sup> .....							
	-	-	-	-	-	-	-
Controlled by certain directors of the							
Company .....	253,107	209,917	85,617	12,883	82,613	54,242	8,161.7
Associates .....	-	-	93,425	14,058	-	320,365	48,205.0
Joint ventures .....	-	-	103,900	15,634	-	229,750	34,570.2
Subtotal .....	253,107	209,917	282,942	42,574	82,613	604,357	90,936.9
<b>Purchase of design service</b>							
Controlled by our ultimate controlling shareholder <sup>(1)</sup> .....							
	638,913	1,126,836	915,751	137,792	387,365	80,140	12,058.6
<b>Purchase of construction, materials and water</b>							
Controlled by our ultimate controlling shareholder and/or her close family members <sup>(1)</sup> .....							
	508,739	408,873	4,323	650	1,915	1,825	274.6
Controlled by certain of our directors .....							
	8,664	8,312	5,210	784	2,129	-	-
Subtotal .....	517,403	417,185	9,533	1,434	4,044	1,825	274.6
<b>Property management and operating service income</b>							
Controlled by certain of our directors .....							
	-	-	-	-	-	1,066	160.4
Associates .....	-	-	-	-	-	2,634	396.3
Joint ventures .....	-	-	-	-	-	3,694	555.8
Subtotal .....	-	-	-	-	-	7,394	1,112.6
<b>Provide guarantee for borrowings</b>							
Associate and a joint venture .....							
	1,184,209	2,298,980	1,781,900	268,120	1,781,900	7,165,260	1,078,147.4
<b>Key management compensation</b> .....							
	38,039	101,417	96,944	14,587	47,674	56,759	8,540.5

Note:

(1) Our "ultimate controlling shareholder" in this section and elsewhere in this offering memorandum refers to Ms. Yang Huiyan.

As of December 31, 2013, 2014 and 2015 and June 30, 2016, we had the following significant balances with our related parties:

(in thousands)	As of December 31,				As of June 30,	
	2013	2014	2015	2015	2016	2016
	(RMB)	(RMB)	(RMB)	(US\$)	(RMB)	(US\$)
<b>Balances due from related parties</b>						
Included in amounts due from customers for contract work						
Controlled by ultimate controlling shareholders and/or her close family members						
members	-	-	-	-	-	-
Controlled by certain of our directors						
Associates	700,197	908,173	225,513	33,932.7	38,018	5,720.5
Joint ventures	-	-	72,570	10,919.5	184,390	27,744.9
Subtotal	-	-	45,130	6,790.7	246,155	37,038.6
Subtotal	700,197	908,173	343,213	51,642.8	468,563	70,504.1
Included in other receivables and prepayments						
Controlled by our ultimate controlling shareholder and/or her close family members						
members	516,307	360,894	296,408	44,600.1	2	0.3
Controlled by certain of our directors						
Associates	64,061	315,323	964,104	145,067.5	308,124	46,363.0
Joint ventures	2,039,745	2,039,745	2,923,452	439,888.1	5,861,159	881,921.0
Subtotal	304,612	304,612	413,693	62,247.9	8,983,216	1,351,692.9
Subtotal	2,924,725	3,020,574	4,597,657	691,803.5	15,152,501	2,279,977.3
	3,624,922	3,928,747	4,940,870	743,446.3	15,621,064	2,350,481.4
<b>Balances due to related parties</b>						
Included in trade and other payables						
Controlled by our ultimate controlling shareholder and/or her close family members						
members	335,432	1,108,838	2,043,148	307,429.8	1,654	248.9
Controlled by certain of our directors						
Associates	392	392	6,689	1,006.5	2,610	392.7
Joint ventures	-	-	220,076	33,114.6	3,129,277	470,858.3
Subtotal	-	-	225,054	33,863.6	2,446,494	368,120.8
Subtotal	335,824	1,109,230	2,494,967	375,414.5	5,580,035	839,620.7

### Construction, fitting and decoration services

A substantial amount of our related party transactions consist of construction, fitting and decoration services we provided to related parties. Pursuant to various contracts, we provide construction services through our subsidiary, Giant Leap Construction Co., to Qingyuan Country

Garden Co., a company controlled by our directors, as well as to our associates and joint ventures. We offer such construction and decoration services with reference to market prices and on terms no more favorable than those offered by independent third parties for comparable services. In 2013, 2014, 2015 and the first half of 2016, the aggregate services fees we received for construction and decoration service income amounted to RMB253.1 million, RMB209.9 million, RMB85.6 million and RMB54.2 million (US\$8.2 million), respectively. In addition, we provided construction and decoration services to some associates and joint ventures. The aggregate construction and decoration services fees we received from our related parties was RMB604.4 million (US\$90.9 million) in the first half of 2016.

### **Purchase of design services**

Our design work is mainly undertaken by Guangdong Elite Architectural Co., Ltd., which was controlled by one of our original shareholders until recently. The design services are provided on terms (including but not limited to pricing) no less favorable than those offered by independent third parties for comparable services. In 2013, 2014, 2015 and the first half of 2016, the total purchase prices amounted to RMB638.9 million, RMB1,126.8 million, RMB915.8 million and RMB80.1 million (US\$12.1 million), respectively. In October 2012, the scope of Guangdong Elite Architectural Co., Ltd.'s services was broadened to cover survey work.

### **Purchase of cement products**

We purchase cement products from Guangdong Grand Pipe Pile Co., Ltd. ("Grand Pile Co."), a company controlled by our directors, for some of our property development projects. The cement products are sold to us on terms (including but not limited to pricing) no less favorable than those offered by Grand Pile Co. to independent third parties. In 2013, 2014, 2015 and the first half of 2016, purchases of cement products from Grand Pile Co. amounted to RMB8.7 million, RMB8.3 million, RMB5.2 million and nil, respectively.

### **Purchase of water**

We purchase water from Foshan Shunde Jiangkou Water Plant Co., Ltd. ("Jiangkou Water Plant Co."), and Zengcheng Crystal Water Plant Co., Ltd. ("Crystal Water Plant Co."), both of which are controlled by our original shareholders and their close family members.

Jiangkou Water Plant Co. and Crystal Water Plant Co. provide us with water for use in operations in the Panyu District, the Shunde District and the Zengcheng District. The water supplied are at rates no less favorable than rates chargeable by other water plants operated by independent third parties in the Panyu District, the Shunde District and the Zengcheng District. The amount we paid to Jiangkou Water Plant Co. and Crystal Water Plant Co. were RMB3.5 million and RMB6.3 million, respectively, in 2013, and RMB1.1 million and RMB7.1 million, respectively, in 2014, nil and RMB4.3 million, respectively, in 2015 and nil and RMB1.8 million (US\$270.8 million), respectively, in the first half of 2016.

### **Purchase of lighting supply**

On October 31, 2012, we entered into a framework agreement with Guangdong Shenghui Electronics Holdings Limited ("Guangdong Shenghui"), a company controlled by our original

shareholders and their close family members, pursuant to which Guangdong Shenghui supplies lighting equipments, distribution board/control cabinet and provide relevant lighting design and installation work to our subsidiaries for a term commencing from October 31, 2012 to December 31, 2014. The lighting services provided on terms (including but not limited to pricing) no less favorable than those offered by independent third parties for comparable services. In 2013, the total purchase price amounted to RMB271.4 million. On November 26, 2013, Guangdong Shenghui's shareholder transferred its entire equity interest in Guangdong Shenghui to independent third parties. Since then, Guangdong Shenghui is no longer our associate or connected person.

### **Other related party transactions**

Other related transactions include the purchase of construction materials (other than cement products) from our original shareholders and their close family members. Generally, the terms of such transactions (including but not limited to pricing or rates, as applicable) are no less favorable than those offered by independent third parties for comparable products and services.

For further information about our related party transactions, see note 41 to the consolidated financial information as of and for the year ended December 31, 2015 and note 34 to the unaudited interim condensed consolidated financial information as of and for the six months ended June 30, 2016 included elsewhere in this offering memorandum.

## Description of other material indebtedness

To fund our existing property projects and to finance our working capital requirements, we have borrowed money from various banks. As of June 30, 2016, our total borrowings (including bank and other borrowings, receipts under securitization arrangements, the 2023 Notes, the 2021 Notes, the 2019 Notes, the Private Notes, the 2020 Notes and corporate bonds) totaled RMB103,112.0 million (US\$15,515.1 million). As of June 30, 2016, we had a total amount of RMB21,348.4 million (US\$3,212.3 million) of the 2023 Notes, the 2021 Notes, the 2019 Notes, the Private Notes and the 2020 Notes outstanding. We set forth below a summary of the material terms and conditions of these loans and other indebtedness.

### PRC project loan agreements

Certain of our PRC subsidiaries have entered into loan agreements with various PRC banks, primarily Bank of China, Agricultural Bank of China, China Construction Bank, Industrial and Commercial Bank of China, the Bank of East Asia, Hang Seng Bank, Bank of Communications, Industrial Bank, China Everbright Bank, China Citic Bank, Shunde Rural Commercial Bank, China Merchants Bank, SPD Bank, China Zheshang Bank, China Minsheng Bank, Postal Savings Bank of China and Guangdong Development Bank. These loans typically are project loans to finance the construction of our projects (the "project loans") and have terms ranging from one year to nine years, which generally correspond to the construction periods of the particular projects.

#### *Interest*

The principal amounts outstanding under the project loans generally bear interest at floating or fixed rates calculated by reference to the relevant bank's benchmark interest rate per annum which in turn is generally linked to PBOC-published rates. Floating interest rates generally are subject to review by the banks annually or quarterly. Interest payments generally are payable either monthly or quarterly and must be made on each payment date as provided in the particular loan agreement.

#### *Covenants*

Under these project loans, many of our subsidiary borrowers have agreed, among other things, not to take the following actions without first obtaining the lenders' prior consent:

- create encumbrances on any part of their properties or assets or deal with their assets in a way that may adversely affect their ability to repay their loans;
- grant guarantees to any third parties that may adversely affect their ability to repay their loans;
- make any major changes to their corporate structures or business operation model, such as entering into joint ventures, mergers and acquisitions and reorganizations or change the company's status, such as liquidation and dissolution;
- transfer part or all of the liabilities under the loans to a third party; and
- prepay the loan.

#### *Dividend restriction*

Pursuant to these project loans, certain of our PRC subsidiaries also agreed not to distribute any dividends:

- if the borrower's after-tax net profit is nil or negative;

- if the after-tax net profit is insufficient to cover losses in previous financial years;
- if the before-tax profit is not used to satisfy the relevant debt due during the same financial year;
- if the before-tax profit is insufficient to cover the principal, interest or other related expenses due in the next period; or
- before the principal amount of and accrued interest on the relevant project loan have been timely or fully paid.

### ***Guarantee and security***

Most of our PRC subsidiaries and associates have entered into guarantee agreements, mortgage contracts or pledge contracts, or a combination of them, with the PRC banks in connection with most of the project loans pursuant to which these subsidiaries and associates have guaranteed all liabilities of the subsidiary borrowers or have provided security, such as land use rights and equity of the project companies, under these project loans.

### **Customer guarantees**

In line with industry practice, we provide guarantees to mortgagee banks in respect of mortgage loans taken out by purchasers of our properties. Such guarantee obligations typically terminate upon the delivery of the relevant property ownership certificates on the underlying property to the bank. As of June 30, 2016, the aggregate outstanding amount guaranteed was RMB83,485.2 million (US\$12,561.9 million).

### **2014 Notes**

On September 10, 2009, we entered into an indenture (the "2014 Indenture") pursuant to which we issued an aggregate principal amount of US\$300,000,000 11.750% Senior Notes due 2014 (the "Initial Notes"). On September 23, 2009, we issued an additional aggregate principal amount of US\$75,000,000 11.750% Senior Notes due 2014 under the 2014 Indenture, which were fungible with, and which we consolidated with, the Initial Notes (together with the Initial Notes, the "2014 Notes"). As of the date of this offering memorandum, we had redeemed the 2014 Notes in full upon maturity.

### **2017 Notes**

On April 22, 2010, we entered into an indenture ("the 2017 Indenture") pursuant to which we issued an aggregate principal amount of US\$550,000,000 11.250% Senior Notes due 2017 (the "2017 Notes"). As of the date of this offering memorandum, we had exercised our optional redemption rights and redeemed the 2017 Notes in full.

### **2015 Notes**

On August 11, 2010, we entered into an indenture (the "2015 Indenture") pursuant to which we issued an aggregate principal amount of US\$400,000,000 10.500% Senior Notes due 2015 (the "2015 Notes"). As of the date of this offering memorandum, we had redeemed the 2015 Notes in full upon maturity.

## **2018 Notes**

On February 23, 2011, we entered into an indenture (the “2018 Indenture”) pursuant to which we issued an aggregate principal amount of US\$900,000,000 11.125% Senior Notes due 2018 (the “2018 Notes”). As of the date of this offering memorandum, we had exercised our optional redemption rights and redeemed the 2018 Notes in full.

## **2023 Notes**

On January 10, 2013, we entered into an indenture (the “2023 Indenture”) pursuant to which we issued an aggregate principal amount of US\$750,000,000 7.50% Senior Notes due 2023 (the “2023 Notes”).

### ***Guarantee***

The obligations pursuant to the 2023 Notes are guaranteed by the same subsidiaries acting as subsidiary guarantors for the 2021 Notes, the 2019 Notes and the Private Notes (the “2023 Subsidiary Guarantors”).

Each of the 2023 Subsidiary Guarantors, jointly and severally, guarantee the due and punctual payment of the principal, any premium, and interest on, and all other amounts payable under the 2023 Notes.

### ***Collateral***

The 2023 Notes and the subsidiary guarantees provided by the 2023 Subsidiary Guarantors are secured by the Shared Collateral. See “September 2023 Notes—Collateral.”

### ***Interest***

The 2023 Notes bear an interest rate of 7.50% per annum. Interest is payable semi-annually in arrears.

### ***Covenants***

Subject to certain conditions and exceptions, the 2023 Indenture contains certain covenants, restricting us and each of the related restricted subsidiaries from, among other things:

- incurring or guaranteeing additional indebtedness and issuing disqualified or preferred stock;
- declaring dividends on its capital stock or purchasing or redeeming capital stock;
- making investments or other specified restricted payments;
- issuing or selling capital stock of the related restricted subsidiaries;
- guaranteeing indebtedness of the related restricted subsidiaries;
- selling assets;
- creating liens;



- entering into sale and leaseback transactions;
- entering into agreements that restrict the related restricted subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;
- entering into transactions with shareholders or affiliates; and
- effecting a consolidation or merger.

**Events of default**

The 2023 Indenture contains certain customary events of default, including default in the payment of principal or of any premium on the 2023 Notes when such payments become due, default in payment of interest which continues for 30 days, and other events of default substantially similar to the Events of Default under the Indenture. If an event of default occurs and is continuing for a period of 30 consecutive days, the trustee under the 2023 Indenture or the holders of at least 25% of the outstanding 2023 Notes may declare the principal of the 2023 Notes plus a premium and any accrued and unpaid interest to be immediately due and payable.

**Change of control**

Upon the occurrence of certain events of change of control and a rating decline, we will make an offer to repurchase all outstanding 2023 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest, if any, to the repurchase date.

**Maturity and redemption**

The maturity date of the 2023 Notes is January 10, 2023.

At any time and from time to time on or after January 10, 2018, we may redeem the 2023 Notes, in whole or in part, at a redemption price equal to the percentage of principal amount set forth below plus accrued and unpaid interest to (but not including) the redemption date if redeemed during the twelve month period beginning on January 10 of each of the years indicated below:

Period	Redemption Price
2018 .....	103.75%
2019 .....	102.50%
2020 .....	101.25%
2021 and thereafter .....	100.00%

At any time prior to January 10, 2018, we may redeem the 2023 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the 2023 Notes, plus a premium and any accrued and unpaid interest to the redemption date.

At any time prior to January 10, 2016, we may redeem up to 35% of the aggregate principal amount of the 2023 Notes at a redemption price equal to 107.50% of the principal amount of the 2023 Notes, plus any accrued and unpaid interest with the proceeds from sales of certain kinds of our capital stock, *provided that* at least 65% of the aggregate principal amount of the 2023 Notes originally issued remains outstanding after each such redemption and any such redemption takes place within 60 days of the related sale of our capital stock and subject to certain conditions.

Additionally, if we or a 2023 Subsidiary Guarantor under the 2023 Indenture would become obligated to pay certain additional amounts as a result of certain changes in specified tax law, we may redeem the 2023 Notes at a redemption price equal to 100% of the principal amount of the 2023 Notes, plus any accrued and unpaid interest, subject to certain exceptions.

## **2021 Notes**

On October 4, 2013, we entered into an indenture (the “2021 Indenture”) pursuant to which we issued an aggregate principal amount of US\$750,000,000 7.25% Senior Notes due 2021 (the “2021 Notes”).

### ***Guarantee***

The obligations pursuant to the 2021 Notes are guaranteed by the same subsidiaries acting as subsidiary guarantors for the 2023 Notes, the 2019 Notes and the Private Notes (the “2021 Subsidiary Guarantors”). Each of the 2021 Subsidiary Guarantors, jointly and severally, guarantee the due and punctual payment of the principal, any premium, and interest on, and all other amounts payable under the 2021 Notes.

### ***Collateral***

The 2021 Notes and the subsidiary guarantees provided by the 2021 Subsidiary Guarantors are secured by the Shared Collateral. See “—September 2023 Notes—Collateral.”

### ***Interest***

The 2021 Notes bear an interest rate of 7.25% per annum. Interest is payable semi-annually in arrears.

### ***Covenants***

Subject to certain conditions and exceptions, the 2021 Indenture contains certain covenants, restricting us and each of the related restricted subsidiaries from, among other things:

- incurring or guaranteeing additional indebtedness and issuing disqualified or preferred stock;
- declaring dividends on its capital stock or purchasing or redeeming capital stock;
- making investments or other specified restricted payments;
- issuing or selling capital stock of the related restricted subsidiaries;
- guaranteeing indebtedness of the related restricted subsidiaries;
- selling assets;
- creating liens;
- entering into sale and leaseback transactions;

- entering into agreements that restrict the related restricted subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;
- entering into transactions with shareholders or affiliates; and
- effecting a consolidation or merger.

**Events of default**

The 2021 Indenture contains certain customary events of default, including default in the payment of principal or of any premium on the 2021 Notes when such payments become due, default in payment of interest which continues for 30 days, and other events of default substantially similar to the Events of Default under the Indenture. If an event of default occurs and is continuing for a period of 30 consecutive days, the trustee under the 2021 Indenture or the holders of at least 25% of the outstanding 2021 Notes may declare the principal of the 2021 Notes plus a premium and any accrued and unpaid interest to be immediately due and payable.

**Change of control**

Upon the occurrence of certain events of change of control and a rating decline, we will make an offer to repurchase all outstanding 2021 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest, if any, to the repurchase date.

**Maturity and redemption**

The maturity date of the 2021 Notes is April 4, 2021.

At any time and from time to time on or after October 4, 2017, we may redeem the 2021 Notes, in whole or in part, at a redemption price equal to the percentage of principal amount set forth below plus accrued and unpaid interest to (but not including) the redemption date if redeemed during the twelve month period beginning on October 4 of each of the years indicated below:

Period	Redemption Price
2017 .....	103.625%
2018 .....	101.8125%
2019 and thereafter .....	100.00%

At any time prior to October 4, 2017, we may redeem the 2021 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the 2021 Notes, plus a premium and any accrued and unpaid interest to the redemption date.

At any time prior to October 4, 2016, we may redeem up to 35% of the aggregate principal amount of the 2021 Notes at a redemption price equal to 107.25% of the principal amount of the 2021 Notes, plus any accrued and unpaid interest with the proceeds from sales of certain kinds of our capital stock, *provided that* at least 65% of the aggregate principal amount of the 2021 Notes originally issued remains outstanding after each such redemption and any such redemption takes place within 60 days of the related sale of our capital stock and subject to certain conditions.

Additionally, if we or a 2021 Subsidiary Guarantor under the 2021 Indenture would become obligated to pay certain additional amounts as a result of certain changes in specified tax law,

we may redeem the 2021 Notes at a redemption price equal to 100% of the principal amount of the 2021 Notes, plus any accrued and unpaid interest, subject to certain exceptions.

## **2019 Notes**

On May 27, 2014, we entered into an indenture (the "2019 Indenture") pursuant to which we issued an aggregate principal amount of US\$550,000,000 7.875% Senior Notes due 2019 (the "2019 Notes").

### ***Guarantee***

The obligations pursuant to the 2019 Notes are guaranteed by the same subsidiaries acting as subsidiary guarantors for the 2023 Notes, the 2021 Notes and the Private Notes (the "2019 Subsidiary Guarantors"). Each of the 2019 Subsidiary Guarantors, jointly and severally, guarantee the due and punctual payment of the principal, any premium, and interest on, and all other amounts payable under the 2019 Notes.

### ***Collateral***

The 2019 Notes and the subsidiary guarantees provided by the 2019 Subsidiary Guarantors are secured by the Shared Collateral. See "—September 2023 Notes—Collateral."

### ***Interest***

The 2019 Notes bear an interest rate of 7.875% per annum. Interest is payable semi-annually in arrears.

### ***Covenants***

Subject to certain conditions and exceptions, the 2019 Indenture contains certain covenants, restricting us and each of the related restricted subsidiaries from, among other things:

- incurring or guaranteeing additional indebtedness and issuing disqualified or preferred stock;
- declaring dividends on its capital stock or purchasing or redeeming capital stock;
- making investments or other specified restricted payments;
- issuing or selling capital stock of the related restricted subsidiaries;
- guaranteeing indebtedness of the related restricted subsidiaries;
- selling assets;
- creating liens;
- entering into sale and leaseback transactions;
- entering into agreements that restrict the related restricted subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;

- entering into transactions with shareholders or affiliates; and
- effecting a consolidation or merger.

**Events of default**

The 2019 Indenture contains certain customary events of default, including default in the payment of principal or of any premium on the 2019 Notes when such payments become due, default in payment of interest which continues for 30 days, and other events of default substantially similar to the Events of Default under the Indenture. If an event of default occurs and is continuing for a period of 30 consecutive days, the trustee under the 2019 Indenture or the holders of at least 25% of the outstanding 2019 Notes may declare the principal of the 2019 Notes plus a premium and any accrued and unpaid interest to be immediately due and payable.

**Change of control**

Upon the occurrence of certain events of change of control and a rating decline, we will make an offer to repurchase all outstanding 2019 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest, if any, to the repurchase date.

**Maturity and redemption**

The maturity date of the 2019 Notes is May 27, 2019.

At any time and from time to time on or after May 27, 2017, we may redeem the 2019 Notes, in whole or in part, at a redemption price equal to the percentage of principal amount set forth below plus accrued and unpaid interest to (but not including) the redemption date if redeemed during the twelve month period beginning on May 27 of each of the years indicated below:

Period	Redemption Price
2017 .....	103.9375%
2018 .....	101.96875%

At any time prior to May 27, 2017, we may redeem the 2019 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the 2019 Notes, plus a premium and any accrued and unpaid interest to the redemption date.

At any time prior to May 27, 2017, we may redeem up to 35% of the aggregate principal amount of the 2019 Notes at a redemption price equal to 107.875% of the principal amount of the 2019 Notes redeemed, plus any accrued and unpaid interest with the proceeds from sales of certain kinds of our capital stock, provided that at least 65% of the aggregate principal amount of the 2019 Notes originally issued remains outstanding after each such redemption and any such redemption takes place within 60 days of the related sale of our capital stock and subject to certain conditions.

Additionally, if we or a 2019 Subsidiary Guarantor under the 2019 Indenture would become obligated to pay certain additional amounts as a result of certain changes in specified tax law, we may redeem the 2019 Notes at a redemption price equal to 100% of the principal amount of the 2019 Notes, plus any accrued and unpaid interest, subject to certain exceptions.

## **Private Notes**

On June 5, 2014, we entered into an indenture (the "Private Notes Indenture") pursuant to which we issued an aggregate principal amount of US\$250,000,000 7.50% Senior Notes due 2019 (the "Private Notes").

### ***Guarantee***

The obligations pursuant to the Private Notes are guaranteed by the same subsidiaries acting as subsidiary guarantors for the 2023 Notes, the 2021 Notes and the 2019 Notes (the "Private Notes Subsidiary Guarantors"). Each of the Private Notes Subsidiary Guarantors, jointly and severally, guarantee the due and punctual payment of the principal, any premium, and interest on, and all other amounts payable under the Private Notes.

### ***Collateral***

The Private Notes and the subsidiary guarantees provided by the Private Notes Subsidiary Guarantors are secured by the Shared Collateral. See "—September 2023 Notes—Collateral."

### ***Interest***

The Private Notes bear an interest rate of 7.50% per annum. Interest is payable semi-annually in arrears.

### ***Covenants***

Subject to certain conditions and exceptions, the Private Notes Indenture contains certain covenants, restricting us and each of the related restricted subsidiaries from, among other things:

- incurring or guaranteeing additional indebtedness and issuing disqualified or preferred stock;
- declaring dividends on its capital stock or purchasing or redeeming capital stock;
- making investments or other specified restricted payments;
- issuing or selling capital stock of the related restricted subsidiaries;
- guaranteeing indebtedness of the related restricted subsidiaries;
- selling assets;
- creating liens;
- entering into sale and leaseback transactions;
- entering into agreements that restrict the related restricted subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;
- entering into transactions with shareholders or affiliates; and
- effecting a consolidation or merger.

### ***Events of default***

The Private Notes Indenture contains certain customary events of default, including default in the payment of principal or of any premium on the Private Notes when such payments become due, default in payment of interest which continues for 30 days, and other events of default substantially similar to the Events of Default under the Indenture. If an event of default occurs and is continuing for a period of 30 consecutive days, the trustee under the Private Notes or the holders of at least 25% of the outstanding Private Notes may declare the principal of the Private Notes plus a premium and any accrued and unpaid interest to be immediately due and payable.

### ***Change of control***

Upon the occurrence of certain events of change of control and a rating decline, we will make an offer to repurchase all outstanding Private Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest, if any, to the repurchase date.

### ***Maturity and redemption***

The maturity date of the Private Notes is June 5, 2019.

## **2020 Notes**

On March 9, 2015, we entered into an indenture (the "2020 Indenture") pursuant to which we issued an aggregate principal amount of US\$900,000,000 7.50% Senior Notes due 2020 (the "2020 Notes").

### ***Guarantee***

The obligations pursuant to the 2020 Notes are guaranteed by the same subsidiaries acting as subsidiary guarantors for the 2023 Notes, the 2021 Notes, the 2019 Notes and the Private Notes (the "2020 Subsidiary Guarantors"). Each of the 2020 Subsidiary Guarantors, jointly and severally, guarantee the due and punctual payment of the principal, any premium, and interest on, and all other amounts payable under the 2020 Notes.

### ***Collateral***

The 2020 Notes and the subsidiary guarantees provided by the 2020 Notes Subsidiary Guarantors are secured by the Shared Collateral. See "—September 2023 Notes—Collateral."

### ***Interest***

The 2020 Notes bear an interest rate of 7.50% per annum. Interest is payable semi-annually in arrears.

### ***Covenants***

Subject to certain conditions and exceptions, the 2020 Indenture contains certain covenants, restricting us and each of the related restricted subsidiaries from, among other things:

- incurring or guaranteeing additional indebtedness and issuing disqualified or preferred stock;

- declaring dividends on its capital stock or purchasing or redeeming capital stock;
- making investments or other specified restricted payments;
- issuing or selling capital stock of the related restricted subsidiaries;
- guaranteeing indebtedness of the related restricted subsidiaries;
- selling assets;
- creating liens;
- entering into sale and leaseback transactions;
- entering into agreements that restrict the related restricted subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;
- entering into transactions with shareholders or affiliates; and
- effecting a consolidation or merger.

***Events of default***

The 2020 Indenture contains certain customary events of default, including default in the payment of principal or of any premium on the 2020 Notes when such payments become due, default in payment of interest which continues for 30 days, and other events of default substantially similar to the Events of Default under the Indenture. If an event of default occurs and is continuing for a period of 30 consecutive days, the trustee under the 2020 Indenture or the holders of at least 25% of the outstanding 2020 Notes may declare the principal of the 2020 Notes plus a premium and any accrued and unpaid interest to be immediately due and payable.

***Change of control***

Upon the occurrence of certain events of change of control and a rating decline, we will make an offer to repurchase all outstanding 2020 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest, if any, to the repurchase date.

***Maturity and redemption***

The maturity date of the 2020 Notes is March 9, 2020. At any time and from time to time on or after March 9, 2018, we may redeem the 2020 Notes, in whole or in part, at a redemption price equal to the percentage of principal amount set forth below plus accrued and unpaid interest to (but not including) the redemption date if redeemed during the twelve month period beginning on March 9 of each of the years indicated below:

<b>Period</b>	<b>Redemption Price</b>
2018 .....	103.750%
2019 .....	101.875%



At any time prior to March 9, 2018, we may redeem the 2020 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the 2020 Notes, plus a premium and any accrued and unpaid interest to the redemption date.

At any time prior to March 9, 2018, we may redeem up to 35% of the aggregate principal amount of the 2020 Notes at a redemption price equal to 107.50% of the principal amount of the 2020 Notes redeemed, plus any accrued and unpaid interest with the proceeds from sales of certain kinds of our capital stock, provided that at least 65% of the aggregate principal amount of the 2020 Notes originally issued remains outstanding after each such redemption and any such redemption takes place within 60 days of the related sale of our capital stock and subject to certain conditions.

Additionally, if we or a 2020 Subsidiary Guarantor under the 2020 Indenture would become obligated to pay certain additional amounts as a result of certain changes in specified tax law, we may redeem the 2020 Notes at a redemption price equal to 100% of the principal amount of the 2020 Notes, plus any accrued and unpaid interest, subject to certain exceptions.

## **September 2023 Notes**

On September 28, 2016, we entered into an indenture (the "September 2023 Indenture") pursuant to which we issued an aggregate principal amount of US\$650,000,000 4.75% Senior Notes due 2023 (the "September 2023 Notes").

### ***Guarantee***

The obligations pursuant to the September 2023 Notes are guaranteed by the same subsidiaries acting as subsidiary guarantors for the 2023 Notes, the 2021 Notes, the 2019 Notes, the Private Notes and the 2020 Notes (the "September 2023 Subsidiary Guarantors"). Each of the September 2023 Subsidiary Guarantors, jointly and severally, guarantee the due and punctual payment of the principal, any premium, and interest on, and all other amounts payable under the September 2023 Notes and the September 2023 Indenture.

### ***Collateral***

The capital stock of certain September 2023 Subsidiary Guarantors (the "Shared Collateral") is currently pledged to secure on a *pari passu* basis our obligations under (i) the 2023 Notes and the subsidiary guarantees provided by the subsidiary guarantor pledgors under the indenture governing the 2023 Notes, (ii) the 2021 Notes and the subsidiary guarantees provided by the subsidiary guarantor pledgors under the indenture governing the 2021 Notes, (iii) the 2019 Notes and the subsidiary guarantees provided by the subsidiary guarantor pledgors under the indenture governing the 2019 Notes, (iv) the Private Notes and the subsidiary guarantees provided by the subsidiary guarantor pledgors under the indenture governing the Private Notes, (v) the 2020 Notes and the subsidiary guarantees provided by the subsidiary guarantor pledgors under the indenture governing the 2020 Notes and (vi) the September 2023 Notes and the subsidiary guarantees provided by the subsidiary guarantor pledgors under the indenture governing the September 2023 Notes, subject to the Intercreditor Agreement. The Intercreditor Agreement governs the relationships among the holders of the 2023 Notes, the holders of the 2021 Notes, the holders of the 2019 Notes, the holders of the Private Notes, the holders of the 2020 Notes and the holders of the September 2023 Notes in respect of the security interests created by the Shared Collateral that is shared on a *pari passu* basis among them. Additionally,

the Intercreditor Agreement provides for the collateral agent to exercise remedies in respect thereof upon the occurrence of an event of default under the secured obligations and to act as specified in the Intercreditor Agreement. We expect the Trustee for the Notes to become a secured party under the Intercreditor Agreement by executing a supplement to the Intercreditor Agreement. The Shared Collateral may be released or reduced in the event of certain asset sales and certain other circumstances. In addition, we and each subsidiary guarantor pledgor may in the future incur additional permitted *pari passu* secured indebtedness which would be secured by the Shared Collateral on a *pari passu* basis with the 2023 Notes, the 2021 Notes, the 2019 Notes, the Private Notes, the 2020 Notes, the September 2023 Notes and the subsidiary guarantees provided by the subsidiary guarantor pledgors relating to these securities, subject to the Intercreditor Agreement.

### ***Interest***

The September 2023 Notes bear an interest rate of 4.75% per annum. Interest is payable semi-annually in arrears.

### ***Covenants***

Subject to certain conditions and exceptions, the September 2023 Indenture contains certain covenants, restricting us and each of the related restricted subsidiaries from, among other things:

- incurring or guaranteeing additional indebtedness and issuing disqualified or preferred stock;
- declaring dividends on its capital stock or purchasing or redeeming capital stock;
- making investments or other specified restricted payments;
- issuing or selling capital stock of the related restricted subsidiaries;
- guaranteeing indebtedness of the related restricted subsidiaries;
- selling assets;
- creating liens;
- entering into sale and leaseback transactions;
- entering into agreements that restrict the related restricted subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;
- entering into transactions with shareholders or affiliates; and
- effecting a consolidation or merger.

### ***Events of default***

The September 2023 Indenture contains certain customary events of default, including default in the payment of principal or of any premium on the September 2023 Notes when such payments become due, default in payment of interest which continues for 30 days, and other events of default substantially similar to the Events of Default under the Indenture. If an event of default occurs and is continuing for a period of 30 consecutive days, the holders of at least 25% of the outstanding September 2023 Notes may, and the trustee under the September 2023 Indenture at the request of such holders shall, subject to being indemnified and/or secured to its satisfaction, declare the principal of the September 2023 Notes plus a premium and any accrued and unpaid interest to be immediately due and payable.

### ***Change of control***

Upon the occurrence of certain events of change of control and a rating decline, we will make an offer to repurchase all outstanding September 2023 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest, if any, to the repurchase date.

### ***Maturity and redemption***

The maturity date of the September 2023 Notes is September 28, 2023. At any time and from time to time on or after September 28, 2020, we may redeem the September 2023 Notes, in whole or in part, at a redemption price equal to the percentage of principal amount set forth below plus accrued and unpaid interest to (but not including) the redemption date if redeemed during the twelve month period beginning on September 28 of each of the years indicated below:

<b>Period</b>	<b>Redemption Price</b>
2020 .....	102.3750%
2021 .....	101.1875%
2022 and thereafter .....	100.0000%

At any time prior to September 28, 2020, we may redeem the September 2023 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the September 2023 Notes, plus a premium and any accrued and unpaid interest to the redemption date.

At any time prior to September 28, 2020, we may redeem up to 35% of the aggregate principal amount of the September 2023 Notes at a redemption price equal to 104.75% of the principal amount of the September 2023 Notes redeemed, plus any accrued and unpaid interest with the proceeds from sales of certain kinds of our capital stock, provided that at least 65% of the aggregate principal amount of the September 2023 Notes originally issued remains outstanding after each such redemption and any such redemption takes place within 60 days of the related sale of our capital stock and subject to certain conditions.

Additionally, if we or a September 2023 Subsidiary Guarantor under the September 2023 Indenture would become obligated to pay certain additional amounts as a result of certain changes in specified tax law, we may redeem the September 2023 Notes at a redemption price equal to 100% of the principal amount of the September 2023 Notes, plus any accrued and unpaid interest, subject to certain exceptions.

## **Domestic Corporate Bonds**

### ***Zengcheng RMB6,000,000,000 Domestic Corporate Bonds***

Zengcheng Country Garden Property Development Co. Ltd., our wholly-owned subsidiary in the PRC, issued a series of domestic corporate bonds in an aggregate principal amount of RMB6,000,000,000 in 2015 (the "Zengcheng RMB6,000,000,000 Domestic Corporate Bonds"). The first tranche of the Zengcheng RMB6,000,000,000 Domestic Corporate Bonds was issued in August 2015 in the principal amount of RMB3,000,000,000 with a coupon rate of 4.2% per annum and a term of three years. The second tranche of the Zengcheng RMB6,000,000,000 Domestic Corporate Bonds was issued also in August 2015 in the principal amount of RMB3,000,000,000 with a coupon rate of 4.2% per annum and a term of three years. The

Zengcheng RMB6,000,000,000 Domestic Corporate Bonds are listed on the Shanghai Stock Exchange. The proceeds from the issuance of Zengcheng RMB6,000,000,000 Domestic Corporate Bonds are to be used for refinancing certain of our existing indebtedness and for general working capital purposes. We provide joint and several liability guarantee for these bonds.

#### ***Zengcheng RMB8,000,000,000 Domestic Corporate Bonds***

Zengcheng Country Garden Property Development Co. Ltd. issued a series of domestic corporate bonds in an aggregate principal amount of RMB8,000,000,000 in 2015 (the “Zengcheng RMB8,000,000,000 Domestic Corporate Bonds”). The first tranche of the Zengcheng RMB8,000,000,000 Domestic Corporate Bonds was issued in November 2015 in the principal amount of RMB4,000,000,000 with a coupon rate of 4.95% per annum and a term of four years. The second tranche of the Zengcheng RMB8,000,000,000 Domestic Corporate Bonds was issued in December 2015 in the principal amount of RMB4,000,000,000 with a coupon rate of 5.10% per annum and a term of four years. At the end of the second year of each tranche, Zengcheng Country Garden Property Development Co. Ltd. can adjust the coupon rate and investors can exercise a retractable option. The Zengcheng RMB8,000,000,000 Domestic Corporate Bonds are listed on the Shanghai Stock Exchange. The proceeds from the issuance of Zengcheng RMB8,000,000,000 Domestic Corporate Bonds will be used for refinancing certain of our existing indebtedness and for general working capital purposes. We provide joint and several liability guarantee for these bonds.

#### ***Company Domestic Corporate Bonds***

Our Company issued a series of domestic corporate bonds in 2015 and 2016 (the “Company Domestic Corporate Bonds”). The first tranche of the Company Domestic Corporate Bonds was issued in December 2015 in the principal amount of RMB1,000,000,000 with a coupon rate of 4.99% per annum and a term of five years. At the end of the third year, we can adjust the coupon rate and investors can exercise a retractable option. The first tranche of the Company Domestic Corporate Bonds issued in 2016 was issued in March 2016 in the principal amount of RMB4,000,000,000 with a coupon rate of 4.75% per annum and a term of four years. At the end of the third year, we can adjust the coupon rate and investors can exercise a retractable option. The second tranche of the Company Domestic Corporate Bonds issued in 2016 was issued in March 2016 in the principal amount of RMB4,000,000,000 with a coupon rate of 4.55% per annum and a term of four years. At the end of the second year, we can adjust the coupon rate and investors can exercise a retractable option. The third tranche of the Company Domestic Corporate Bonds issued in 2016 was issued in August 2016 in the principal amount of RMB1,000,000,000 with a coupon rate of 4.60% per annum and a term of five years. At the end of the third year, we can adjust the coupon rate and investors can exercise a retractable option. The proceeds from the issuance of Company Domestic Corporate Bonds will be used for refinancing certain of our existing indebtedness and for general working capital purposes. The fourth tranche of the Company Domestic Corporate Bonds issued in 2016 was issued in September 2016 in the principal amount of RMB10,000,000,000, of which (i) RMB4,170,000,000 principal amount has a coupon rate of 4.15% per annum and a term of four years, and at the end of the second year, we can adjust the coupon rate and investors can exercise a retractable option; and (ii) RMB5,830,000,000 principal amount has a coupon rate of 5.65% per annum and a term of seven years, and at the end of the fifth year, we can adjust the coupon rate and investors can exercise a retractable option.

### **Guangdong Giant Leap Domestic Corporate Bonds**

Giant Leap Construction Co., our wholly-owned subsidiary in the PRC, issued domestic corporate bonds in the principal amount of RMB3,000,000,000. Series 1 of the Guangdong Giant Leap Domestic Corporate Bonds was issued on October 21, 2016 in the principal amount of RMB1,000,000,000 with a coupon rate of 3.20% per annum, with a tenure of four years. At the end of the second year, the issuer can adjust the coupon rate and investors can exercise a retractable option. Series 2 of the Guangdong Giant Leap Domestic Corporate Bonds was issued on the same date in the principal amount of RMB2,000,000,000 with a coupon rate of 3.90% per annum, with a tenure of seven years. At the end of the fifth year, the issuer can adjust the coupon rate and investors can exercise a retractable option. The proceeds from such Series 1 and 2 issuance will be used for general working capital purposes. We provide joint and several liability guarantee for these bonds.

### **Islamic Medium Term Notes**

Country Garden Real Estate Sdn. Bhd., our wholly-owned subsidiary in Malaysia, issued its first Islamic medium term notes (the "IMTN") in December 2015 at a par value of Malaysian Ringgit 115,000,000 (equivalent to approximately HK\$209,875,000 around the time of its issuance) with a coupon rate of 6.00% per annum pursuant to an Islamic medium term notes program of Malaysian Ringgit 1,500,000,000 (equivalent to approximately HK\$2,665,000,000) in nominal value, based on the Shariah principal of Murabahah (via a Tawarruq arrangement) (the "IMTN Program"). The term of the first IMTN issuance is two years while the IMTN Program has a term of 20 years from the date of the first IMTN issuance. The proceeds from the issuance of the IMTN shall be used for the general corporate purposes of Country Garden Real Estate Sdn. Bhd. and its subsidiaries, including to finance present and future Shariah-compliant investments, and/or to finance Country Garden Real Estate Sdn. Bhd. and its subsidiaries' Shariah-compliant working capital and capital expenditure requirements, and/or for payment of fees, expenses, costs and all other amounts payable in relation to the establishment of the IMTN Program, all of which shall be Shariah-compliant, and shall be utilized in Malaysia.

### ***Guarantee and security***

The IMTN is guaranteed by the Company together with two of our wholly owned subsidiaries, Bright Start Group Limited and Top Favour Holdings Limited. The IMTN is secured by a share charge over these two subsidiaries' shares in Country Garden Real Estate Sdn Bhd, along with a debenture over all the present and future assets of Country Garden Real Estate Sdn Bhd, and a charge over designated accounts.

### **Offshore facility agreements**

We have entered into facility agreements with offshore banks and financial institutions, including, without limitation, The Bank of East Asia, Limited, The Hongkong and Shanghai Banking Corporation Limited, Wing Lung Bank Limited, Hang Seng Bank Limited, China CITIC Bank International Limited and The Bank of East Asia, Limited, Labuan Branch. We have also entered into local project loans with Malaysian banks, including Bank of China (Malaysia) Berhad, CIMB Bank Berhad, HSBC Bank Malaysia Berhad, Industrial and Commercial Bank of China (Malaysia) Berhad, Public Bank Berhad, RHB Bank Berhad and Malayan Banking Berhad, in relation to our Malaysian projects. In addition, on December 18, 2014, we entered into a credit agreement with several lenders and Hang Seng Bank Limited as facility agent for a HK\$2,925 million and US\$203

million equivalent dual tranche transferable term loan facility (the “2014 Club Loan”) and on December 19, 2014, we drew down the facility in full. On July 31, 2015, we entered into a facility agreement with various lenders and Bank of China (Hong Kong) Limited as the facility agent for dual tranche transferrable term loan facilities denominated in both H.K. dollars and U.S. dollars in an aggregate amount equivalent to approximately US\$800 million for a term of four years commencing from July 31, 2015 (the “2015 Club Loan”). On December 7, 2015, we and the facility agent entered into a supplement to the facility agreement pursuant to which, among others, the amount under the 2015 Club Loan was increased from US\$800 million to US\$975 million. On December 14, 2015, we drew down the facility in full.

Our offshore facilities typically have terms ranging from one year to five years.

We are currently in discussion with certain lenders for the grant of a term loan facility in an aggregate amount of approximately US\$1.0 billion to US\$1.5 billion (in United States dollars and/or other currencies) (the “Proposed Facility”). The term loan facility may or may not be granted and drawn prior to the issuance of the Notes.

### ***Guarantee and security***

One of our facilities under the facility agreement with Hang Seng Bank Limited is guaranteed by Angel View International Limited for up to US\$40.0 million. Our loan with Wing Lung Bank Limited is secured by a standby letter of credit from China Merchants Bank Co. Ltd. Our Malaysian loans is guaranteed by our Malaysian subsidiaries and are secured by standby letters of credit and/or their land interests in the relevant projects and associated rights. We also guarantee portions of the loans with Public Bank Berhad, Bank of China (Malaysia) Berhad and Industrial and Commercial Bank of China (Malaysia) Berhad.

The obligations pursuant to the 2014 Club Loan and the 2015 Club Loan are guaranteed by the same subsidiaries acting as subsidiary guarantors for the 2023 Notes, the 2021 Notes, the 2019 Notes, the Private Notes, the 2020 Notes and the September 2023 Notes (the “Club Loan Subsidiary Guarantors”). Each of the Club Loan Subsidiary Guarantors, jointly and severally, guarantee the due and punctual payment of the principal, any premium, and interest on, and all other amounts payable under the 2014 Club Loan and the 2015 Club Loan. The 2014 Club Loan, the 2015 Club Loan and the subsidiary guarantees provided by the Club Loan Subsidiary Guarantors are secured by the Shared Collateral. See “—September 2023 Notes—Collateral.”

We expect the obligations pursuant to the Proposed Facility will also be guaranteed by the Club Loan Subsidiary Guarantors and such subsidiary guarantees will also be secured by the Shared Collateral.

### ***Interest***

The principal amounts outstanding under these loans generally bear interest at floating rates calculated with reference to the London Interbank Offered Rate or Hong Kong Interbank Offered Rate and for several of our Malaysian loans, the base lending rates of the Malaysian banks.

### ***Covenants***

Other than our revolving loan and foreign exchange line with The Hongkong and Shanghai Banking Corporation Limited, our other loans contains customary covenants and restrictions,

including, amongst others, negative pledge on assets (with certain exemptions), financial covenants including consolidated tangible net worth, consolidated net borrowings and interest coverage ratios.

### ***Events of default***

These offshore facilities contain certain customary events of default, including non-payment of principal or interest, cross default, insolvency and breaches of its terms. If an event of default occurs, all amounts outstanding including all interest accrued thereon may become immediately due and payable.

### **Perpetual Capital Instrument**

In April 2014, the Company and two of our wholly owned subsidiaries, Foshan Shunde Country Garden Property Development Co., Ltd. and Zengcheng Country Garden Property Development Co., Ltd., entered into a perpetual loan agreement with Wanjia Co-Win Asset Management Co., Ltd., pursuant to which Foshan Shunde Country Garden Property Development Co., Ltd. was granted an aggregate principal amount of RMB400.0 million perpetual facility (the "Perpetual Capital Instrument"). The Perpetual Capital Instrument is considered as "equity" for our accounting purposes.

### ***Guarantee***

The Perpetual Capital Instrument has varying credit support structures and is guaranteed by the Company and Zengcheng Country Garden Property Development Co., Ltd. Each of the guarantors guarantees the due and punctual payment of the principal, the distributions on, and all other amounts payable under the perpetual loan agreement.

### ***Distributions***

The Perpetual Capital Instrument provides for annual distributions and bears a base distribution rate of 10.2%, 10.4%, 13.0% and 16.0% from first to fourth year, respectively, and 19% for the fifth year and beyond. We may elect to defer our distributions if we do not pay dividends on the capital stock of the Company and Foshan Shunde Country Garden Property Development Co., Ltd. for that year, subject to a premium on the deferred distribution (up to a ceiling of distribution rate of 19.0%). Such deferral will not constitute an event of default.

### ***Covenants***

Subject to certain conditions and exceptions, the perpetual loan agreement contains certain covenants, restricting the Company and Foshan Shunde Country Garden Property Development Co., Ltd. from, among other things:

- filing for bankruptcy, dissolution, insolvency or business certificate deregistration;
- restructuring or reorganizing;
- changing the Company's controlling shareholders;
- selling all or part of the shares of Foshan Shunde Country Garden Property Development Co., Ltd. to parties other than the Company and its subsidiaries;

- creating liens; and
- changing the shareholding structure of Foshan Shunde Country Garden Property Development Co., Ltd. other than transferring its shares to the Company and its subsidiaries.

### ***Events of default***

The Perpetual Capital Instrument contains certain customary events of default, including failure to make payments for principal of, and distributions on, the Perpetual Capital Instrument when due and payable. If Foshan Shunde Country Garden Property Development Co., Ltd. fails to make distributions when due and payable, the Perpetual Capital Instrument holders may require Foshan Shunde Country Garden Property Development Co., Ltd. to start insolvency procedures within 30 days of the original distribution date.

### ***Maturity and redemption***

The Perpetual Capital Instrument does not have a maturity date or any mandatory redemption options. If Foshan Shunde Country Garden Property Development Co., Ltd. commences an insolvency proceeding, it must redeem the instrument and repay the principal and all unpaid distributions.

### **Trust Financing**

From time to time, our PRC subsidiaries enter into financing arrangements with local trust institutions. These local trust institutions provide trust loans for purposes of our project development in return for interest payments, and have terms ranging from 12 to 36 months. We have also entered into arrangements whereby our PRC subsidiaries' rights to receive dividends or the proceeds from property sales or accounts receivables were sold and repurchased after a period of time. Some of our trust loans and financing arrangements are guaranteed by our Company or secured by the relevant PRC subsidiaries' shares (through share pledge or ownership of shares) or land use rights in favor of the trust finance provider, or a combination of these. The trust loans and financing arrangements contain customary events of default, including non-payment of principal or interest and breaches of the terms of the arrangements. If an event of default has occurred, the trust finance provider may, without prior notice, exercise its rights to realize the security held under the share pledge agreement and land mortgage agreement, and demand payments from us as guarantor.

### **Asset-backed Securities**

#### ***Zengcheng January 2016 Asset-backed Securities***

Zengcheng Country Garden Property Development Co. Ltd. issued asset-backed securities in the principal amount of RMB2,945,500,000 in the PRC in January 2016 (the "Zengcheng January 2016 Asset-backed Securities"). The senior tranche is in the principal amount of RMB2,800,000,000 with a coupon rate of 5.10% per annum and a term of four years. The equity tranche is in the principal amount of RMB145,500,000 with a term of four years, which does not have an explicit coupon rate but will receive the residual cash flows collected from the balance payment after distributions to the senior tranche. The Zengcheng January 2016 Asset-backed Securities are backed by certain contract receivables rights of Zengcheng Country Garden Property Development Co. Ltd. The proceeds from the issuance of Zengcheng January 2016 Asset-backed Securities shall be used for our general working capital purposes. We provide guarantees to the manager of the Zengcheng January 2016 Asset-backed Securities (for the benefit of the holders



of the senior tranche) on the punctual performance by Zengcheng Country Garden Property Development Co. Ltd. of its shortfall payment obligations.

#### ***Zengcheng June 2016 Asset-backed Securities***

Zengcheng Country Garden Property Development Co. Ltd. issued asset-backed securities in the principal amount of RMB4,800,000,000 in the PRC in June 2016 (the “Zengcheng June 2016 Asset-backed Securities”). The senior tranche A (“Tranche A”), senior tranche B (“Tranche B”) and senior tranche C (“Tranche C”) of the Zengcheng June 2016 Asset-backed Securities are issued in the principal amount of RMB4,050,000,000 with a coupon rate of 4.5% per annum and a term of two years, the principal amount of RMB200,000,000 with a coupon rate of 5.65% per annum and a term of two years, and the principal amount of RMB200,000,000 with a coupon rate of 5.8% per annum and a term of two years, respectively. The equity tranche is in the principal amount of RMB350,000,000 with a term of two years. It does not have an explicit coupon rate but receives the residual cash flows collected from the balance payment after distributions to Tranche A, Tranche B and Tranche C. The Zengcheng June 2016 Asset-backed Securities are backed by the account receivables for the balance payment of properties sold. The proceeds from the issuance of the Zengcheng June 2016 Asset-backed Securities shall be used for our general working capital purposes.

#### ***Fujian Asset-backed Securities***

Fujian Country Garden Property Development Co. Ltd., our wholly-owned subsidiary, issued asset-backed securities in the principal amount of RMB1,411,000,000 in the PRC in June 2016 (the “Fujian Asset-backed Securities”). The senior tranche A1 (“Tranche A1”) and the senior tranche A2 (“Tranche A2”) were issued in the principal amount of RMB390,000,000 with a coupon rate of 4.5% per annum and a term of one year, and the principal amount of RMB540,000,000 with a coupon rate of 5.0% per annum and a term of two years, respectively. The senior tranche B (“Tranche B”) was issued in the principal amount of RMB410,000,000 with a coupon rate of 6.0% per annum and a term of two years. The equity tranche was issued in the principal amount of RMB71,000,000 with a term of two years. It does not have an explicit coupon rate but receives the residual cash flows collected from the balance payment after distributions to Tranche A1, Tranche A2 and Tranche B. The Fujian Asset-backed Securities are backed by the account receivables for the balance payment of properties sold. The proceeds from the issuance of the Fujian Asset-backed Securities shall be used for our general working capital purposes.

#### ***Other Securitization Arrangement***

Subsequent to June 30, 2016, we entered into an asset backed securitization arrangement whereby the rights to receive payments for property sales for one of our Malaysian projects were assigned to a third party entity. The third party entity issued securities in an aggregate principal amount of US\$120,000,000 in October 2016, for which we provided a guarantee on payment shortfalls of the third party entity.

#### **Hedging Obligations**

In line with our risk management policy to hedge against interest rate and foreign exchange risks, we have entered into swap transactions with various financial institutions. On June 30, 2016, we entered into the Hedging Documents with Goldman Sachs International. Our Hedging Obligations thereunder are guaranteed by the same Subsidiary Guarantors. On June 30, 2016, Goldman Sachs International entered into a supplement to the Intercreditor agreement and became a secured party under the Intercreditor Agreement.

## Description of the Notes

For purposes of this “Description of the Notes,” the term “Company” refers only to Country Garden Holdings Company Limited, and any successor obligor on the Notes, and not to any of its subsidiaries. Each subsidiary of the Company which guarantees the Notes is referred to as a “Subsidiary Guarantor,” and each such guarantee is referred to as a “Subsidiary Guarantee.”

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

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

### Brief description of the Notes

The Notes are:

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

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

- be entitled to a first priority lien on the Collateral (subject to any Permitted Liens and the Intercreditor Agreement); and

- rank effectively senior in right of payment to unsecured obligations of the Company with respect to the value of the Collateral pledged by the Company securing the Notes (subject to any priority rights of such unsecured obligations pursuant to applicable law).

The Notes will mature on December 15, 2026 unless earlier redeemed pursuant to the terms thereof and the Indenture. The Indenture allows additional Notes to be issued from time to time (the “Additional Notes”), subject to certain limitations described under “—Further issues.” Unless the context requires otherwise, references to the “Notes” for all purposes of the Indenture and this “Description of the Notes” include any Additional Notes that are actually issued. The Notes will bear interest at the rate per annum set forth on the cover page of this offering memorandum from the Original Issue Date or from the most recent interest payment date to which interest has been paid or duly provided for, payable semiannually in arrears on June 15 and December 15 of each year (each an “Interest Payment Date”), commencing June 15, 2017.

Interest on the Notes, when in the form of Global Notes, will be paid to holders of Notes (“Holders”) of record at the close of business on June 14 or December 14 and, when in the form of Certificated Notes, on May 31 or November 30, immediately preceding an Interest Payment Date (each, a “Record Date”), notwithstanding any transfer, exchange or cancellation thereof after a Record Date and prior to the immediately following Interest Payment Date. In any case in which the date of the payment of principal of, premium on, or interest on the Notes is not a Business Day in the relevant place of payment, then payment of principal, premium or interest need not be made on such date but may be made on the next succeeding Business Day. Any payment made on such Business Day shall have the same force and effect as if made on the date on which such payment is due, and no interest on the Notes shall accrue for the period after such date. Interest on the Notes will be calculated on the basis of a 360-day year composed of twelve 30-day months.

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

All payments on the Notes will be made in U.S. dollars by the Company at the office or agency of the Company maintained for that purpose (which initially will be the specified office of the Paying Agent, currently located at 1 North Wall Quay, Dublin 1, Ireland, and the Notes may be presented for registration of transfer or exchange at such office or agency; provided that, at the option of the Company, payment of interest may be made by check mailed at the expense of the Company to the address of the Holders as such address appears in the Note register. Interest payable on the Notes held through Euroclear and Clearstream will be available to participants (as defined herein) on the Business Day following payment thereof.

### **The Subsidiary Guarantees**

The initial Subsidiary Guarantors that will execute the Indenture on the Original Issue Date will be Smart World Development Holdings Ltd, Angel View International Limited, Boavista Investments Limited, Estonia Development Ltd, Falcon Investments Development Ltd, Impreza Group Limited, Infiniti Holdings Development Limited, United Gain Group Ltd, Wise Fame Group Ltd and Country Garden (Hong Kong) Development Company Limited. These Subsidiary Guarantors consist of all of the Company’s Restricted Subsidiaries other than the Non-Guarantor Subsidiaries (defined below). All of the Subsidiary Guarantors are holding companies that do not

have significant operations. None of Power Great Enterprises Limited, Beauty Dawn Investments Limited, Honest Sino Limited, Joygain Global Limited, Ray Source Limited, Chuang's Development (Dong Guan) Limited, On Profit Investment Limited, Silver Chase Investment Limited, Silver Dragon Investment Limited and the Unrestricted Subsidiaries and the Restricted Subsidiaries organized under the laws of the PRC (collectively, the "PRC Non-Guarantor Subsidiaries") will be a Subsidiary Guarantor on the Original Issue Date.

As used herein, "Non-Guarantor Restricted Subsidiaries" refers to the Restricted Subsidiaries that are not a Subsidiary Guarantor, including as of the Original Issue Date, the PRC Non-Guarantor Subsidiaries, Power Great Enterprises Limited, Beauty Dawn Investments Limited, Honest Sino Limited, Joygain Global Limited, Ray Source Limited, Chuang's Development (Dong Guan) Limited, On Profit Investment Limited, Silver Chase Investment Limited and Silver Dragon Investment Limited. The Non-Guarantor Restricted Subsidiaries together with the Unrestricted Subsidiaries are referred to herein as the "Non-Guarantor Subsidiaries."

None of the existing Non-Guarantor Subsidiaries will at any time in the future provide a Subsidiary Guarantee unless designated as a Subsidiary Guarantor in accordance with the Indenture. Moreover, no future Restricted Subsidiaries organized under the laws of the PRC or any Exempted Subsidiaries (as defined below) will provide a Subsidiary Guarantee at any time in the future. Although the Indenture contains limitations on the amount of additional Indebtedness that Restricted Subsidiaries organized under the laws of the PRC may incur, the amount of such additional Indebtedness could be substantial. In the event of a bankruptcy, liquidation or reorganization of any Non-Guarantor Subsidiary, the Non-Guarantor Subsidiaries will pay the holders of their debt and their trade creditors before they will be able to distribute any of their assets to the Company.

As of June 30, 2016,

- the Company and its consolidated subsidiaries had total consolidated borrowings (including bank and other borrowings, receipts under securitization arrangements, the 2023 Notes, the 2021 Notes, the Private Notes, the 2020 Notes and corporate bonds) of approximately RMB103,112.0 million (US\$15,515.1 million), including short-term borrowings (including the current portion of long-term bank and other borrowings and receipts under securitization arrangements) of RMB23,968.5 million (US\$3,606.5 million);
- the Company and the Subsidiary Guarantors had secured indebtedness of RMB10,143.0 million (US\$1,526.2 million); and
- the Non-Guarantor Subsidiaries had total liabilities of approximately RMB288,499.6 million (US\$43,410.2 million).

In addition, as of June 30, 2016, the Non-Guarantor Subsidiaries had capital commitments of approximately RMB82,755.9 million (US\$12,452.2 million) and contingent liabilities of approximately RMB89,202.6 million (US\$13,422.2 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 assets serving as security therefor;
- is senior in right of payment to all future obligations of such Subsidiary Guarantor expressly subordinated in right of payment to such Subsidiary Guarantee; and
- ranks at least *pari passu* with all other unsecured, unsubordinated Indebtedness of such Subsidiary Guarantor (subject to any priority rights of such unsubordinated Indebtedness pursuant to applicable law).

The Company will cause each of its future Restricted Subsidiaries (other than Persons organized under the laws of the PRC and Exempted Subsidiaries) as soon as practicable after it becomes a Restricted Subsidiary or, in the case of an Exempted Subsidiary, as soon as practicable after it ceases to be an Exempted Subsidiary, to execute and deliver to the Trustee a supplemental indenture to the Indenture, pursuant to which such Restricted Subsidiary will guarantee the payment of the Notes. Each Restricted Subsidiary that guarantees the Notes after the Original Issue Date is referred to as a "Future Subsidiary Guarantor" and upon execution of the applicable supplemental indenture to the Indenture will be a "Subsidiary Guarantor." Notwithstanding the foregoing sentence, the Company may elect to have any future Restricted Subsidiary organized outside the PRC not provide a Subsidiary Guarantee at the time such entity becomes a Restricted Subsidiary or ceases to be an Exempted Subsidiary (Restricted Subsidiaries other than those organized under the laws of the PRC that become Restricted Subsidiaries after the Original Issue Date and that do not provide Subsidiary Guarantees in accordance with the Indenture, the "New Non-Guarantor Restricted Subsidiaries"), provided that, after taking into account the consolidated assets of such Restricted Subsidiary, the Consolidated Assets of all Restricted Subsidiaries organized outside the PRC (other than Exempted Subsidiaries) that are not Subsidiary Guarantors do not account for more than 20% of Total Assets.

So long as the Notes remain outstanding, the Company will, no later than 60 days after the date any semi-annual consolidated financial statements of the Company (which the Company must use its reasonable best efforts to compile on a timely basis) become available (which may be internal consolidated financial statements), calculate and determine whether the Consolidated Assets of all Restricted Subsidiaries organized outside the PRC that are not Subsidiary Guarantors (other than Exempted Subsidiaries) exceed 20% of Total Assets. If, at such time of determination, the Consolidated Assets of all Restricted Subsidiaries organized outside the PRC that are not Subsidiary Guarantors (other than Exempted Subsidiaries) exceed 20% of Total Assets, the Company must promptly (i) remove the designation of one or more Non-Guarantor Restricted Subsidiaries and cause such Non-Guarantor Restricted Subsidiaries to execute and deliver to the Trustee a supplemental indenture to the Indenture pursuant to which such Restricted Subsidiaries will guarantee the payment of the Notes or (ii) designate one or more Non-Guarantor Restricted Subsidiaries as Unrestricted Subsidiaries or (iii) cause one or more Non-Guarantor Restricted Subsidiaries to pay dividends or make distributions on or with respect to their respective Capital Stock pro rata to their respective shareholders or on a basis more favorable to the Company, in the case of each of (i), (ii) and (iii) above, in accordance with the terms of the Indenture and such that the Consolidated Assets of all Restricted Subsidiaries organized outside the PRC that are not Subsidiary Guarantors (other than Exempted Subsidiaries) no longer exceed 20% of Total Assets. Such removal of designation as a Non-Guarantor Restricted Subsidiary, designation as an Unrestricted Subsidiary or payment of dividends or distributions must be made promptly and in any event no later than 60 days after the date any semi-annual consolidated financial statements of the Company (which the Company must use its reasonable best efforts to compile on a timely basis) become available (which may be internal consolidated financial statements) which show that the Consolidated Assets of all Restricted Subsidiaries organized outside the PRC that are not Subsidiary Guarantors (other than Exempted Subsidiaries) exceed 20% of Total Assets.

In the case of a Subsidiary Guarantor with respect to which the Company or any of its Restricted Subsidiaries is proposing to sell, whether through the sale of existing shares or the issuance of new shares, no less than 20% of the Capital Stock of such Subsidiary Guarantor, the Company may concurrently with or after the consummation of such sale or issuance of Capital Stock, (a) instruct the Trustee to release the Subsidiary Guarantees provided by such Subsidiary

Guarantor and each of its Restricted Subsidiaries organized outside the PRC, and upon such release such Subsidiary Guarantor and its Restricted Subsidiaries organized outside the PRC will become “New Non-Guarantor Restricted Subsidiaries” (such that each New Non-Guarantor Restricted Subsidiary will no longer Guarantee the Notes) and (b) instruct the Collateral Agent to (i) discharge the pledge of the Capital Stock granted by each such New Non-Guarantor Restricted Subsidiary and (ii) discharge the pledge of Capital Stock made by the Company or any Subsidiary Guarantor over the shares it owns in such New Non-Guarantor Restricted Subsidiary, (in each case, without any requirement to seek the consent or approval of the Holders of the Notes), provided that after the release of such Subsidiary Guarantees, the Consolidated Assets of all Restricted Subsidiaries organized outside the PRC (other than Exempted Subsidiaries) that are not a Subsidiary Guarantor (including the New Non-Guarantor Restricted Subsidiaries) do not account for more than 20% of Total Assets. A Subsidiary Guarantee of a Subsidiary Guarantor may only be released pursuant to this paragraph if as of the date of such proposed release, no document exists that is binding on the Company or any of the Restricted Subsidiaries that would have the effect of (a) prohibiting the Company or any of the Restricted Subsidiaries from releasing such Subsidiary Guarantee or (b) requiring the Company or such Subsidiary Guarantor to deliver or keep in place a guarantee of other Indebtedness of the Company by such Subsidiary Guarantor.

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

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

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

Under the Indenture, and any supplemental indenture to the Indenture, as applicable, each Subsidiary Guarantee will be limited to an amount not to exceed the maximum amount that can be guaranteed by the applicable Subsidiary Guarantor without rendering the Subsidiary Guarantee, as it relates to such Subsidiary Guarantor, voidable under applicable law relating to fraudulent conveyance or fraudulent transfer or similar laws affecting the rights of creditors generally. If a Subsidiary Guarantee were to be rendered voidable, it could be subordinated by a court to all other indebtedness (including guarantees and other contingent liabilities) of the applicable Subsidiary Guarantor, and, depending on the amount of such indebtedness, a Subsidiary Guarantor’s liability on its Subsidiary Guarantee could be reduced to zero.

The obligations of each Subsidiary Guarantor under its respective Subsidiary Guarantee and the enforceability of the Collateral granted in respect of the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors may be limited, or possibly invalid, under applicable laws. See “Risk Factors—Risks relating to the Subsidiary Guarantees and the Collateral—The Subsidiary Guarantees may be challenged under applicable insolvency or fraudulent transfer laws, which could impair the enforceability of the Subsidiary Guarantees.”

#### ***Release of the Subsidiary Guarantees***

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

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

As of the date of the Indenture, all of the Company’s Subsidiaries, except Bright Start Group Limited, Top Favor Holdings Limited, Golden Favor Investments Limited, Pure Smart Enterprises Limited, Country Garden Properties (Malaysia) Sdn Bhd, Vibrant Corridor Sdn Bhd, Mayland Venue Sdn Bhd, Country Garden Real Estate Sdn Bhd, Country Garden Danga Bay Sdn Bhd, Country Garden (S) Pte. Ltd, Great Favor Holdings Limited, Country Garden Australia Pty Ltd, Country Garden Landscape Sdn. Bhd., BGY North Ryde Pty Ltd, Damai Binajaya Sdn. Bhd., Country Garden Waterfront Sdn. Bhd., Country Garden Pacificview Sdn. Bhd., Suntide Holdings Limited, Silver Dawn Holdings Limited, Sky Global International Development Limited, World Target International Development Limited, Gold Treasure International Development Limited, Yield Limited, Dongguan River Bank Garden Property Development Co., Ltd, PT. Country Garden Indonesia, Country Garden (Canada) Corporation, 675654 N.B. Inc., 675656 N.B. Inc., 675657 N.B. Inc., AG Consultant Pty Ltd, Giant Leap Construction Sdn Bhd, Country Garden Commercial Management Sdn. Bhd. (formerly known as Country Garden Seaview Sdn Bhd), CGPV Industrial Building System Sdn. Bhd. (formerly known as Country Garden Waterview Sdn Bhd, Giant Light M&E Engineering Sdn Bhd, Teng Yue Overseas Construction Sdn Bhd, Green Prospect Investments Limited, Excel Group Developments Limited, BGY Australia Holdings Pty Ltd, BGY US Real Estate, LLC, Azure Sea International Limited, Beauty Humble Limited, Great Stride Investments Limited, Harbour Ease Limited, Scenic Reserve Limited, Tin Spring Limited, Top Speed Enterprises Limited, View Glory Enterprises Limited, Ascent Win Limited, Credit Source Limited, Grace Will Holdings Limited, New Prime Investments Limited, Winning Billion Limited, Qianhai Country Garden Huijin Investment Consulting (Shenzhen Co., Ltd, Qianhai Country Garden Fuxin Investment Consulting (Shenzhen) Co., Ltd, Country Garden St Leonards No.1 Pty Ltd, Country Garden St Leonards No.2

Pty Ltd, Country Garden St Leonards Pty Ltd, Country Garden Forest City Phoenix Hotel Sdn Bhd (formerly known as Country Garden Hotel Management Sdn Bhd), Transcend Commercial Management Sdn Bhd, Genesis Commercial Management Sdn Bhd, Forest City Branding Sdn Bhd, Country Garden Management Sdn Bhd (formerly known as Country Garden Logistics Sdn Bhd), Contemporary Furnishing Sdn Bhd, Country Garden Logistics Management Sdn Bhd, Damai Binajaya Sdn Bhd, Kim Seng Quarry Company (1965) Sdn Bhd, Country Garden Spring Realty Sdn Bhd, Country Garden Summer Realty Sdn Bhd, Bright Sunshine Singapore Holdings Pte Ltd, Smart Dream Management Pte Ltd, Be Choice Investment Pte Ltd, Sun Green Pte Ltd, Pt Surya Gardena Propertindo, Country Garden Finance Holdings and Great Sino Development Limited will be "Restricted Subsidiaries." However, under the circumstances described below under the caption "—Certain covenants—Designation of Restricted and Unrestricted Subsidiaries," the Company will be permitted to designate certain of its Subsidiaries as "Unrestricted Subsidiaries." The Company's Unrestricted Subsidiaries will generally not be subject to the restrictive covenants in the Indenture. The Company's Unrestricted Subsidiaries will not Guarantee the Notes.

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

## **Security**

The Company has pledged, or caused the initial Subsidiary Guarantor Pledgors to pledge, as the case may be, the Capital Stock of all of the initial Subsidiary Guarantors (the "Collateral") on a first priority basis to The Bank of New York Mellon as collateral agent (for the benefit of the 2019 Private Notes Trustee, the 2019 Trustee, the 2020 Trustee, the 2021 Trustee, the 2023 Trustee, the September 2023 Trustee and each holder of *pari passu* secured indebtedness permitted under, the 2019 Private Notes Indenture, the 2019 Indenture, the 2020 Indenture, the 2021 Indenture, the 2023 Indenture and the September 2023 Indenture) in order to secure the obligations of the Company and the Subsidiary Guarantor Pledgors under the 2019 Private Notes Indenture, the 2019 Indenture, the 2020 Indenture, the 2021 Indenture, the 2023 Indenture and the September 2023 Indenture.

On the Original Issue Date, the Collateral will secure on a *pari passu* basis the obligations of the Company under, (i) the 2019 Private Notes and the subsidiary guarantees provided by the Subsidiary Guarantor Pledgors under the 2019 Private Notes Indenture, (ii) the 2019 Notes and the subsidiary guarantees provided by the Subsidiary Guarantor Pledgors under the 2019 Indenture (iii) the 2020 Notes and the subsidiary guarantees provided by the Subsidiary Guarantor Pledgors under the 2020 Indenture, (iv) the 2021 Notes and the subsidiary guarantees provided by the Subsidiary Guarantor Pledgors under the 2021 Indenture, (v) the 2023 Notes and the subsidiary guarantees provided by the Subsidiary Guarantor Pledgors under the 2023 Indenture, (vi) the September 2023 Notes and the subsidiary guarantees provided by the Subsidiary Guarantor Pledgors under the September 2023 Indenture and (vii) the Notes and the Subsidiary Guarantees provided by the Subsidiary Guarantor Pledgors under the Indenture. See "—Intercreditor Agreement."

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

None of the Capital Stock of the Non-Guarantor Subsidiaries will be pledged on the Original Issue Date or at any time in the future. In addition, none of the Capital Stock of any future Restricted Subsidiary that may be organized under the laws of the PRC will be pledged at any time in the future.



The Company has also agreed, for the benefit of the holders of the Notes, to pledge, or cause each Subsidiary Guarantor to pledge, the Capital Stock owned directly by the Company or such Subsidiary Guarantor of any Person that becomes a Restricted Subsidiary (other than Persons organized under the laws of the PRC and other Non-Guarantor Subsidiaries) after the Original Issue Date, within 30 days after such Person has become a Restricted Subsidiary or (in the case of an Exempted Subsidiary) has ceased to be an Exempted Subsidiary, to secure (subject to Permitted Liens and the Intercreditor Agreement) the obligations of the Company under the Notes and the Indenture, and of such Subsidiary Guarantor under its Subsidiary Guarantee, in the manner described above.

Each Subsidiary Guarantor that pledges capital stock of a Restricted Subsidiary after the Original Issue Date is referred to as a "Future Subsidiary Guarantor Pledgor" and, upon giving such pledge, will be a "Subsidiary Guarantor Pledgor."

No appraisals of the Collateral have been prepared in connection with this offering of the Notes. There can be no assurance that the proceeds of any sale of the Collateral, in whole or in part, pursuant to the Intercreditor Agreement and the Security Documents following an Event of Default, would be sufficient to satisfy amounts due on the Notes, the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors or other Secured Obligations. By its nature, some or all of the Collateral will be illiquid and may have no readily ascertainable market value. Accordingly, there can be no assurance that the Collateral would be sold in a timely manner or at all.

So long as no Payment Default has occurred and is continuing, and subject to the terms of the Security Documents and the Indenture, the Company and the Subsidiary Guarantor Pledgors, as the case may be, will be entitled to exercise any and all voting rights and to receive, retain and use any and all cash dividends, stock dividends, liquidating dividends, non-cash dividends, shares or stock resulting from stock splits or reclassifications, rights issues, warrants, options and other distributions (whether similar or dissimilar to the foregoing) in respect of Capital Stock constituting Collateral.

***Permitted Pari Passu Secured Indebtedness***

On or after the Original Issue Date and subject to the Indenture, the Company and each Subsidiary Guarantor Pledgor may create Liens on the Collateral *pari passu* with the Lien for the benefit of the Holders to secure Indebtedness of the Company (including Additional Notes) or any Subsidiary Guarantor and any Pari Passu Subsidiary Guarantee of a Subsidiary Guarantor Pledgor with respect to such Indebtedness (such Indebtedness of the Company or any Subsidiary Guarantor and any such Pari Passu Subsidiary Guarantee, "Permitted Pari Passu Secured Indebtedness"); provided that (1) the Company or such Subsidiary Guarantor was permitted to incur such Indebtedness under the covenant under the caption "—Limitation on Indebtedness and Preferred Stock," (2) the holders of such Indebtedness (other than Additional Notes) (or their representative, trustee or agent) become party to the Intercreditor Agreement referred to below; (3) the agreement in respect of such Indebtedness contains provisions with respect to releases of Collateral and such Pari Passu Subsidiary Guarantee that are substantially similar to and no more restrictive on the Company and such Subsidiary Guarantor Pledgor than the provisions of the Indenture and the Security Documents; and (4) the Company and such Subsidiary Guarantor Pledgor deliver to the Trustee an Opinion of Counsel and Officers' Certificate with respect to compliance with the conditions stated immediately above and other corporate and collateral matters in connection with the Security Documents, in form and substance as set forth in the Security Documents. The Trustee will be permitted and authorized, without the consent of any Holder, to enter into any amendments to the Security Documents, the Indenture or the Intercreditor Agreement and take any other action necessary to permit the creation and registration of Liens on the Collateral to secure Permitted Pari Passu Secured Indebtedness in

accordance with this paragraph (including, without limitation, the appointment of any collateral agent under the Intercreditor Agreement referred to below to hold the Collateral on behalf of the Holders and the holders of Permitted Pari Passu Secured Indebtedness).

Except for certain Permitted Liens and the Permitted Pari Passu Secured Indebtedness, the Company and its Restricted Subsidiaries will not be permitted to issue or Incur any other Indebtedness secured by all or any portion of the Collateral without the consent of each Holder of the Notes then outstanding.

### ***Intercreditor Agreement***

The Company, and The Bank of New York Mellon solely in its capacity as collateral agent and intercreditor agent (in each case referred to herein as the "Intercreditor/Collateral Agent"), among others, are party to an intercreditor agreement dated September 10, 2009. The intercreditor agreement has been amended and supplemented by supplemental intercreditor agreements on September 23, 2009, April 22, 2010, August 11, 2010, February 23, 2011, January 10, 2013, October 4, 2013, May 27, 2014, June 5, 2014, December 17, 2014, December 18, 2014, March 9, 2015 and September 28, 2016 (the intercreditor agreement as amended and supplemented, the "Existing Intercreditor Agreement") and the following parties have acceded to the intercreditor agreement: the trustee on behalf of the holders of the 11.750% Senior Notes due 2014 (which have been fully redeemed), the trustee on behalf of the holders of the 11.250% Senior Notes due 2017 (which have been fully redeemed), the trustee on behalf of the holders of the 10.500% Senior Notes due 2015 (which have been fully redeemed), the trustee on behalf of the holders of the 11.125% Senior Notes due 2018 Notes (which have been fully redeemed), the 2023 Trustee on behalf of the holders of the 2023 Notes, the 2021 Trustee on behalf of the holders of the 2021 Notes, the 2020 Trustee on behalf of the holders of the 2020 Notes, the 2019 Trustee on behalf of the holders of the 2019 Notes, the 2019 Private Notes Trustee on behalf of the holders of the 2019 Private Notes, the September 2023 Trustee on behalf of the holders of the September 2023 Notes, the 2014 Facility Agent on behalf of the lenders of the 2014 Club Loan, the 2015 Facility Agent on behalf of the lenders of the 2015 Club Loan and Goldman Sachs International as beneficiary of the GS Hedging Obligations under the ISDA Agreement. On or prior to the Original Issue Date, the Trustee on behalf of the holders of the Notes will enter into a supplement to the Existing Intercreditor Agreement with the parties to the Existing Intercreditor Agreement to supplement and amend the Existing Intercreditor Agreement (the Existing Intercreditor Agreement as supplemented and amended from time to time pursuant to the terms thereof is herein referred to as the "Intercreditor Agreement").

Under the Intercreditor Agreement, the 2019 Private Notes Trustee on behalf of the holders of the 2019 Private Notes, the 2019 Trustee on behalf of the holders of the 2019 Notes, the 2020 Trustee on behalf of the holders of the 2020 Notes, the 2021 Trustee on behalf of the holders of the 2021 Notes, the 2023 Trustee on behalf of the holders of the 2023 Notes, the September 2023 Trustee on behalf of the holders of the September 2023 Notes, the 2014 Facility Agent on behalf of the lenders of the 2014 Club Loan, the 2015 Facility Agent on behalf of the lenders of the 2015 Club Loan, Goldman Sachs International as beneficiary of the GS Hedging Obligations under the ISDA Agreement and the Trustee on behalf of the holders of the Notes (collectively with each holder (or its trustee or representative) of pari passu secured indebtedness permitted under the 2019 Private Notes Indenture, the 2019 Indenture, the 2020 Indenture, the 2021 Indenture, the 2023 Indenture, the September 2023 Indenture, the 2014 Club Loan, the 2015 Club Loan and the GS Hedging Obligations who becomes a party to the Intercreditor Agreement pursuant to the terms thereof, the "Secured Parties") will have appointed The Bank of New York Mellon to act as the Intercreditor/Collateral Agent with respect to the Collateral securing the obligations under the 2019 Private Notes Indenture, the 2019 Indenture, the 2020 Indenture, the 2021 Indenture, the 2023 Indenture, the

September 2023 Indenture, the 2014 Club Loan, the 2015 Club Loan, the GS Hedging Obligations and the Indenture (collectively, the "Secured Obligations"), to exercise remedies in respect thereof upon the occurrence of an event of default under the Secured Obligations and to act as specified in the Intercreditor Agreement.

The Intercreditor Agreement will provide, among other things, that (1) the parties thereto shall share equal priority and pro rata entitlement in and to the Collateral, (2) the conditions under which the parties thereto will consent to the release of such Collateral, and (3) the conditions under which the parties thereto will enforce their rights with respect to such Collateral and the Indebtedness secured thereby.

#### ***Enforcement of security***

The Intercreditor/Collateral Agent has agreed to act as secured party on behalf of the Secured Parties to follow the instructions provided to it under the Intercreditor Agreement and to carry out certain other duties.

The Intercreditor Agreement will provide, among other things, that each of the Secured Parties may direct the Intercreditor/Collateral Agent to initiate enforcement against the Collateral secured for the benefit of such Secured Party after notice to the other Secured Parties. In the event that the Secured Parties have not agreed to initiate enforcement, then, twenty business days after the non-enforcing parties shall have been notified of the intent to initiate enforcement against any of the Collateral, the enforcing party may direct the Intercreditor/Collateral Agent to commence enforcement proceedings in accordance with the terms of the Secured Obligations; provided that all direction with respect to the further timing and manner of such exercise following such commencement shall be given by the Secured Parties.

The Intercreditor Agreement will provide that all payments received and all amounts held by the Intercreditor/Collateral Agent in respect of the Collateral will be applied as follows:

*first*, to the ratable payment of the expenses of such sale or other realization, including but not limited to compensation to the Intercreditor/Collateral Agent and all expenses, liabilities and advances incurred or made by the secured parties in connection therewith, and any other unreimbursed expenses for which such parties are to be reimbursed pursuant to the secured party documents, and to the ratable payment of any other unreimbursed expenses for which a Secured Party is to be reimbursed pursuant to the secured party documents;

*second*, to the ratable payment of accrued but unpaid interest on the Secured Obligations;

*third*, to the ratable payment of unpaid principal of the Secured Obligations;

*fourth*, to any make-whole premium or any other premium payable pursuant to the secured party documents;

*fifth*, to the ratable payment of all other Secured Obligations, until all Secured Obligations shall have been paid in full; and

*finally*, any surplus remaining after such payments to the Company or the Subsidiary Guarantor Pledgors or their successors or assigns, or to whomever may be lawfully entitled thereto.

#### ***Release of security***

At any time and from time to time, the Intercreditor/Collateral Agent shall release the Collateral with the prior written consent of the Secured Parties and in accordance with the provisions of the Intercreditor Agreement.

Subject to the provisions of the Intercreditor Agreement, the security created in respect of the Collateral granted under the Security Documents may be released in certain circumstances, including:

- upon repayment in full of the Notes;
- upon defeasance and discharge of the Notes as provided below under the caption “—Defeasance—Defeasance and discharge;”
- upon dispositions of such Collateral in compliance with the covenants under the captions “—Limitation on sales and issuances of Capital Stock in Restricted Subsidiaries” or “—Limitation on Asset Sales” or in accordance with the provision under the caption “—Consolidation, merger and sale of assets;”
- with respect to security granted by a Subsidiary Guarantor Pledgor, upon the release of the Subsidiary Guarantee of such Subsidiary Guarantor Pledgor in accordance with the terms of the Indenture;
- with respect to security granted by any Subsidiary Guarantor and security over the Capital Stock of any Subsidiary Guarantor, upon such Subsidiary Guarantor becoming a New Non-Guarantor Restricted Subsidiary;
- with respect to any security over any Capital Stock of any Subsidiary Guarantor, upon the release of the Subsidiary Guarantee of such Subsidiary Guarantor; and
- with respect to any pledge over any Capital Stock of any Subsidiary Guarantor, upon the designation by the Company of such Subsidiary Guarantor as an Unrestricted Subsidiary, and in accordance with the terms of the Indenture.

## **Further issues**

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

## **Optional redemption**

At any time, the Company may at its option redeem the Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the Notes redeemed plus the Applicable Premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date. The Company will give not less than 30 days’ nor more than 60 days’ notice of any redemption. Neither the Trustee nor any of the Agents will be responsible for verifying or calculating the Applicable Premium.

At any time, the Company may redeem up to 35% of the aggregate principal amount of the Notes with the Net Cash Proceeds of one or more sales of Common Stock of the Company in an Equity Offering at a redemption price of 105.625% of the principal amount of the Notes redeemed, plus accrued and unpaid interest, if any, to (but not including) the redemption date; provided that at least 65% of the aggregate principal amount of the Notes originally issued on the Original Issue Date remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related Equity Offering.

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

(1) if the Notes are listed on any recognized securities exchange or are held through a clearing system, in compliance with the requirements of the principal recognized securities exchange on which the Notes are listed (if any) or the requirements of the clearing system; or

(2) if the Notes are not listed on any recognized securities exchange, on a pro rata basis.

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

## **Repurchase of Notes at the Option of the Holders**

Holder may, at their option ("Put Option"), require the Company to repurchase for cash all of their Notes, or any portion thereof that is in minimum denominations of US\$200,000 and integral multiples of US\$1,000 in excess thereof, on December 15, 2021 ("Put Settlement Date") at the repurchase price equal to 100% of the principal amount of such Notes to be repurchased, plus accrued and unpaid interest, if any, to (but not including) the Put Settlement Date; provided that any such accrued and unpaid interest will be paid on the Put Settlement Date to the Holder of record at the close of business on the immediately preceding Record Date.

On or before the sixtieth (60) Business Day prior to the Put Settlement Date, the Company will provide to the Trustee and the Holders a notice stating, among other things:

- the last date on which a Holder may exercise its Put Option, which is the forty fifth (45) Business Day prior to the Put Settlement Date;
- the repurchase price (including the accrued and unpaid interest to, but not including, the Put Settlement Date);
- the Put Settlement Date; and
- the name and address of the Paying Agent.

To exercise the Put Option, a Holder must deliver a written put option exercise notice to the Paying Agent (which notice shall be irrevocable) during the period beginning at any time from

the open of business on the date that is the sixtieth (60) Business Day prior to the Put Settlement Date until the close of business on the forty fifth (45) Business Day immediately preceding the Put Settlement Date. Each put option notice must state:

- if Individual Definitive Notes have been issued, the certificate number of the such Individual Definitive Notes or, if not issued, the notice must comply with appropriate clearing system procedures;
- the amount of the principal amount of Notes to be repurchased, which must be in minimum denominations of US\$200,000 and integral multiples of US\$1,000 in excess thereof; and
- the clause of the Indenture pursuant to which the Notes are to be repurchased by the Company.

Holders must either effect book-entry transfers according to appropriate clearing system procedures, or deliver the Individual Definitive Notes, together with necessary endorsements, to the office of the Paying Agent together with the delivery of the put option exercise notice to receive payment of the repurchase price.

The Company will be required to repurchase the Notes presented to the Paying Agent to be repurchased on the later of (i) the Put Settlement Date and (ii) the time of book-entry transfer or the delivery of the Notes to be repurchased. If the Paying Agent holds money sufficient to pay the repurchase price of the Notes on the Put Settlement Date, then, with respect to the Notes that have been properly specified for repurchase to the Paying Agent:

- 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 Individual Definitive Note is delivered to the Paying Agent); and
- all other rights of the Holder of such Notes will terminate (other than the right to receive the repurchase price).

No Notes may be repurchased pursuant to the Put Option on the Put Settlement Date if the principal amount of the Notes has been accelerated on or prior to such date (except in the case of an acceleration resulting from an Event of Default by the Company or any Subsidiary Guarantor in respect of the payment of the repurchase price with respect to such Notes).

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 pursuant to the exercise of the Put Option, we will be in default under the Indenture.

### **Repurchase of Notes upon a Change of Control Triggering Event**

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

The Company has agreed in the Indenture that it will in a timely manner repay all Indebtedness or obtain consents as necessary under, or terminate, agreements or instruments that would

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

Certain of the events constituting a Change of Control Triggering Event under the Notes will also constitute an event of default under certain debt instruments of the Company and its Subsidiaries. Future debt of the Company may also (1) prohibit the Company from purchasing Notes in the event of a Change of Control Triggering Event; (2) provide that a Change of Control Triggering Event is a default; or (3) require repurchase of such debt upon a Change of Control Triggering Event. Moreover, the exercise by the Holders of their right to require the Company to purchase the Notes could cause a default under other Indebtedness, even if the Change of Control Triggering Event itself does not, due to the financial effect of the purchase on the Company. The Company's ability to pay cash to the Holders following the occurrence of a Change of Control Triggering Event may be limited by the Company's and the Subsidiary Guarantors' then-existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make the required purchase of the Notes. See "Risk Factors—Risks relating to the Notes—We may not be able to repurchase the 2023 Notes, the 2021 Notes, the 2019 Notes, the Private Notes, the 2020 Notes or the Notes upon a change of control triggering event."

The definition of Change of Control includes a phrase relating to the sale of "all or substantially all" the assets of the Company. Although there is a limited body of case law interpreting the phrase "substantially all," no precise definition of the phrase has been established. Accordingly, the ability of a Holder of Notes to require the Company to repurchase such Holder's Notes as a result of a sale of less than all the assets of the Company to another person or group is uncertain and will be dependent upon particular facts and circumstances.

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

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

The Trustee shall not be required to take any steps to ascertain whether a Change of Control Triggering Event has occurred or may occur, and shall be entitled to assume that no such event has occurred until it has received written notice to the contrary from the Company. The Trustee shall not be required to take any steps to ascertain whether the condition for the exercise of the rights herein has occurred. The Trustee shall not be responsible for determining or verifying whether a Note is to be accepted for redemption and will not be responsible to the Holders for any loss arising from any failure by it to do so. The Trustee shall not be under any duty to

determine, calculate or verify the redemption amount payable hereunder and will not be responsible to the Holders for any loss arising from any failure by it to do so.

### **No mandatory redemption or sinking fund**

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

### **Additional amounts**

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

(1) for or on account of:

(a) any tax, duty, assessment or other governmental charge that would not have been imposed but for:

(i) the existence of any present or former connection between the Holder or beneficial owner of such Note, and the Relevant Jurisdiction other than merely holding such Note or the receipt of payments thereunder or under a Subsidiary Guarantee, including, without limitation, such Holder or beneficial owner being or having been a national, domiciliary or resident of such Relevant Jurisdiction or treated as a resident thereof or being or having been physically present or engaged in a trade or business therein or having or having had a permanent establishment therein;

(ii) the presentation of such Note (in cases in which presentation is required) more than 30 days after the later of the date on which the payment of the principal of, premium, if any, and interest on, such Note became due and payable pursuant to the terms thereof or was made or duly provided for, except to the extent that the Holder thereof would have been entitled to such Additional Amounts if it had presented such Note for payment on any date within such 30-day period;

(iii) the failure of the Holder or beneficial owner to comply with a timely request of the Company, a Surviving Person or any Subsidiary Guarantor



addressed to the Holder or beneficial owner, as the case may be, to provide information concerning such Holder's or beneficial owner's nationality, residence, identity or connection with any Relevant Jurisdiction, if and to the extent that due and timely compliance with such request would have reduced or eliminated any withholding or deduction as to which Additional Amounts would have otherwise been payable to such Holder;

(iv) the presentation of such Note (in cases in which presentation is required) for payment in the Relevant Jurisdiction, unless such Note could not have been presented for payment elsewhere;

(b) any estate, inheritance, gift, sale, transfer, personal property or similar tax, assessment or other governmental charge;

(c) any tax, assessment, withholding or deduction required by sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended ("FATCA"), any current or future Treasury Regulations or rulings promulgated thereunder, any law, regulation or other official guidance enacted in any jurisdiction implementing FATCA, any intergovernmental agreement between the United States and any other jurisdiction to implement FATCA, or any agreement with the U.S. Internal Revenue Service under FATCA; or

(d) any combination of taxes, duties, assessments or other governmental charges referred to in the preceding clauses (a), (b) and (c); or

(2) to a Holder that is a fiduciary, partnership or person other than the sole beneficial owner of any payment to the extent that such payment would be required to be included in the income under the laws of a Relevant Jurisdiction, for tax purposes, of a beneficiary or settlor with respect to the fiduciary, or a member of that partnership or a beneficial owner who would not have been entitled to such Additional Amounts had that beneficiary, settlor, partner or beneficial owner been the Holder thereof.

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

### **Redemption for taxation reasons**

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

(1) any change in, or amendment to, the laws (or any regulations or rulings promulgated thereunder) of a Relevant Jurisdiction affecting taxation; or

(2) any change in the existing official position or the stating of an official position regarding the application or interpretation of such laws, regulations or rulings (including a holding, judgment or order by a court of competent jurisdiction),

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

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

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

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

The Trustee shall accept such certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent described above without further verification, in which event it shall be conclusive and binding on the Holders.

Any Notes that are redeemed will be cancelled.

## **Certain covenants**

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

### ***Limitation on Indebtedness and Preferred Stock***

(1) The Company will not, and will not permit any Restricted Subsidiary to, Incur any Indebtedness (including Acquired Indebtedness), provided that the Company and any Subsidiary Guarantor may Incur Indebtedness (including Acquired Indebtedness) and any Restricted Subsidiary (other than a Subsidiary Guarantor) may Incur Permitted Subsidiary Indebtedness if, after giving effect to the Incurrence of such Indebtedness and the receipt and application of the proceeds therefrom, (x) no Default has occurred and is continuing and (y) the Fixed Charge Coverage Ratio would be not less than 2.5 to 1.0. Notwithstanding the foregoing, the Company will not permit any Restricted Subsidiary

(other than a Subsidiary Guarantor) to Incur any Disqualified Stock or Preferred Stock (other than Disqualified Stock or Preferred Stock of Restricted Subsidiaries held by the Company or a Subsidiary Guarantor, so long as it is so held).

(2) Notwithstanding the foregoing, the Company and, to the extent provided below, any Restricted Subsidiary may Incur each and all of the following (“Permitted Indebtedness”):

(a) Indebtedness under the Notes (excluding any Additional Notes and any Permitted *Pari Passu* Secured Indebtedness of the Company) and each Subsidiary Guarantee;

(b) any *Pari Passu* Subsidiary Guarantees by any Subsidiary Guarantor;

(c) Indebtedness of the Company or any Restricted Subsidiary outstanding on the Original Issue Date excluding Indebtedness permitted under clause (d); provided that such Indebtedness of Restricted Subsidiaries (other than Subsidiary Guarantors) shall be included in the calculation of Permitted Subsidiary Indebtedness (other than any such Indebtedness described in clauses (a) and (b) above and clauses (d), (f), (g) and (m) below);

(d) Indebtedness of the Company or Indebtedness or Preferred Stock of any Restricted Subsidiary owed to or held by the Company or any Restricted Subsidiary; provided that (i) any event which results in any such Restricted Subsidiary ceasing to be a Restricted Subsidiary or any subsequent transfer of such Indebtedness or Preferred Stock (other than to the Company or any Restricted Subsidiary) shall be deemed, in each case, to constitute an Incurrence of such Indebtedness not permitted by this sub-clause (d) and (ii) if the Company or any Subsidiary Guarantor is the obligor and neither the Company nor any Subsidiary Guarantors is an obligee on such Indebtedness, such Indebtedness must be unsecured and be expressly subordinated in right of payment to the Notes, in the case of the Company, or the Subsidiary Guarantee of such Subsidiary Guarantor, in the case of a Subsidiary Guarantor;

(e) Indebtedness (“Permitted Refinancing Indebtedness”) of the Company or any Restricted Subsidiary issued in exchange for, or the net proceeds of which are used to refinance or refund, replace, exchange, renew, repay, defease, discharge or extend (collectively, “refinance” and “refinances” and “refinanced” shall have correlative meanings), then outstanding Indebtedness (or Indebtedness that is no longer outstanding but that is refinanced substantially concurrently with the Incurrence of such Permitted Refinancing Indebtedness) Incurred under the immediately preceding paragraph (1) or clauses (a), (b), (c), (h), (o), (q), (r), (s), (t), (u), (v), or (x) of this paragraph (2) and any refinancings thereof in an amount not to exceed the amount so refinanced (plus premiums, accrued interest, fees and expenses); provided that (i) Indebtedness the proceeds of which are used to refinance the Notes or Indebtedness that is *pari passu* with, or subordinated in right of payment to, the Notes or a Subsidiary Guarantee shall only be permitted under this clause (e) if (A) in case the Notes are refinanced in part or the Indebtedness to be refinanced is *pari passu* with the Notes or a Subsidiary Guarantee, such new Indebtedness, by its terms or by the terms of any agreement or instrument pursuant to which such new Indebtedness is outstanding, is expressly made *pari passu* with,

or subordinate in right of payment to, the remaining Notes or such Subsidiary Guarantee, or (B) in case the Indebtedness to be refinanced is subordinated in right of payment to the Notes or a Subsidiary Guarantee, such new Indebtedness, by its terms or by the terms of any agreement or instrument pursuant to which such new Indebtedness is issued or remains outstanding, is expressly made subordinate in right of payment to the Notes or such Subsidiary Guarantee at least to the extent that the Indebtedness to be refinanced is subordinated to the Notes or such Subsidiary Guarantee, (ii) such new Indebtedness, determined as of the date of Incurrence of such new Indebtedness, does not mature prior to the Stated Maturity of the Indebtedness to be refinanced, and the Average Life of such new Indebtedness is at least equal to the remaining Average Life of the Indebtedness to be refinanced and (iii) in no event may Indebtedness of the Company or any Subsidiary Guarantor be refinanced pursuant to this clause by means of any Indebtedness of any Restricted Subsidiary that is not a Subsidiary Guarantor;

(f) Indebtedness Incurred by the Company or any Restricted Subsidiary pursuant to Hedging Obligations designed to reduce or manage the exposure of the Company or any of its Restricted Subsidiaries from fluctuations in interest rates, currencies or the price of commodities;

(g) Pre-Registration Mortgage Guarantees by the Company or any Restricted Subsidiary;

(h) Indebtedness Incurred by the Company or any Restricted Subsidiary for the purpose of financing (x) all or any part of the purchase price of assets, real or personal property (including the lease purchase price of land use rights) or equipment to be used in the ordinary course of business by the Company or a Restricted Subsidiary, including any such purchase through the acquisition of Capital Stock of any Person that owns such real or personal property or equipment which will, upon acquisition, become a Restricted Subsidiary, or (y) all or any part of the purchase price or the cost of development, construction or improvement of real or personal property (including the lease purchase price of land use rights) or equipment to be used in the ordinary course of business by the Company or a Restricted Subsidiary; provided that in the case of clauses (x) and (y), (A) the aggregate principal amount of such Indebtedness shall not exceed such purchase price or cost, (B) such Indebtedness shall be Incurred no later than 180 days after the acquisition of such property or completion of such development, construction or improvement and (C) on the date of the Incurrence of such Indebtedness and after giving effect thereto, the sum of (1) the aggregate outstanding principal amount of all Indebtedness Incurred under this clause (h) (together with refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under this clause (h) to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) plus (2) the aggregate principal amount outstanding of all Indebtedness Incurred pursuant to clause (p), (q), (r), (s), (t), (u), (v) or (w) below (together with refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under any of such clauses to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 30% of Total Assets;

- (i) Indebtedness Incurred by the Company or any Restricted Subsidiary constituting reimbursement obligations with respect to workers' compensation claims or self-insurance obligations or bid, performance or surety bonds (in each case other than for an obligation for borrowed money);
- (j) Indebtedness Incurred by the Company or any Restricted Subsidiary constituting reimbursement obligations with respect to letters of credit, trade guarantees or similar instruments issued in the ordinary course of business to the extent that such letters of credit, trade guarantees or similar instruments are not drawn upon or, if drawn upon, to the extent such drawing is reimbursed no later than the 30 days following receipt by the Company or such Restricted Subsidiary of a demand for reimbursement;
- (k) Indebtedness arising from agreements providing for indemnification, adjustment of purchase price or similar obligations, or from Guarantees or letters of credit, surety bonds or performance bonds securing any obligation of the Company or any Restricted Subsidiary pursuant to such agreements, in any case, Incurred in connection with the disposition of any business, assets or Restricted Subsidiary, other than Guarantees of Indebtedness Incurred by any Person acquiring all or any portion of such business, assets or Restricted Subsidiary for the purpose of financing such acquisition; provided that the maximum aggregate liability in respect of all such Indebtedness in the nature of such Guarantee shall at no time exceed the gross proceeds actually received from the sale of such business, assets or Restricted Subsidiary;
- (l) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business provided, however, that such Indebtedness is extinguished within five Business Days of Incurrence;
- (m) Guarantees by the Company or any Restricted Subsidiary of Indebtedness of the Company or any Restricted Subsidiary that was permitted to be Incurred by another provision of this covenant, subject to the covenant under the caption "—Limitation on Issuances of Guarantees by Restricted Subsidiaries";
- (n) Indebtedness of the Company or any Restricted Subsidiary with a maturity of one year or less used by the Company or any Restricted Subsidiary for working capital; provided that the aggregate principal amount of Indebtedness permitted by this clause (n) at any time outstanding does not exceed US\$50.0 million (or the Dollar Equivalent thereof);
- (o) Indebtedness of the Company or any Restricted Subsidiary in an aggregate principal amount outstanding at any time (together with refinancings thereof) not to exceed US\$15.0 million (or the Dollar Equivalent thereof);
- (p) Indebtedness of the Company or any Restricted Subsidiary arising from Guarantees of Indebtedness of the Joint Venture or any of its Subsidiaries in an aggregate outstanding amount not to exceed RMB1.70 billion, provided that on the date of Incurrence of the relevant Indebtedness by the Joint Venture or its Subsidiaries and after giving effect thereto, the sum of (1) the aggregate outstanding principal amount of all Indebtedness Incurred under this clause (p)

(together with refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under this clause (p) to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) plus (2) the aggregate principal amount outstanding of all Indebtedness Incurred pursuant to clause (h) above or clause (q), (r), (s), (t), (u), (v) or (w) below (together with refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under any of such clauses to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 30% of Total Assets;

(q) Indebtedness Incurred or Preferred Stock issued by the Company or any Restricted Subsidiary arising from any Investment made by a Financial Company Investor in a Restricted Subsidiary; provided that on the date of the Incurrence of such Indebtedness or issuance of Preferred Stock and after giving effect thereto, the sum of (1) the aggregate outstanding principal amount of all Indebtedness Incurred under this clause (q) (together with refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under this clause (q) to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) plus (2) the aggregate principal amount outstanding of all Indebtedness Incurred pursuant to clause (h) or (p) above or clause (r), (s), (t), (u), (v) or (w) below (together with refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred any of such clauses to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 30% of Total Assets;

(r) Bank Deposit Secured Indebtedness Incurred by the Company or any of its Restricted Subsidiaries, provided that on the date of Incurrence of such Indebtedness and after giving effect thereto, the sum of (1) the aggregate outstanding principal amount of all Indebtedness Incurred under this clause (r) (together with refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under this clause (r) to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) plus (2) the aggregate principal amount outstanding of all Indebtedness Incurred pursuant to clause (h), (p) or (q) above or clause (s), (t), (u), (v) or (w) below (together with refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under any of such clauses to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 30% of Total Assets;

(s) Indebtedness of the Company or any Restricted Subsidiary constituting an obligation to pay the deferred purchase price of Capital Stock of a Person pursuant to a Minority Interest Staged Acquisition Agreement, to the extent that such deferred purchase price is paid within 12 months after the date the Company or such Restricted Subsidiary enters into such Minority Interest Staged Acquisition Agreement; provided that on the date of the Incurrence of such Indebtedness and after giving effect thereto, the sum of (1) the aggregate

outstanding principal amount of all Indebtedness Incurred under this clause (s) (together with refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under this clause (s) to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) plus (2) the aggregate principal amount outstanding of all Indebtedness Incurred pursuant to clause (h), (p), (q) or (r) above or clause (t), (u), (v) or (w) below (together with refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under any of such clauses to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 30% of Total Assets;

(t) Indebtedness Incurred by the Company or any Restricted Subsidiary constituting a Guarantee of Indebtedness of any Person (other than a Restricted Subsidiary or an individual or natural person) by the Company or such Restricted Subsidiary; provided that on the date of the Incurrence of such Indebtedness and after giving effect thereto, the sum of (1) the aggregate outstanding principal amount of all Indebtedness Incurred under this clause (t) (together with refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under this clause (t) to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) plus (2) the aggregate principal amount outstanding of all Indebtedness Incurred pursuant to clause (h), (p), (q), (r) or (s) above or clause (u), (v) or (w) below (together with refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under any of such clauses to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 30% of Total Assets;

(u) Acquired Indebtedness of any Person Incurred and outstanding on the date on which such Person becomes a Restricted Subsidiary (other than Indebtedness Incurred (i) to provide all or any portion of the funds utilized to consummate the transaction or series of transactions pursuant to which a Person becomes a Restricted Subsidiary or (ii) otherwise in contemplation of a Person becoming a Restricted Subsidiary or any such acquisition); provided that on the date of the Incurrence of such Indebtedness and after giving effect thereto, the sum of (1) the aggregate outstanding principal amount of all Indebtedness Incurred under this clause (u) (together with refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under this clause (u) to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) plus (2) the aggregate principal amount outstanding of all Indebtedness Incurred pursuant to clause (h), (p), (q), (r), (s) or (t) above or clause (v) or (w) below (together with refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under any of such clauses to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 30% of Total Assets;

(v) Indebtedness Incurred by the Company or any Restricted Subsidiary which is secured by Investment Properties or fixed assets, and Guarantees thereof by the Company or any such Restricted Subsidiary; provided that on the date of the Incurrence of such Indebtedness and after giving effect thereto, the sum of (1) the aggregate outstanding principal amount of all Indebtedness Incurred under this clause (v) (together with refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under this clause (v) to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) plus (2) the aggregate principal amount outstanding of all Indebtedness Incurred pursuant to clause (h), (p), (q), (r), (s), (t) or (u) above or clause (w) below (together with refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under any of such clauses to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 30% of Total Assets;

(w) Unrestricted Subsidiary Pre-Registration Mortgage Guarantees by the Company or any Restricted Subsidiary; provided that on the date of the Incurrence of such Indebtedness and after giving effect thereto, the sum of (1) the aggregate outstanding principal amount of all Indebtedness Incurred under this clause (w) (together with refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under this clause (w) to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) plus (2) the aggregate principal amount outstanding of all Indebtedness Incurred pursuant to sub-clauses (h), (p), (q), (r), (s), (t), (u) and (v) above (together with refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred such clauses to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 30% of Total Assets; and

(x) Indebtedness of the Company or any Restricted Subsidiary constituting an obligation to pay the deferred purchase price of Capital Stock of a Person pursuant to a Staged Acquisition Agreement, to the extent that such deferred purchase price is paid within 12 months after the date the Company or such Restricted Subsidiary enters into such Staged Acquisition Agreement, provided that such Person is either a Restricted Subsidiary or would become a Restricted Subsidiary upon completion of the transactions under such Staged Acquisition Agreement.

(3) For purposes of determining compliance with this "Limitation on Indebtedness and Preferred Stock" covenant, in the event that an item of Indebtedness meets the criteria of more than one of the types of Indebtedness described above, including under the proviso in the first paragraph of part (1), the Company, in its sole discretion, shall classify, and from time to time may reclassify, such item of Indebtedness, provided that any Indebtedness Incurred under clause (p) of part (2) of this "Limitation on Indebtedness and Preferred Stock" covenant shall not so be reclassified.



### ***Limitation on Restricted Payments***

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

(1) declare or pay any dividend or make any distribution on or with respect to the Company's or any of its Restricted Subsidiaries' Capital Stock (other than dividends or distributions payable or paid in shares of the Company's or any of its Restricted Subsidiaries' Capital Stock (other than Disqualified Stock or Preferred Stock) or in options, warrants or other rights to acquire shares of such Capital Stock) held by Persons other than the Company or any Wholly Owned Restricted Subsidiary;

(2) purchase, call for redemption or redeem, retire or otherwise acquire for value any shares of Capital Stock of the Company or any Restricted Subsidiary (including options, warrants or other rights to acquire such shares of Capital Stock) or any direct or indirect parent of the Company held by any Persons other than the Company or any Wholly Owned Restricted Subsidiary;

(3) make any voluntary or optional principal payment, or voluntary or optional redemption, repurchase, defeasance, or other acquisition or retirement for value, of Indebtedness that is subordinated in right of payment to the Notes or any of the Subsidiary Guarantees (excluding any intercompany Indebtedness between or among the Company and any Subsidiary Guarantor); or

(4) make any Investment, other than a Permitted Investment;

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

(a) a Default has occurred and is continuing or would occur as a result of such Restricted Payment;

(b) the Company could not Incur at least US\$1.00 of Indebtedness under the proviso in the first paragraph of part (1) of the covenant under the caption "—Limitation on Indebtedness and Preferred Stock;" or

(c) such Restricted Payment, together with the aggregate amount of all Restricted Payments made by the Company and its Restricted Subsidiaries after September 10, 2009, including, for the avoidance of doubt, any payment described in clauses (1) through (4) above made after September 10, 2009 and prior to the Original Issue Date that would have constituted a "Restricted Payment" under the Indenture had it been in effect at the time of such payment, shall exceed the sum of:

(i) 50% of the aggregate amount of the Consolidated Net Income of the Company (or, if the Consolidated Net Income is a loss, minus 100% of the amount of such loss) accrued on a cumulative basis during the period (taken as one accounting period) beginning July 1, 2009 and ending on the last day of the Company's most recently ended fiscal quarter for which consolidated financial statements of the Company (which the Company shall use its reasonable best efforts to compile in a timely manner) are available (which may include internal consolidated financial statements); plus

(ii) 100% of the aggregate Net Cash Proceeds received by the Company after September 10, 2009 as a capital contribution to its common equity or from the issuance and sale of its Capital Stock (other than Disqualified Stock) to a Person who is not a Subsidiary of the Company, including any such Net Cash Proceeds received upon (A) the conversion of any Indebtedness (other than Subordinated Indebtedness) of the Company into Capital Stock (other than Disqualified Stock) of the Company, or (B) the exercise by a Person who is not a Subsidiary of the Company of any options, warrants or other rights to acquire Capital Stock of the Company (other than Disqualified Stock) in each case after deducting the amount of any such Net Cash Proceeds used to redeem, repurchase, defease or otherwise acquire or retire for value any Subordinated Indebtedness or Capital Stock of the Company; plus

(iii) the amount by which Indebtedness of the Company or any of its Restricted Subsidiaries is reduced on the Company's consolidated balance sheet upon the conversion or exchange (other than by a Subsidiary of the Company) subsequent to September 10, 2009 of any Indebtedness of the Company or any of its Restricted Subsidiaries convertible or exchangeable into Capital Stock (other than Disqualified Stock) of the Company (less the amount of any cash, or the Fair Market Value of any other property, distributed by the Company upon such conversion or exchange); plus

(iv) an amount equal to the sum of:

(A) (1) the net reduction in Investments (that were made after September 10, 2009 and that would have been treated as Restricted Payments herein had the Indenture been in effect at such time) in any Person resulting from (x) dividends, repayments of loans or advances or other transfers of Property, in each case to the Company or any Restricted Subsidiary from such Person, (y) the unconditional release of a Guarantee (to the extent such Guarantee, when given, would have constituted a Restricted Payment herein had the Indenture been in effect at such time) provided by the Company or a Restricted Subsidiary or (z) any Person becoming a Restricted Subsidiary (whereupon all Investments made by the Company or any Restricted Subsidiary in such Person since September 10, 2009 shall be deemed to have been made pursuant to clause (1) of the definition of "Permitted Investment") but only to the extent such Investments by the Company or any Restricted Subsidiary in such Person would not have been Permitted Investments herein at the time such Investments were made had the Indenture been in effect at such time; or (2) to the extent that an Investment made after September 10, 2009 (that would have been treated as a Restricted Payment herein had the Indenture been in effect at such time) is sold or otherwise liquidated or repaid for cash, the lesser of (x) the cash return of capital with respect to such Investment (less the cost of disposition, if any) and (y) the initial amount of such Investment, plus

(B) the portion (proportionate to the Company's equity interest in such Unrestricted Subsidiary) of the Fair Market Value of the net assets of an Unrestricted Subsidiary at the time such Unrestricted Subsidiary is designated a Restricted Subsidiary under the Indenture;

provided, however, that the foregoing sum shall not exceed, in the case of any Person, the amount of Investments previously made (and that would have been treated as Restricted Payments under the Indenture had the Indenture been in effect at such time) by the Company or any Restricted Subsidiary in such Person, and provided further, that no amount will be included under this clause (iv) to the extent it is already included in Consolidated Net Income as described in clause (i) of this paragraph; plus

(v) US\$25.0 million (or the Dollar Equivalent thereof).

The foregoing provision shall not be violated by reason of:

(1) the payment of any dividend or redemption of any Capital Stock within 60 days after the related date of declaration or call for redemption if, at said date of declaration or call for redemption, such payment or redemption would comply with the preceding paragraph;

(2) the redemption, repurchase, defeasance or other acquisition or retirement for value of Subordinated Indebtedness of the Company or any of the Subsidiary Guarantors with the Net Cash Proceeds of, or in exchange for, a substantially concurrent Incurrence of Permitted Refinancing Indebtedness;

(3) the redemption, repurchase or other acquisition of Capital Stock of the Company or any Restricted Subsidiary (or options, warrants or other rights to acquire such Capital Stock) in exchange for, or out of the Net Cash Proceeds of a substantially concurrent capital contribution or sale (other than to a Subsidiary of the Company) of, shares of Capital Stock (other than Disqualified Stock) of the Company or any Subsidiary Guarantor (or options, warrants or other rights to acquire such Capital Stock); provided that the amount of any such Net Cash Proceeds that are utilized for any such Restricted Payment will be excluded from clause (c)(ii) of the preceding paragraph;

(4) the redemption, repurchase, defeasance or other acquisition or retirement for value of Subordinated Indebtedness of the Company or any of the Subsidiary Guarantors in exchange for, or out of the Net Cash Proceeds of, a substantially concurrent capital contribution or sale (other than to a Subsidiary of the Company) of, shares of Capital Stock (other than Disqualified Stock) of the Company or any of the Subsidiary Guarantors (or options, warrants or other rights to acquire such Capital Stock); provided that the amount of any such Net Cash Proceeds that are utilized for any such Restricted Payment will be excluded from clause (c)(ii) of the preceding paragraph;

(5) any dividends or distributions declared, paid or made by a Restricted Subsidiary payable, on a pro rata basis or on a basis more favorable to the Company, to all holders of any class of Capital Stock of such Restricted Subsidiary, at least 50.0% of which is held, directly or indirectly through Restricted Subsidiaries, by the Company;

(6) the repurchase of Capital Stock of the Company by the Company or Power Great Enterprises Limited in connection with the Company's employee incentive or stock option plans up to an aggregate amount of US\$37.5 million;

(7) dividends paid to, or the purchase of Capital Stock of any Restricted Subsidiary held by any Financial Company Investor in respect of any Indebtedness or Preferred Stock outstanding on the Original Issue Date or permitted to be Incurred under paragraph (2)(q) of the "Limitation on Indebtedness and Preferred Stock" covenant; provided that any interest expenses or dividend distributions made under such Indebtedness or Preferred Stock are treated as a Consolidated Fixed Charge;

(8) the purchase of Capital Stock of a Person, and payments made pursuant to a Staged Acquisition Agreement or a Minority Interest Staged Acquisition Agreement;

(9) the purchase by the Company or a Restricted Subsidiary of Capital Stock of any Restricted Subsidiary that is not Wholly Owned, directly or indirectly, by the Company from an Independent Third Party pursuant to an agreement entered into between or among the Company or any Restricted Subsidiary and such Independent Third Party solely for the purpose of acquiring real property or land use rights, provided that (x) such purchase occurs within 12 months after such Restricted Subsidiary acquires the real property or land use rights it was formed to acquire and (y) the Company delivers to the Trustee a Board Resolution set forth in an Officers' Certificate confirming that, in the opinion of the Board of Directors, the purchase price of such Capital Stock is less than or equal to the Fair Market Value of such Capital Stock; or

(10) any Guarantee by the Company or any Restricted Subsidiary permitted to be Incurred under the covenant described under paragraph (2)(t) of the "Limitation on Indebtedness and Preferred Stock" covenant;

*provided* that, in the case of clause (2), (3), (4) or (6) of the preceding paragraph, no Default shall have occurred and be continuing or would occur as a consequence of the actions or payments set forth therein.

Each Restricted Payment permitted pursuant to clause (1) of the preceding paragraph made after September 10, 2009 shall be included in calculating whether the conditions of clause (c) of the first paragraph of this "Limitation on Restricted Payments" covenant have been met with respect to any subsequent Restricted Payments.

The amount of any Restricted Payments (other than cash) will be the Fair Market Value on the date of the Restricted Payment of the asset(s) or securities proposed to be transferred or issued by the Company or the Restricted Subsidiary, as the case may be, pursuant to the Restricted Payment. The value of any assets or securities that are required to be valued by this covenant will be the Fair Market Value. The Board of Directors' determination of the Fair Market Value of a Restricted Payment or any such assets or securities must be based upon an opinion or appraisal issued by an appraisal or investment banking firm of recognized international standing if the Fair Market Value exceeds US\$10 million (or the Dollar Equivalent thereof).

Not later than the date of making any Restricted Payment in excess of US\$10 million (or the Dollar Equivalent thereof) (other than any Restricted Payments set forth in clauses (5) through (10) above), the Company will deliver to the Trustee an Officers' Certificate stating that such Restricted Payment is permitted and setting forth the basis upon which the calculations required

by this “—Limitation on Restricted Payments” covenant were computed, together with a copy of any fairness opinion or appraisal required by the Indenture.

For purposes of determining compliance with this “—Limitation on Restricted Payments” covenant, in the event that an item of Investment meets the criteria of both the first paragraph of this “—Limitation on Restricted Payments” covenant and paragraph (19) of the definition of “Permitted Investment” at any time, the Company, in its sole discretion, shall classify, and from time to time may reclassify, such item of Investment in either or both of them.

***Limitation on dividend and other payment restrictions affecting Restricted Subsidiaries***

(1) Except as provided below, the Company will not, and will not permit any Restricted Subsidiary to, create or otherwise cause or permit to exist or become effective any encumbrance or restriction on the ability of any Restricted Subsidiary to:

- (a) pay dividends or make any other distributions on any Capital Stock of such Restricted Subsidiary owned by the Company or any other Restricted Subsidiary;
- (b) pay any Indebtedness or other obligation owed to the Company or any other Restricted Subsidiary;
- (c) make loans or advances to the Company or any other Restricted Subsidiary; or
- (d) sell, lease or transfer any of its property or assets to the Company or any other Restricted Subsidiary.

(2) The provisions of clause (1) do not apply to any encumbrances or restrictions:

- (a) existing in agreements as in effect on the Original Issue Date, or in the Notes, the Subsidiary Guarantees, the Indenture, the Security Documents, or under any Permitted Pari Passu Secured Indebtedness of the Company or any Subsidiary Guarantor Pledgor or Pari Passu Subsidiary Guarantee of any Subsidiary Guarantor, and any extensions, refinancings, renewals or replacements of any of the foregoing agreements; provided that the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced;
- (b) existing under or by reason of applicable law, rule, regulation or order;
- (c) existing with respect to any Person or the property or assets of such Person acquired by the Company or any Restricted Subsidiary, at the time of such acquisition and not incurred in contemplation thereof, which encumbrances or restrictions are not applicable to any Person or the property or assets of any Person other than such Person or the property or assets of such Person so acquired, and any extensions, refinancings, renewals or replacements thereof; provided that the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced;

(d) that otherwise would be prohibited by the provision described in clause (1)(d) of this covenant if they arise, or are agreed to, in the ordinary course of business and, that (i) restrict in a customary manner the subletting, assignment or transfer of any property or asset that is subject to a lease or license, (ii) exist by virtue of any Lien on, or agreement to transfer, option or similar right with respect to any property or assets of the Company or any Restricted Subsidiary not otherwise prohibited by the Indenture, or (iii) do not relate to any Indebtedness, and that do not, individually or in the aggregate, detract from the value of property or assets of the Company or any Restricted Subsidiary in any manner material to the Company or any Restricted Subsidiary;

(e) with respect to a Restricted Subsidiary and imposed pursuant to an agreement that has been entered into for the sale or disposition of all or substantially all of the Capital Stock of, or property and assets of, such Restricted Subsidiary that is permitted by the “—Limitation on sales and issuances of Capital Stock in Restricted Subsidiaries,” “—Limitation on Indebtedness and Preferred Stock” and “—Limitation on Asset Sales” covenants;

(f) with respect to any Restricted Subsidiary and imposed pursuant to an agreement that has been entered into for the Incurrence of Indebtedness or issuance of Preferred Stock of the type described under clause (2)(h), (2)(n), (2)(q), (2)(r), (2)(s), (2)(t), (2)(u), (2)(v) or 2(x) or permitted under clause (2)(o) of the “Limitation on Indebtedness and Preferred Stock” covenant if, the encumbrances or restrictions are (i) customary for such types of agreements and (ii) would not, at the time agreed to, be expected to materially and adversely affect the ability of the Company to make required payment on the Notes and any extensions, refinancings, renewals or replacements of any of the foregoing agreements; provided that the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced, provided further that, the Board of Directors is empowered to determine whether the conditions set forth in clauses (i) and (ii) are met, which determination shall be conclusive if evidenced by a Board Resolution;

(g) existing in customary provisions in joint venture agreements and other similar agreements permitted under the Indenture, to the extent such encumbrance or restriction relates to the activities or assets of a Restricted Subsidiary that is a party to such joint venture and if (i) the encumbrances or restrictions are customary for a joint venture or similar agreement of that type and (ii) the encumbrances or restrictions would not, at the time agreed to, be expected to materially and adversely affect (x) the ability of the Company to make the required payments on the Notes, or (y) any Subsidiary Guarantor to make required payments under its Subsidiary Guarantee, provided further that, the Board of Directors is empowered to determine whether the conditions set forth in clauses (i) and (ii) are met, which determination shall be conclusive if evidenced by a Board Resolution; or

(h) existing with respect to any Unrestricted Subsidiary or the property or assets of such Unrestricted Subsidiary that is designated as a Restricted Subsidiary in

accordance with the terms of the Indenture at the time of such designation and not incurred in contemplation of such designation, which encumbrances or restrictions are not applicable to any Person or the property or assets of any Person other than such Subsidiary or its subsidiaries or the property or assets of such Subsidiary or its subsidiaries, and any extensions, refinancing, renewals or replacements thereof; provided that the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced.

***Limitation on sales and issuances of Capital Stock in Restricted Subsidiaries***

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

- (1) to the Company or a Wholly Owned Restricted Subsidiary, or in the case of a Restricted Subsidiary that is not Wholly Owned, pro rata to its shareholders or incorporators;
- (2) to the extent such Capital Stock represents director's qualifying shares or is required by applicable law to be held by a Person other than the Company or a Wholly Owned Restricted Subsidiary;
- (3) the issuance or sale of Capital Stock of a Restricted Subsidiary if, immediately after giving effect to such issuance or sale, such Restricted Subsidiary would no longer constitute a Restricted Subsidiary and any remaining Investment in such Person would have been permitted to be made under the "Limitation on Restricted Payments" covenant if made on the date of such issuance or sale and provided that the Company complies with the "—Limitation on Asset Sales" covenant; provided further that, paragraph (19)(f) of the definition of "Permitted Investments" shall not apply if such Investment would otherwise have been permitted under paragraph (19) of such definition; and
- (4) the issuance or sale of Capital Stock of a Restricted Subsidiary (which remains a Restricted Subsidiary after any such issuance or sale); provided that the Company or such Restricted Subsidiary applies the Net Cash Proceeds of such issuance or sale in accordance with the "—Limitation on Asset Sales" covenant.

***Limitation on issuances of Guarantees by Restricted Subsidiaries***

The Company will not permit any Restricted Subsidiary which is not a Subsidiary Guarantor, directly or indirectly, to Guarantee any Indebtedness ("Guaranteed Indebtedness") of the Company or any Subsidiary Guarantor, unless (1) (a) such Restricted Subsidiary, simultaneously executes and delivers a supplemental indenture to the Indenture providing for an unsubordinated Subsidiary Guarantee of payment of the Notes by such Restricted Subsidiary and (b) such Restricted Subsidiary waives and will not in any manner whatsoever claim or take the benefit or advantage of, any rights of reimbursement, indemnity or subrogation or any other rights against the Company or any other Restricted Subsidiary as a result of any payment by such

Restricted Subsidiary under its Subsidiary Guarantee until the Notes have been paid in full or (2) such Guarantee is permitted by clauses (2)(c), (d) or (2)(r) (in the case of clause (2)(r), with respect to the Guarantee provided by the Company or any Restricted Subsidiary through the pledge of one or more bank accounts or deposits to secure (or the use of any Guarantee or letter of credit or similar instruments to Guarantee) any Bank Deposit Secured Indebtedness), under the caption “—Limitation on Indebtedness and Preferred Stock.”

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

#### ***Limitation on transactions with shareholders and Affiliates***

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

(1) the Affiliate Transaction is on fair and reasonable terms that are no less favorable to the Company or the relevant Restricted Subsidiary than those that would have been obtained in a comparable transaction by the Company or the relevant Restricted Subsidiary with a Person that is not an Affiliate of the Company or such Restricted Subsidiary; and

(2) the Company delivers to the Trustee:

(a) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of US\$5.0 million (or the Dollar Equivalent thereof), a Board Resolution set forth in an Officers’ Certificate certifying that such Affiliate Transaction complies with this covenant and such Affiliate Transaction has been approved by a majority of the disinterested members of the Board of Directors; and

(b) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of US\$10.0 million (or the Dollar Equivalent thereof), in addition to the Board Resolution required in clause 2(a) above, an opinion as to the fairness to the Company or such Restricted Subsidiary of such Affiliate Transaction from a financial point of view issued by an accounting, appraisal or investment banking firm of recognized international standing.

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

(1) the payment of reasonable and customary regular fees and other compensation for their service as board members to directors of the Company or any Restricted Subsidiary who are not employees of the Company or any Restricted Subsidiary;



- (2) transactions between or among the Company and any of its Wholly Owned Restricted Subsidiaries or between or among Wholly Owned Restricted Subsidiaries;
- (3) any Restricted Payment of the type described in clauses (1), (2) or (3) of the first paragraph of the covenant described above under the caption “—Limitation on Restricted Payments” if permitted by that covenant;
- (4) any sale of Capital Stock (other than Disqualified Stock) of the Company;
- (5) the payment of compensation to officers and directors of the Company or any Restricted Subsidiary pursuant to an employee stock or share option scheme, so long as such scheme is in compliance with the listing rules of the Hong Kong Stock Exchange, which as of the Original Issue Date require a majority shareholder approval of any such scheme;
- (6) any transaction between (A) the Company or any Restricted Subsidiary and (B) any entity in a Restructuring Group entered into in connection with a proposed Restructuring, including but not limited to transactions entered into for purposes of any reorganization in connection with such proposed Restructuring and the entry into, and the performance thereof, of any underwriting agreement or other transaction documents in connection with such proposed Restructuring; and
- (7) any transaction between (A) the Company or any Restricted Subsidiary and (B) any entity in a Restructuring Group entered into in the ordinary course of business, on fair and reasonable terms and disclosed in the offering document issued in connection with a proposed Restructuring, or any amendment or modification or extension or replacement thereof, so long as such amendment, modification or replacement is not more disadvantageous to the Company and its Restricted Subsidiaries than the original transaction described in the offering document issued in connection with such proposed Restructuring and in compliance with the rules of The Stock Exchange of Hong Kong Limited or any other recognized exchange on which the Company’s ordinary shares are then listed for trading.

In addition, the requirements of clause (2) of the first paragraph of this covenant shall not apply to (i) Investments (including Permitted Investments that are permitted under paragraph (19) of the definition of “Permitted Investments” but otherwise excluding any other Permitted Investments) not prohibited by the “Limitation on Restricted Payments” covenant, (ii) transactions pursuant to agreements in effect on the Original Issue Date and described in this offering memorandum, or any amendment or modification or replacement thereof, so long as such amendment, modification or replacement is not more disadvantageous to the Company and its Restricted Subsidiaries than the original agreement in effect on the Original Issue Date and (iii) any transaction between or among any of the Company, any Wholly Owned Restricted Subsidiary and any Restricted Subsidiary that is not a Wholly Owned Restricted Subsidiary or by reason of being a Subsidiary of the Company or between or among the Company or a Restricted Subsidiary on the one hand and a Jointly Controlled Entity, an Associate or an Unrestricted Subsidiary on the other hand; provided that in the case of clause (iii), (a) such transaction is entered into in the ordinary course of business and (b) (A) in the case of a transaction with a Restricted Subsidiary that is not a Wholly Owned Restricted Subsidiary, none of the minority shareholders or minority partners of or in such Restricted Subsidiary is a Person described in clause (x) or (y) of the first paragraph of this covenant (other than by reason of such minority

shareholder or minority partner being an officer or director of such Restricted Subsidiary or by reason of such minority shareholder or minority partner being a Subsidiary, Jointly Controlled Entity or Associate of the Company; or (B) in the case of a transaction with a Jointly Controlled Entity, an Associate or an Unrestricted Subsidiary, none of the shareholders or partners (other than the Company or a Restricted Subsidiary) of such Jointly Controlled Entity, Associate or Unrestricted Subsidiary is a Person described in clause (x) or (y) of the first paragraph of this covenant (other than by reason of such shareholder or partner being a director or officer of such Jointly Controlled Entity, Associate or Unrestricted Subsidiary or by reason of such shareholder or partner being a Subsidiary, Jointly Controlled Entity or Associate of the Company).

#### ***Limitation on Liens***

The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, incur, assume or permit to exist any Lien on the Collateral (other than Permitted Liens).

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

#### ***Limitation on Sale and Leaseback Transactions***

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

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

#### ***Limitation on Asset Sales***

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

- (1) no Default shall have occurred and be continuing or would occur as a result of such Asset Sale;

(2) the consideration received by the Company or such Restricted Subsidiary, as the case may be, is at least equal to the Fair Market Value of the assets sold or disposed of; and

(3) at least 75% of the consideration received consists of cash, Temporary Cash Investments or Replacement Assets; provided that in the case of an Asset Sale in which the Company or such Restricted Subsidiary receives Replacement Assets involving aggregate consideration in excess of US\$30.0 million (or the Dollar Equivalent thereof), the Company shall deliver to the Trustee an opinion as to the fairness to the Company or such Restricted Subsidiary of such Asset Sale from a financial point of view issued by an accounting, appraisal or investment banking firm of international standing. For purposes of this provision, each of the following will be deemed to be cash:

(a) any liabilities, as shown on the Company's most recent consolidated balance sheet, of the Company or any Restricted Subsidiary (other than contingent liabilities and liabilities that are by their terms subordinated to the Notes or any Subsidiary Guarantee) that are assumed by the transferee of any such assets pursuant to a customary assumption, assignment, novation or similar agreement that releases the Company or such Restricted Subsidiary from further liability; and

(b) any securities, notes or other obligations received by the Company or any Restricted Subsidiary from such transferee that are promptly, but in any event within 30 days of closing, converted by the Company or such Restricted Subsidiary into cash, to the extent of the cash received in that conversion;

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

(1) permanently repay Senior Indebtedness of the Company or a Subsidiary Guarantor or any Indebtedness of a Restricted Subsidiary that is not a Subsidiary Guarantor (and, if such Senior Indebtedness repaid is revolving credit Indebtedness, to correspondingly reduce commitments with respect thereto) in each case owing to a Person other than the Company or a Restricted Subsidiary; or

(2) acquire property or assets (other than current assets that are not land use rights, properties under development or completed property held for sale) of a nature or type or that are used in any business which is the same as or related, ancillary or complementary to any of the businesses of the Company and its Restricted Subsidiaries on the Original Issue Date.

Pending application of such Net Cash Proceeds as set forth in clause (1) or (2) above, the Company invest such Net Cash Proceeds in cash or Temporary Cash Investments.

Any Net Cash Proceeds from Asset Sales that are not applied or invested as provided in clauses (1) and (2) in the immediately preceding paragraph will constitute "Excess Proceeds." Excess proceeds of less than US\$25.0 million (or the Dollar Equivalent thereof) will be carried forward and accumulated. When accumulated Excess Proceeds exceeds US\$25.0 million (or the Dollar Equivalent thereof), within 10 days thereof, the Company must make an Offer to Purchase Notes having a principal amount equal to:

(1) accumulated Excess Proceeds, multiplied by

(2) a fraction (x) the numerator of which is equal to the outstanding principal amount of the Notes and (y) the denominator of which is equal to the outstanding principal amount

of the Notes and all *pari passu* Indebtedness similarly required to be repaid, redeemed or tendered for in connection with the Asset Sale,

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

The offer price in any Offer to Purchase will be equal to 100% of the principal amount 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 Trustee will select the Notes (and such other *pari passu* Indebtedness) to be purchased on a pro rata basis. Upon completion of each Offer to Purchase, the amount of Excess Proceeds will be reset at zero.

#### ***Limitation on the business activities of Power Great Enterprises Limited***

The Company will not permit Power Great Enterprises Limited to (i), directly or indirectly, engage in any business other than purchasing, selling or holding Capital Stock of the Company in connection with any employee share ownership, stock option plan or incentive plan of the Company or (ii) Incur any Indebtedness except for Indebtedness other than for which the Company or a Subsidiary Guarantor is the obligee.

#### ***Use of proceeds***

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

#### ***Designation of Restricted and Unrestricted Subsidiaries***

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

Subsidiary and each other newly- designated Unrestricted Subsidiary being concurrently redesignated would be permitted to be made by the covenant described under “—Limitation on Restricted Payments.”

The Board of Directors may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; provided that (1) no Default shall have occurred and be continuing at the time of or after giving effect to such designation; (2) any Indebtedness of such Unrestricted Subsidiary outstanding at the time of such designation which will be deemed to have been Incurred by such newly-designated Restricted Subsidiary as a result of such designation would be permitted to be Incurred by the covenant described under the caption “—Limitation on Indebtedness and Preferred Stock;” (3) any Lien on the property of such Unrestricted Subsidiary at the time of such designation which will be deemed to have been incurred by such newly-designated Restricted Subsidiary as a result of such designation would be permitted to be incurred by the covenant described under the caption “—Limitation on Liens;” (4) such Unrestricted Subsidiary is not a Subsidiary of another Unrestricted Subsidiary (that is not concurrently being designated as a Restricted Subsidiary); (5) if such Restricted Subsidiary is not organized under the laws of the PRC, such Restricted Subsidiary shall upon such designation execute and deliver to the Trustee a supplemental indenture to the Indenture by which such Restricted Subsidiary shall become a Subsidiary Guarantor if required under “—The Subsidiary Guarantees”; and (6) if such Restricted Subsidiary is not organized under the laws of the PRC, all Capital Stock of such Restricted Subsidiary owned by the Company or any other Restricted Subsidiary shall be pledged if required under “—Security.”

#### ***Government approvals and licenses; compliance with law***

The Company will, and will cause each Restricted Subsidiary to, (1) obtain and maintain in full force and effect all governmental approvals, authorizations, consents, permits, concessions and licenses as are necessary to engage in the businesses of the Company or any of its Restricted Subsidiaries; (2) preserve and maintain good and valid title to its properties and assets (including land-use rights) free and clear of any Liens other than Permitted Liens; and (3) comply with all laws, regulations, orders, judgments and decrees of any governmental body, except to the extent that failure so to obtain, maintain, preserve and comply would not reasonably be expected to have a material adverse effect on (a) the business, results of operations or prospects of the Company and its Restricted Subsidiaries, taken as a whole, or (b) the ability of the Company or any Subsidiary Guarantor to perform its obligations under the Notes, the relevant Subsidiary Guarantee or the Indenture.

#### ***Anti-Layering***

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

### ***Suspension of certain covenants***

If, on any date following the date of the Indenture, the Notes (A)(i) are rated by two Rating Agencies and have a rating of Investment Grade from both of the Rating Agencies, or (ii) are rated by three Rating Agencies and have a rating of Investment Grade from two out of three of the Rating Agencies, and (B) no Default has occurred and is continuing (a "Suspension Event"), then, beginning on that day and continuing until such time, if any, at which the Notes cease to have a rating of Investment Grade from either of the Rating Agencies (in the case of (A)(i) above, or from two out of three of the Rating Agencies (in the case of (A)(ii) above), the provisions of the Indenture summarized under the following captions will be suspended:

- (1) "—Certain covenants—Limitation on Indebtedness and Preferred Stock;"
- (2) "—Certain covenants—Limitation on Restricted Payments;"
- (3) "—Certain covenants—Limitation on dividend and other payment restrictions affecting Restricted Subsidiaries;"
- (4) "—Certain covenants—Limitation on sales and issuances of Capital Stock in Restricted Subsidiaries;"
- (5) "—Certain covenants—Limitation on issuances of Guarantees by Restricted Subsidiaries;"
- (6) "—Certain covenants—Limitation on Sale and Leaseback Transactions;" and
- (7) "—Certain covenants—Limitation on Asset Sales."

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

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

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

### ***Provision of financial statements and reports***

- (1) So long as any of the Notes remain outstanding, the Company will file with the Trustee and furnish to the Holders upon request, as soon as they are available but in any event not more than 10 calendar days after they are filed with the Hong Kong Stock Exchange or any other recognized exchange on which the Company's common shares are at any time listed for trading, true and correct copies of any financial or other report in the English language filed with such exchange; provided that if at any time the Common

Stock of the Company ceases to be listed for trading on a recognized stock exchange, the Company will file with the Trustee (in the English language) and furnish to the Holders:

(a) as soon as they are available, but in any event within 90 calendar days after the end of the fiscal year of the Company, copies of its financial statements (on a consolidated basis) in respect of such financial year (including a statement of income, balance sheet and cash flow statement) audited by a member firm of an internationally-recognized firm of independent accountants;

(b) as soon as they are available, but in any event within 45 calendar days after the end of the second financial quarter of the Company, copies of its financial statements (on a consolidated basis) in respect of such half-year period (including a statement of income, balance sheet and cash flow statement) reviewed by a member firm of an internationally-recognized firm of independent accountants; and

(c) as soon as they are available, but in any event within 45 calendar days after the end of each of the first and third financial quarter of the Company, copies of its unaudited financial statements (on a consolidated basis), including a statement of income, balance sheet and cash flow statement, prepared on a basis consistent with the audited financial statements of the Company together with a certificate signed by the person then authorized to sign financial statements on behalf of the Company to the effect that such financial statements are true in all material respects and present fairly the financial position of the Company as at the end of, and the results of its operations for, the relevant quarterly period.

(2) In addition, so long as any of the Notes remain outstanding, the Company will provide to the Trustee (a) within 120 days after the close of each fiscal year, an Officers' Certificate stating the Fixed Charge Coverage Ratio with respect to the two most recent fiscal semi-annual periods and showing in reasonable detail the calculation of the Fixed Charge Coverage Ratio, including the arithmetic computations of each component of the Fixed Charge Coverage Ratio, with a certificate from the Company's external auditors verifying the accuracy and correctness of the calculation and arithmetic computation, provided that, the Company shall not be required to provide such auditor certification if its external auditors refuse to provide such certification as a result of a policy of such external auditors not to provide such certification; and (b) as soon as possible and in any event within 30 days after the Company becomes aware or should reasonably become aware of the occurrence of a Default, an Officers' Certificate setting forth the details of the Default, and the action which the Company proposes to take with respect thereto.

Further, the Company and each Subsidiary Guarantor have agreed that, for as long as any Notes are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, during any period in which the Company or such Subsidiary Guarantor is neither subject to Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder, the Company or such Subsidiary Guarantor, as the case may be, shall supply to (i) any Holder or beneficial owner of a Note or (ii) a prospective purchaser of a Note or a beneficial interest therein designated by such Holder or beneficial owner, the information specified in, and meeting the requirements of Rule 144A(d)(4) under the Securities Act upon the request of any Holder or beneficial owner of a Note.

## Events of Default

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

- (1) default in the payment of principal of (or premium, if any, on) the Notes when the same becomes due and payable at maturity, upon acceleration, redemption or otherwise;
- (2) default in the payment of interest on any Note when the same becomes due and payable, and such default continues for a period of 30 consecutive days;
- (3) default in the performance or breach of the provisions of the covenants described under "—Consolidation, merger and sale of assets," the failure by the Company to make or consummate an Offer to Purchase in the manner described under the captions "—Repurchase of Notes upon a Change of Control Triggering Event" or "—Certain covenants—Limitation on Asset Sales," the failure by the Company to consummate the repurchase of Notes in respect of which holders have exercised their Put Options pursuant to "—Repurchase of Notes at the Option of the Holders" or the failure by the Company to create, or cause its Restricted Subsidiaries to create, a first priority lien on the Collateral (subject to any Permitted Liens and the Intercreditor Agreement) in accordance with the covenant described under the caption "—Security;"
- (4) the Company or any Restricted Subsidiary defaults in the performance of or breaches any other covenant or agreement in the Indenture or under the Notes (other than a default specified in clause (1), (2) or (3) above) and such default or breach continues for a period of 30 consecutive days after written notice by the Trustee or the Holders of 25% or more in aggregate principal amount of the Notes;
- (5) there occurs with respect to any Indebtedness of the Company or any Restricted Subsidiary having an outstanding principal amount of US\$20.0 million (or the Dollar Equivalent thereof) or more in the aggregate for all such Indebtedness of all such Persons, whether such Indebtedness now exists or shall hereafter be created, (a) an event of default that has caused the holder thereof to declare such Indebtedness to be due and payable prior to its Stated Maturity and/or (b) the failure to make a principal payment when due;
- (6) one or more final judgments or orders for the payment of money are rendered against the Company or any of its Restricted Subsidiaries and are not paid or discharged, and there is a period of 60 consecutive days following entry of the final judgment or order that causes the aggregate amount for all such final judgments or orders outstanding and not paid or discharged against all such Persons to exceed US\$20.0 million (or the Dollar Equivalent thereof) (in excess of amounts which the Company's insurance carriers have agreed to pay under applicable policies) during which a stay of enforcement, by reason of a pending appeal or otherwise, is not in effect;
- (7) an involuntary case or other proceeding is commenced against the Company or any Significant Restricted Subsidiary with respect to it or its debts under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect seeking the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Company or any Significant Restricted Subsidiary or for any substantial part of the property and assets of the Company or any Significant Restricted Subsidiary and such involuntary case or other proceeding remains undismissed and unstayed for a period



of 60 consecutive days; or an order for relief is entered against the Company or any Significant Restricted Subsidiary under any applicable bankruptcy, insolvency or other similar law as now or hereafter in effect;

(8) the Company or any Significant Restricted Subsidiary (a) commences a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or consents to the entry of an order for relief in an involuntary case under any such law, (b) consents to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Company or any Significant Restricted Subsidiary or for all or substantially all of the property and assets of the Company or any Significant Restricted Subsidiary or (c) effects any general assignment for the benefit of creditors (other than, in each case under (b), any of the foregoing that arises from any solvent liquidation or restructuring of a Significant Restricted Subsidiary in the ordinary course of business that shall result in the net assets of such Significant Restricted Subsidiary being transferred to or otherwise vested in the Company or any Restricted Subsidiary on a pro rata basis or on a basis more favorable to the Company);

(9) any Subsidiary Guarantor denies or disaffirms its obligations under its Subsidiary Guarantee or, except as permitted by the Indenture, any Subsidiary Guarantee is determined to be unenforceable or invalid or shall for any reason cease to be in full force and effect;

(10) any default by the Company or any Subsidiary Guarantor Pledgor in the performance of any of its obligations under the Security Documents or the Indenture, which adversely affects the enforceability, validity, perfection or priority of the applicable Lien on the Collateral or which adversely affects the condition or value of the Collateral, taken as a whole, in any material respect; or

(11) the Company or any Subsidiary Guarantor Pledgor denies or disaffirms its obligations under any Security Document or, other than in accordance with the Indenture and the Security Documents, any Security Document ceases to be or is not in full force and effect or the Intercreditor/Collateral Agent or the Trustee, as the case may be, ceases to have a first priority security interest in the Collateral (subject to any Permitted Liens and the Intercreditor Agreement).

If an Event of Default (other than an Event of Default specified in clause (7) or (8) above) occurs and is continuing under the Indenture, the Holders of at least 25% in aggregate principal amount of the Notes then outstanding, by written notice to the Company (and to the Trustee if such notice is given by the Holders), may, and the Trustee at the request of such Holders shall, subject to being indemnified and/or secured to its satisfaction, declare the principal of, premium, if any, and accrued and unpaid interest on the Notes to be immediately due and payable. Upon a declaration of acceleration, such principal of, premium, if any, and accrued and unpaid interest shall be immediately due and payable. If an Event of Default specified in clause (7) or (8) above occurs with respect to the Company or any Significant Restricted Subsidiary, the principal of, premium, if any, and accrued and unpaid interest on the Notes then outstanding shall automatically become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holder.

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

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

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

If an Event of Default occurs and is continuing, the Trustee may but will not be obligated to pursue, in its own name or as trustee of an express trust, any available remedy by proceeding at law or in equity to collect the payment of principal of and interest on the Notes or to enforce the performance of any provision of the Notes or the Indenture. The Trustee may maintain a proceeding even if it does not possess any of the Notes or does not produce any of them in the proceeding. In addition, if an Event of Default occurs and is continuing, subject to the Intercreditor Agreement, the Trustee shall upon request of Holders of at least 25% in aggregate principal amount of outstanding Notes, direct the Intercreditor/Collateral Agent to, subject to being indemnified and/or secured to its satisfaction, foreclose on the Collateral in accordance with the terms of the Security Documents and take such further action on behalf of the Holders of the Notes with respect to the Collateral as the Intercreditor/Collateral Agent or the Trustee, as the case may be, deems appropriate. See "Description of the Notes—Security."

The Holders of at least a majority in aggregate principal amount of the outstanding Notes may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee, subject to the Trustee being indemnified and/or secured to its satisfaction in advance of the proceedings. However, the Trustee may refuse to follow any direction that conflicts with law or the Indenture, that may involve the Trustee in personal liability, or that the Trustee determines in good faith may be unduly prejudicial to the rights of Holders not joining in the giving of such direction and may take any other action it deems proper that is not inconsistent with any such direction received from Holders.

No Holder may institute any proceeding, judicial or otherwise, with respect to the Indenture or the Notes, or for the appointment of a receiver or trustee, or for any other remedy under the Indenture or the Notes, unless:

- (1) the Holder has previously given the Trustee written notice of a continuing Event of Default;
- (2) the Holders of at least 25% in aggregate principal amount of outstanding Notes make a written request to the Trustee to pursue the remedy;
- (3) such Holder or Holders offer the Trustee indemnity and/or security satisfactory to the Trustee against any costs, liability or expense to be incurred in compliance with such request;

(4) the Trustee does not comply with the request within 60 days after receipt of the request and the offer of indemnity and/or security; and

(5) during such 60-day period, the Holders of a majority in aggregate principal amount of the outstanding Notes do not give the Trustee a direction that is inconsistent with the request.

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

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

The Trustee and the Agents need not do anything to ascertain whether any Event of Default or Default has occurred or is continuing and will not be responsible to Holders or any other person for any loss arising from any failure by it to do so, and, the Trustee or the Agents may assume that no such event has occurred and that the Company is performing all its obligations under the Indenture and the Notes unless the Trustee has received written notice of the occurrence of such event or facts establishing that the Company is not performing all of its obligations under the Indenture and the Notes. The Trustee is entitled to rely on any opinion of counsel or officer's certificate regarding whether an Event of Default or Default has occurred.

#### **Consolidation, merger and sale of assets**

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

(1) the Company shall be the continuing Person, or the Person (if other than it) formed by such consolidation or merger, or with or into which the Company consolidated or merged, or that acquired or leased such property and assets (the "Surviving Person") shall be a corporation organized and validly existing under the laws of the Cayman Islands, Hong Kong, Bermuda or the British Virgin Islands and shall expressly assume, by a supplemental indenture to the Indenture, executed and delivered to the Trustee, all the obligations of the Company under the Indenture, the Notes and the Security Documents, as the case may be, including the obligation to pay Additional Amounts with respect to any jurisdiction in which it is organized or resident for tax purposes, and the Indenture, the Notes and the Security Documents, as the case may be, shall remain in full force and effect;

(2) immediately after giving effect to such transaction, no Default shall have occurred and be continuing;

(3) immediately after giving effect to such transaction on a pro forma basis, the Company or the Surviving Person, as the case may be, shall have a Consolidated Net Worth equal to or greater than the Consolidated Net Worth of the Company immediately prior to such transaction;

(4) immediately after giving effect to such transaction on a pro forma basis the Company or the Surviving Person, as the case may be, could Incur at least US\$1.00 of Indebtedness under the first paragraph of the covenant under the caption “—Certain covenants—Limitation on Indebtedness and Preferred Stock;”

(5) the Company delivers to the Trustee (x) an Officers’ Certificate (attaching the arithmetic computations to demonstrate compliance with clauses (3) and (4)) and (y) an Opinion of Counsel, in each case stating that such consolidation, merger or transfer and the relevant supplemental indenture complies with this provision and that all conditions precedent provided for in the Indenture relating to such transaction have been complied with;

(6) each Subsidiary Guarantor, unless such Subsidiary Guarantor is the Person with which the Company has entered into a transaction described under the caption “—Consolidation, merger and sale of assets,” shall execute and deliver a supplemental indenture to the Indenture confirming that its Subsidiary Guarantee shall apply to the obligations of the Company or the Surviving Person in accordance with the Notes and the Indenture; and

(7) no Rating Decline shall have occurred.

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

(1) such Subsidiary Guarantor shall be the continuing Person, or the Person (if other than it) formed by such consolidation or merger, or with or into which the Subsidiary Guarantor consolidated or merged, or that acquired or leased such property and assets shall be the Company, another Subsidiary Guarantor or shall become a Subsidiary Guarantor concurrently with the transaction;

(2) immediately after giving effect to such transaction, no Default shall have occurred and be continuing;

(3) immediately after giving effect to such transaction on a pro forma basis, the Company shall have a Consolidated Net Worth equal to or greater than the Consolidated Net Worth of the Company immediately prior to such transaction;

(4) immediately after giving effect to such transaction on a pro forma basis, the Company could Incur at least US\$1.00 of Indebtedness under the first paragraph of the covenant under the caption “—Certain covenants—Limitation on Indebtedness and Preferred Stock;”

(5) the Company delivers to the Trustee (x) an Officers' Certificate (attaching the arithmetic computations to demonstrate compliance with clauses (3) and (4)) and (y) an Opinion of Counsel, in each case stating that such consolidation, merger or transfer and the relevant supplemental indenture complies with this provision and that all conditions precedent provided for in the Indenture relating to such transaction have been complied with; and

(6) no Rating Decline shall have occurred;

provided that this paragraph shall not apply to any sale or other disposition that complies with the "—Certain covenants—Limitation on Asset Sales" covenant or any Subsidiary Guarantor whose Subsidiary Guarantee is unconditionally released in accordance with the provisions described under "—The Subsidiary Guarantees—Release of the Subsidiary Guarantees."

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

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

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

### **No payments for consents**

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

Notwithstanding the foregoing, subject to applicable law, in any offer or payment of consideration for, or as an inducement to, any consent, waiver or amendment of any of the terms or provisions of the Indenture or the Notes in connection with an exchange offer, the Company may exclude or modify the offer or payment to: (i) holders or beneficial owners of the Notes that are believed by the Company to be U.S. persons as defined in Regulation S of the Securities Act and not institutional "accredited investors" as defined in subparagraphs (a)(1), (2), (3) or (7) of Rule 501 under the Securities Act, and (ii) holders or beneficial owners of the Notes in any other jurisdiction, in either case where the inclusion of such holders or beneficial owners would, without such modification if applicable, require the Company to comply with the registration requirements or other similar requirements under any securities laws of such jurisdiction, or the solicitation of such consent, waiver or amendment from, or the granting of such consent or waiver, or the approval of such amendment by, holders or beneficial owners in such jurisdiction would be unlawful, in each case as determined by the Company in its sole discretion and the Trustee shall not have any responsibility or liability for such determination by the Company.

## **Defeasance**

### ***Defeasance and discharge***

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

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

In the case of either discharge or defeasance, the Subsidiary Guarantees with respect thereto will terminate.

### ***Defeasance of certain covenants***

The Indenture further will provide that the provisions of the Indenture with respect to the Notes will no longer be in effect with respect to clauses (3), (4), (5)(x) and (7) under the first paragraph and clauses (3), (4), (5)(x) and (6) under the second paragraph under “—Consolidation, merger and sale of assets” and all the covenants described herein under “—Certain covenants,” other than as described under “—Certain covenants—Government approvals and licenses; compliance with law” and “—Certain covenants—Anti-Layering,” clause (3) under “Events of Default” with respect to such clauses (3), (4), (5)(x) and (7) under the first paragraph and such clauses (3), (4), (5)(x) and (6) under the second paragraph under “Consolidation, Merger and Sale of Assets” and with respect to the other events set forth in such clause, clause (4) under “Events of Default”

with respect to such other covenants and clauses (5) and (6) under “Events of Default” shall be deemed not to be Events of Default upon, among other things, the deposit with the Trustee, in trust, of money, U.S. Government Obligations or a combination thereof that through the payment of interest and principal in respect thereof in accordance with their terms will provide money in an amount sufficient to pay the principal of, premium, if any, and accrued interest on the Notes on the Stated Maturity of such payments in accordance with the terms of the Indenture and the Notes, the satisfaction of the provisions described in clause (2) of the preceding paragraph and the delivery by the Company to the Trustee of an Opinion of Counsel of recognized standing with respect to U.S. federal income tax matters to the effect that beneficial owners will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such deposit and defeasance of certain covenants and Events of Default and will be subject to U.S. federal income tax on the same amounts and in the same manner and at the same times as would have been the case if such deposit and defeasance had not occurred.

### ***Defeasance and certain other Events of Default***

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

## **Amendments and waiver**

### ***Amendments without consent of holders***

The Indenture, the Notes, the Subsidiary Guarantees, the Intercreditor Agreement or any Security Document may be amended, without the consent of any Holder, to:

- (1) cure any ambiguity, defect, omission or inconsistency in the Indenture, the Notes, the Intercreditor Agreement or any Security Document;
- (2) comply with the provisions described under “—Consolidation, merger and sale of assets;”
- (3) evidence and provide for the acceptance of appointment by a successor Trustee;
- (4) add any Subsidiary Guarantor or any Subsidiary Guarantee or release any Subsidiary Guarantor from any Subsidiary Guarantee as provided or permitted by the terms of the Indenture;
- (5) provide for the issuance of Additional Notes in accordance with the limitations set forth in the Indenture;
- (6) add any Subsidiary Guarantor Pledgor or release any Subsidiary Guarantor Pledgor or any Collateral as provided or permitted by the terms of the Indenture;
- (7) add additional Collateral to secure the Notes or any Subsidiary Guarantee;

(8) in any other case where a supplemental indenture to the Indenture is required or permitted to be entered into pursuant to the provisions of the Indenture without the consent of any Holder;

(9) effect any changes to the Indenture in a manner necessary to comply with the procedures of the relevant clearing system;

(10) permit Permitted Pari Passu Secured Indebtedness (including, without limitation, permitting the Trustee and the Intercreditor/Collateral Agent to enter into any amendments to the Security Documents, the Intercreditor Agreement or the Indenture and take any other action necessary to permit the creation and registration of Liens on the Collateral to secure Permitted Pari Passu Secured Indebtedness, in accordance with the Indenture);

(11) to conform the text of the Indenture, the Notes or the Subsidiary Guarantees to any provision of this "Description of the Notes;" or

(12) make any other change that does not materially and adversely affect the rights of any Holder.

#### ***Amendments with consent of Holders***

Amendments of the Indenture, the Notes, the Subsidiary Guarantees, the Intercreditor Agreement or any Security Document may be made by the Company, the Subsidiary Guarantors, the Trustee and the Intercreditor/Collateral Agent with the consent of the Holders of not less than a majority in aggregate principal amount of the outstanding Notes, and the holders of a majority in principal amount of the outstanding Notes may waive future compliance by the Company, the Subsidiary Guarantors and the Subsidiary Guarantor Pledgors with any provision of the Indenture, the Notes, the Subsidiary Guarantees, any Security Document or Intercreditor Agreement; provided, however, that no such modification, amendment or waiver may, without the consent of each Holder affected thereby:

(1) change the Stated Maturity of the principal of, or any installment of interest on, any Note;

(2) reduce the principal amount of, or premium, if any, or interest on, any Note;

(3) change the currency or time of payment of principal of, or premium, if any, or interest on, any Note;

(4) impair the right to institute suit for the enforcement of any payment on or after the Stated Maturity (or, in the case of a redemption, on or after the redemption date) of any Note;

(5) reduce the above-stated percentage of outstanding Notes the consent of whose Holders is necessary to modify or amend the Indenture;

(6) waive a default in the payment of principal of, premium, if any, or interest on the Notes;

(7) release any Subsidiary Guarantor from its Subsidiary Guarantee, except as provided in the Indenture;



- (8) release any Collateral, except as provided in the Indenture, the Intercreditor Agreement and the Security Documents;
- (9) reduce the percentage or aggregate principal amount of outstanding Notes the consent of whose Holders is necessary for waiver of compliance with certain provisions of the Indenture or for waiver of certain defaults;
- (10) amend, change or modify any Subsidiary Guarantee in a manner that adversely affects the Holders, except in accordance with the other provisions of the Indenture;
- (11) amend, change or modify any provision of any Security Document, the Intercreditor Agreement or any provision of the Indenture relating to the Collateral, in a manner that adversely affects the Holders, except in accordance with the other provisions of the Indenture;
- (12) reduce the amount payable upon a Change of Control Offer or an Offer to Purchase with the Excess Proceeds from any Asset Sale or, change the time or manner by which a Change of Control Offer or an Offer to Purchase with the Excess Proceeds or other proceeds from any Asset Sale may be made or by which the Notes must be repurchased pursuant to a Change of Control Offer or an Offer to Purchase with the Excess Proceeds or other proceeds from any Asset Sale;
- (13) consent to the assignment or transfer by the Company or any Subsidiary Guarantor of any of their rights or obligations under the Indenture or the Subsidiary Guarantees, except as permitted pursuant to the provisions described under "Consolidations, Merger and Sale of Assets, whether through an amendment or waiver of provisions in the covenants, definitions or otherwise, unless such amendment, waiver or modification shall be in effect prior to the occurrence of a Change of Control Triggering Event or the event giving rise to the repurchase of the Notes under "—Certain covenants—Limitation on Asset Sales;"
- (14) change the redemption date or the redemption price of the Notes from that stated under the captions "—Optional redemption" or "—Redemption for taxation reasons;"
- (15) amend, change or modify the obligation of the Company or any Subsidiary Guarantor to pay Additional Amounts; or
- (16) amend, change or modify any provision of the Indenture or the related definition affecting the ranking of the Notes or any Subsidiary Guarantee in a manner which adversely affects the Holders.

### **Unclaimed money**

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

### **No personal liability of incorporators, stockholders, officers, directors or employees**

No recourse for the payment of the principal of, premium, if any, or interest on any of the Notes or for any claim based thereon or otherwise in respect thereof, and no recourse under or upon

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

## **Concerning the Trustee, and the Agents**

Citicorp International Limited has been appointed as Trustee under the Indenture and Citibank N.A., London Branch has been appointed as the paying agent, the registrar and the transfer agent (the "Paying Agent", "Registrar" and "Transfer Agent", respectively) with regard to the Notes. The Trustee will not be liable, except for the performance of such duties as are specifically set forth in the Indenture. If an Event of Default has occurred and is continuing, the Trustee will use the same degree of care and skill in its exercise of the rights and powers vested in it under the Indenture as a prudent person would exercise under the circumstances in the conduct of such person's own affairs.

The Indenture contains limitations on the rights of the Trustee, should it become a creditor of the Company or any of the Subsidiary Guarantors, to obtain payment of claims in certain cases or to realize on certain property received by it in respect of any such claims, as security or otherwise. The Trustee is permitted to engage in other transactions with the Company and its Affiliates; provided, however, that if it acquires any conflicting interest that may have a materially prejudicial effect upon the Holders of the Notes, it must eliminate such conflict or resign.

Subject to the Intercreditor Agreement, The Bank of New York Mellon will initially act as Intercreditor/Collateral Agent or Trustee, as the case may be, under the Intercreditor Agreement and the Security Documents in respect of the Security over the Collateral. The Intercreditor/Collateral Agent or the Trustee, as the case may be, acting in its capacity as such, shall have such duties with respect to the Collateral pledged, assigned or granted pursuant to the Intercreditor Agreement and the Security Documents as are set forth in the Indenture, the Intercreditor Agreement and the Security Documents. Under certain circumstances, the Intercreditor/Collateral Agent or the Trustee, as the case may be, may have obligations under the Intercreditor Agreement and the Security Documents that are in conflict with the interests of the Holders. The Intercreditor/Collateral Agent or the Trustee, as the case may be, will be under no obligation to exercise any rights or powers conferred under the Indenture, the Intercreditor Agreement or any of the Security Documents for the benefit of the Holders unless such Holders have offered to the Intercreditor/Collateral Agent or the Trustee, as the case may be, indemnity and/or security satisfactory to the Intercreditor/Collateral Agent or the Trustee, as the case may be, against any loss, liability or expense. Furthermore, each Holder, by accepting the Notes will agree, for the benefit of the Intercreditor/Collateral Agent or the Trustee, as the case may be, that it is solely responsible for its own independent appraisal of and investigation into all risks arising under or in connection with the Security Documents and has not relied on and will not at any time rely on the Intercreditor/Collateral Agent or the Trustee, as the case may be, in respect of such risks.

The Intercreditor/Collateral Agent or the Trustee, as the case may be, shall not be responsible for the performance by any other person appointed by the Company in relation to the Notes and,

unless notified in writing to the contrary, shall assume that the same are being duly performed. The Intercreditor/Collateral Agent or the Trustee, as the case may be, shall not be responsible for the value of the Collateral nor any liability for the validity, sufficiency or enforceability thereof. The Intercreditor/Collateral Agent or the Trustee, as the case may be, shall not be liable to any Holders or any other person for any action taken by the Holders or the Intercreditor/Collateral Agent or the Trustee, as the case may be, in accordance with the instructions of the Holders.

The Trustee is entitled to rely on all instructions, notices, declarations and certifications received pursuant to the Indenture and the Security Documents without investigating or being responsible for the accuracy, authenticity and validity of these instructions, notices, declarations and certifications.

The Trustee will be under no obligation to exercise any rights or powers conferred under the Indenture for the benefit of the Holders unless such Holders have offered to the Trustee indemnity and/or security and/or prefunding satisfactory to it against any loss, liability or expense. In the exercise of its duties, the Trustee shall not be responsible for the verification of the accuracy or completeness of any certification or legal opinion submitted to it by the Company and is entitled to rely exclusively on, and take action based on the information contained in, the certification or legal opinion. Notwithstanding anything described herein, the Trustee has no duty to monitor the performance or compliance of the Company in the fulfillment of the Company's obligations under the Indenture.

Neither the Trustee, the Registrar, the Paying Agent or the Transfer Agent will be responsible for making calculations or for verifying calculations performed by the Company or any other persons unless otherwise specified in the Indenture. Specifically, neither the Trustee, the Registrar, the Paying Agent or the Transfer Agent would be responsible for the calculation or verification of the Applicable Premium.

The Trustee shall not be deemed or implied to have any duties or obligations under any documents to which it is a party. Furthermore, the Trustee shall not be deemed to have knowledge of any event unless it has been actually notified in writing of such event.

### **Book-entry; delivery and form**

The certificates representing the Notes will be issued in fully registered form without interest coupons (the "Global Notes" and each a "Global Note"). Beginning on the Original Issue Date and ending 40 days after the Original Issue Date (the "Resale Restriction Period"), beneficial interests in a Global Note may be offered, sold or otherwise transferred only: (i) to the Company or any subsidiary thereof, (ii) outside the United States in a transaction complying with the provisions of Rule 904 under the Securities Act, (iii) pursuant to an available exemption from the registration requirements of the Securities Act or (iv) pursuant to an effective registration statement under the Securities Act, in each of cases in accordance with any applicable securities laws of any State of the United States.

On the Original Issue Date, the Global Notes will be deposited with a common depository and registered in the name of the common depository or its nominee for the accounts of Euroclear and Clearstream.

## **Global Note**

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

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

So long as the Notes are held in global form, the common depository for Euroclear and/or Clearstream (or its nominee) will be considered the sole holder of the Global Notes for all purposes under the Indenture and “holders” of book-entry interests will not be considered the owners or “Holders” of Notes for any purpose. As such, participants must rely on the procedures of Euroclear and Clearstream and indirect participants must rely on the procedures of the participants through which they own book-entry interests in order to transfer their interests in the Notes or to exercise any rights of Holders under the Indenture.

The Notes are not issuable in bearer form.

## **Payments on the Global Notes**

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

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

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

## **Redemption of Global Notes**

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

## **Action by Owners of Book-Entry Interests**

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

## **Transfers**

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

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

## **Global Clearance and Settlement Under the Book-Entry System**

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

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

## **Information Concerning Euroclear and Clearstream**

We understand as follows with respect to Euroclear and Clearstream:

Euroclear and Clearstream hold securities for participating organizations and facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in accounts of such participants. Euroclear and Clearstream provide to their participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream interface with domestic securities markets.

Euroclear and Clearstream participants are financial institutions, such as underwriters, securities brokers and dealers, banks and trust companies, and certain other organizations. Indirect access to Euroclear or Clearstream is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodian relationship with a Euroclear or Clearstream participant, either directly or indirectly.

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

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

## **Individual Definitive Notes**

If (1) the common depository or any successor to the common depository is at any time unwilling or unable to continue as a depository for the reasons described in the Indenture and a successor depository is not appointed by the Company within 90 days (2) either Euroclear or Clearstream, or a successor clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention to permanently cease business or does in fact do so, or (3) any of the Notes has become immediately due and payable in accordance with "—Events of Default" and the Company has received a written request from a Holder, the Company will issue individual definitive notes in registered form in exchange for the Global Notes. Upon receipt of such notice from the common depository or the Trustee, as the case may be, the Company will use its best efforts to make arrangements with the common depository for the exchange of interests in the Global Notes for individual definitive notes and cause the requested individual definitive notes to be executed and delivered to the registrar in sufficient quantities and authenticated by the Trustee for delivery to Holders. Persons exchanging interests in the Global Notes for individual definitive notes will be required to provide the

registrar, through the relevant clearing system, with written instruction and other information required by the Company and the registrar to complete, execute and deliver such individual definitive notes. In all cases, individual definitive notes delivered in exchange for any Global Note or beneficial interest therein will be registered in the names, and issued in any approved denominations, requested by the relevant clearing system.

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

## **Notices**

All notices or demands required or permitted by the terms of the Notes or the Indenture to be given to or by the Holders are required to be in writing and may be given or served by being sent by prepaid courier or by being deposited, first-class postage prepaid, in the mails of the relevant jurisdiction (if intended for the Company or any Subsidiary Guarantor) addressed to the Company or such Subsidiary Guarantor, as the case may be, at Suite 1702, 17/F., Dina House, Ruttonjee Centre, 11 Duddell Street, Central, Hong Kong and (if intended for the Trustee) addressed to the Trustee at the corporate trust office of the Trustee; and (if intended for any Holder) addressed to such Holder at such Holder's last address as it appears in the Note register (or otherwise delivered to such Holders in accordance with the applicable procedures of Euroclear or Clearstream).

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

## **Consent to jurisdiction; service of process**

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

## **Governing law**

Each of the Notes, the Subsidiary Guarantees, the Indenture and the Intercreditor Agreement provides that such instrument will be governed by, and construed in accordance with, the laws of the State of New York. The existing Security Documents are governed by the laws of Hong Kong.

## **Definitions**

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

"2014 Club Loan" means the HK\$2,925 million and US\$203 million equivalent dual tranche transferable term loan facility.

"2014 Credit Agreement" means the credit agreement for the 2014 Club Loan.

"2014 Facility Agent" means Hang Seng Bank Limited, the facility agent under the 2014 Club Loan.

"2015 Club Loan" means the HK\$1,224 million and US\$643 million equivalent dual tranche transferable term loan facility.

"2015 Credit Agreement" means the credit agreement for the 2015 Club Loan.

"2015 Facility Agent" means Bank of China (Hong Kong) Limited, the facility agent under the 2015 Club Loan.

"2019 Indenture" means the indenture dated May 27, 2014 governing the 2019 Notes, as amended and supplemented.

"2019 Notes" means the 7.875% Senior Notes due 2019 issued by the Company from time to time pursuant to the 2019 Indenture.

"2019 Trustee" means the trustee under the 2019 Indenture.

"2019 Private Notes" means the 7.50% Senior Notes due 2019 issued by the Company from time to time pursuant to the 2019 Private Notes Indenture.

"2019 Private Notes Indenture" means the indenture dated June 5, 2014 governing the 2019 Private Notes, as amended and supplemented.

"2019 Private Notes Trustee" means the trustee under the 2019 Private Notes Indenture.

"2020 Indenture" means the indenture dated March 9, 2015 governing the 2020 Notes, as amended and supplemented.

"2020 Notes" means the 7.50% Senior Notes due 2020 issued by the Company from time to time pursuant to the 2020 Indenture.

"2020 Trustee" means the trustee under the 2020 Indenture.

"2021 Indenture" means the indenture dated October 4, 2013 governing the 2021 Notes, as amended and supplemented.

"2021 Notes" means the 7.25% Senior Notes due 2021 issued by the Company from time to time pursuant to the 2021 Indenture.

"2021 Trustee" means the trustee under the 2021 Indenture.

"2023 Indenture" means the indenture dated January 10, 2013 governing the 2023 Notes, as amended and supplemented.

"2023 Notes" means the 7.50% Senior Notes due 2023 issued by the Company from time to time pursuant to the 2023 Indenture.

"2023 Trustee" means the trustee under the 2023 Indenture.

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



“Adjusted Treasury Rate” means, with respect to any redemption date, (i) the yield, under the heading which represents the average for the immediately preceding week, appearing in the most recently published statistical release designated H.15(519) or any successor publication which is published weekly by the Board of Governors of the Federal Reserve System and which establishes yields on actively traded United States Treasury securities adjusted to constant maturity under the caption Treasury Constant Maturities, for the maturity corresponding to the Comparable Treasury Issue (if no maturity is within three (3) months before or after September 28, 2020, yields for the two published maturities most closely corresponding to the Comparable Treasury Issue shall be determined and the Adjusted Treasury Rate shall be interpolated or extrapolated from such yields on a straight line basis, rounding to the nearest month) or (ii) if such release (or any successor release) is not published during the week preceding the calculation date or does not contain such yields, the rate per year equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date, in each case calculated on the third Business Day immediately preceding the redemption date.

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

“Applicable Premium” means at any redemption date, the greater of (1) 1.00% of the principal amount of such Note and (2) the excess of (A) the present value at such redemption date of 100% of the principal amount of such Note, plus all required remaining scheduled interest payments due on such Note through December 15, 2026 (but excluding accrued and unpaid interest to the redemption date), computed using a discount rate equal to the Adjusted Treasury Rate plus 100 basis points, over (B) the principal amount of such Note on such redemption date.

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

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

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

- (1) sales or other dispositions of inventory, receivables and other current assets (including properties under development for sale and completed properties for sale) in the ordinary course of business;
- (2) sales, transfers or other dispositions of assets constituting a Permitted Investment or Restricted Payment permitted to be made under the—Certain covenants—Limitation on Restricted Payments covenant;
- (3) sales, transfers or other dispositions of assets with a Fair Market Value not in excess of US\$1 million (or the Dollar Equivalent thereof) in any transaction or series of related transactions;
- (4) any sale, transfer, assignment or other disposition of any property, or equipment that has become damaged, worn out, obsolete or otherwise unsuitable for use in connection with the business of the Company or its Restricted Subsidiaries;
- (5) any transfer, assignment or other disposition deemed to occur in connection with creating or granting any Permitted Lien;
- (6) a transaction covered by the covenant under the caption—Consolidation, merger and sale of assets; and
- (7) any sale, transfer or other disposition by the Company or any of its Restricted Subsidiaries, including the sale or issuance by the Company or any Restricted Subsidiary of any Capital Stock of any Restricted Subsidiary, to the Company or any Restricted Subsidiary.

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

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

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

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

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

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

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

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

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

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

(1) the direct or indirect sale, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the properties or assets of the Company and its Restricted Subsidiaries, taken as a whole, to any person (within the meaning of Section 13(d) of the Exchange Act), other than one or more Permitted Holders;

(2) the Company consolidates with, or merges with or into, any Person (other than one or more Permitted Holders), or any Person consolidates with, or merges with or into, the Company, in any such event pursuant to a transaction in which any of the outstanding Voting Stock of the Company or such other Person is converted into or exchanged for cash, securities or other property, other than any such transaction where the Voting Stock of the Company outstanding immediately prior to such transaction is converted into or exchanged for (or continues as) Voting Stock (other than Disqualified Stock) of the surviving or transferee Person constituting a majority of the outstanding shares of Voting Stock of such surviving or transferee Person (immediately after giving effect to such issuance) and in substantially the same proportion as before the transaction;

(3) the Permitted Holders are collectively the beneficial owners of less than 30% of the total voting power of the Voting Stock of the Company;

(4) any person or group (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act) is or becomes the beneficial owner (as such term is used in Rule 13d-3 of the Exchange Act), directly or indirectly, of total voting power of the Voting Stock of the Company greater than such total voting power held beneficially by the Permitted Holders;

(5) individuals who on the Original Issue Date constituted the board of directors of the Company, together with any new directors whose election by the board of directors was approved by a vote of at least a majority of the directors then in office who were either directors or whose election was previously so approved, cease for any reason to constitute a majority of the board of directors of the Company then in office; or

(6) the adoption of a plan relating to the liquidation or dissolution of the Company. Change of Control Triggering Event means the occurrence of both a Change of Control and a Rating Decline.

“Clearstream” means Clearstream Banking S.A.

“Collateral” means all collateral securing, or purported to be securing, directly or indirectly, the Notes or any Subsidiary Guarantee pursuant to the Security Documents, and shall initially consist of the Capital Stock of the initial Subsidiary Guarantors held by the Company or the initial Subsidiary Guarantor Pledgors.

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

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

“Comparable Treasury Issue” means the U.S. Treasury security or securities having a maturity comparable to September 28, 2020 that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to September 28, 2020.

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

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

“Consolidated EBITDA” means, for any period, Consolidated Net Income for such period plus, to the extent such amount was deducted in calculating such Consolidated Net Income:

(1) Consolidated Interest Expense, including, for the avoidance of doubt, capitalized interest included in cost of sales,

(2) income taxes (other than income taxes attributable to extraordinary and non-recurring gains (or losses) or sales of assets not included in the calculation of Consolidated EBITDA), including, for the avoidance of doubt, corporate income tax and land appreciation tax, and

(3) depreciation expense, amortization expense and all other non-cash items reducing Consolidated Net Income (other than non-cash items in a period which reflect cash expenses paid or to be paid in another period and other than losses on Investment Properties arising from fair value adjustments made in conformity with GAAP), less all non-cash items increasing Consolidated Net Income (other than gains on Investment Properties arising from fair value adjustments made in conformity with GAAP),

all as determined on a consolidated basis for the Company and its Restricted Subsidiaries in conformity with GAAP; provided that (1) if any Restricted Subsidiary is not a Wholly Owned Restricted Subsidiary, Consolidated EBITDA shall be reduced (to the extent not otherwise reduced in accordance with GAAP) by an amount equal to (A) the amount of the Consolidated Net Income attributable to such Restricted Subsidiary multiplied by (B) the percentage ownership interest in the income of such Restricted Subsidiary not owned on the last day of such period by the Company or any of its Restricted Subsidiaries and (2) in the case of any PRC CJV (consolidated in accordance with GAAP), Consolidated EBITDA shall be reduced (to the extent not already reduced in accordance with GAAP) by any payments, distributions or amounts (including the Fair Market Value of any non-cash payments, distributions or amounts) required to be made or paid by such PRC CJV to the PRC CJV Partner, or to which the PRC CJV Partner otherwise has a right or is entitled, pursuant to the joint venture agreement governing such PRC CJV.

“Consolidated Fixed Charges” means, for any period, the sum (without duplication) of (1) Consolidated Interest Expense for such period and (2) all cash and non-cash dividends paid, declared, accrued or accumulated during such period on any Disqualified Stock or Preferred Stock of the Company or any Restricted Subsidiary held by Persons other than the Company or any Wholly Owned Restricted Subsidiary, except for dividends payable in the Company’s Capital Stock (other than Disqualified Stock) or paid to the Company or to a Wholly Owned Restricted Subsidiary.

“Consolidated Interest Expense” means, for any period, the amount that would be included in gross interest expense on a consolidated income statement prepared in accordance with GAAP for such period of the Company and its Restricted Subsidiaries, plus, to the extent not included in such gross interest expense, and to the extent incurred, accrued or payable during such period by the Company and its Restricted Subsidiaries, without duplication, (1) interest expense attributable to Capitalized Lease Obligations, (2) amortization of debt issuance costs and original issue discount expense and non-cash interest payments in respect of any Indebtedness, (3) the interest portion of any deferred payment obligation, (4) all commissions, discounts and other fees and charges with respect to letters of credit or similar instruments issued for financing purposes or in respect of any Indebtedness, (5) the net costs associated with Hedging Obligations (including the amortization of fees), (6) interest accruing on Indebtedness of any other Person (other than the Company or any Restricted Subsidiary) that is Guaranteed by, or secured by a Lien on any asset of, the Company or any Restricted Subsidiary (other than Pre-Registration Mortgage Guarantees), in each case only to the extent that such interest has become payable by the Company or any Restricted Subsidiary and (7) any capitalized interest, provided that interest expense attributable to interest on any Indebtedness bearing a floating interest rate will be computed on a pro forma basis as if the rate in effect on the date of determination had been the applicable rate for the entire relevant period.

“Consolidated Net Income” means, with respect to any specified Person for any period, the aggregate of the net income (or loss) of such Person and its Restricted Subsidiaries for such

period, on a consolidated basis, determined in conformity with GAAP; provided that the following items shall be excluded in computing Consolidated Net Income (without duplication):

(1) the net income (or loss) of any Person that is not a Restricted Subsidiary or that is accounted for by the equity method of accounting except that:

(a) subject to the exclusion contained in clause (5) below, the Company's equity in the net income of any such Person for such period shall be included in such Consolidated Net Income up to the aggregate amount of cash actually distributed by such Person during such period to the Company or a Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend or other distribution paid to a Restricted Subsidiary, to the limitations contained in clause (3) below); and

(b) the Company's equity in a net loss of any such Person for such period shall be included in determining such Consolidated Net Income to the extent funded with cash or other assets of the Company or Restricted Subsidiaries;

(2) the net income (or loss) of any Person accrued prior to the date it becomes a Restricted Subsidiary or is merged into or consolidated with the Company or any of its Restricted Subsidiaries or all or substantially all of the property and assets of such Person are acquired by the Company or any of its Restricted Subsidiaries;

(3) the net income (but not loss) of any Restricted Subsidiary to the extent that the declaration or payment of dividends or similar distributions by such Restricted Subsidiary of such net income is not at the time permitted by the operation of the terms of its charter, articles of association or other similar constitutive documents, or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to such Restricted Subsidiary;

(4) the cumulative effect of a change in accounting principles;

(5) any net after tax gains realized on the sale or other disposition of (a) any property or assets of the Company or any Restricted Subsidiary which is not sold in the ordinary course of its business or (b) any Capital Stock of any Person (including any gains by the Company realized on sales of Capital Stock of the Company or other Restricted Subsidiaries);

(6) any translation gains and losses due solely to fluctuations in currency values and related tax effects; and

(7) any net after-tax extraordinary or non-recurring gains,

provided that (A) solely for purposes of calculating Consolidated EBITDA and the Fixed Charge Coverage Ratio, any net after tax gains derived from direct or indirect sale by the Company or any Restricted Subsidiary of (i) Capital Stock of a Restricted Subsidiary primarily engaged in the holding of Investment Property or (ii) an interest in any Investment Property arising from the difference between the current book value and the cash sale price shall be added to Consolidated Net Income; (B) for purposes of the Consolidated Net Income calculation (but not for purposes of calculating Consolidated EBITDA and the Fixed Charge Coverage Ratio) any net after tax gains derived from direct or indirect sale by the Company or any Restricted Subsidiary of (i) Capital Stock of a Restricted Subsidiary primarily engaged in the holding of Investment

Property or (ii) an interest in any Investment Property arising from the difference between the original cost basis and the cash sale price shall be added to Consolidated Net Income to the extent not already included in the net income for such period as determined in conformity with GAAP and Consolidated Net Income; and (C) solely for the purposes of calculating Consolidated EBITDA and the Fixed Charge Coverage Ratio, any net after tax gains on Investment Properties arising from fair value adjustments made in conformity with GAAP shall be added to Consolidated Net Income.

“Consolidated Net Worth” means, at any date of determination, stockholders’ equity as set forth on the most recently available fiscal quarter, semi-annual or annual consolidated balance sheet (which may be an internal consolidated balance sheet) of the Company and its Restricted Subsidiaries, plus, to the extent not included, any Preferred Stock of the Company, less any amounts attributable to Disqualified Stock or any equity security convertible into or exchangeable for Indebtedness, the cost of treasury stock and the principal amount of any promissory notes receivable from the sale of the Capital Stock of the Company or any of its Restricted Subsidiaries, each item to be determined in conformity with GAAP.

“Contractor Guarantees” means any Guarantee by the Company or any Restricted Subsidiary of Indebtedness of any contractor, builder or other similar Person engaged by the Company or such Restricted Subsidiary in connection with the development, construction or improvement of real or personal property or equipment to be used in a business of the Company or any Restricted Subsidiary in the ordinary course of business, which Indebtedness was Incurred by such contractor, builder or other similar Person to finance the cost of such development, construction or improvement.

“Currency Agreement” means any foreign exchange forward contract, currency swap agreement or other similar agreement or arrangement designed to manage exposure to fluctuations in foreign exchange rates.

“Default” means any event that is, or after notice or passage of time or both would be, an Event of Default.

“Disqualified Stock” means any class or series of Capital Stock of any Person that by its terms or otherwise is (1) required to be redeemed prior to the date that is 183 days after the Stated Maturity of the Notes, (2) redeemable at the option of the holder of such class or series of Capital Stock at any time prior to the date that is 183 days after the Stated Maturity of the Notes or (3) convertible into or exchangeable for Capital Stock referred to in clause (1) or (2) above or Indebtedness having a scheduled maturity prior to the date that is 183 days after the Stated Maturity of the Notes; provided that any Capital Stock that would not constitute Disqualified Stock but for provisions thereof giving holders thereof the right to require such Person to repurchase or redeem such Capital Stock upon the occurrence of an asset sale or change of control occurring prior to the Stated Maturity of the Notes shall not constitute Disqualified Stock if the asset sale or change of control provisions applicable to such Capital Stock are no more favorable to the holders of such Capital Stock than the provisions contained in the—Certain covenants—Limitation on Asset Sales and—Repurchase of Notes upon a Change of Control Triggering Event covenants and such Capital Stock specifically provides that such Person will not repurchase or redeem any such stock pursuant to such provision prior to the Company’s repurchase of such Notes as are required to be repurchased pursuant to the—Certain covenants—Limitation on Asset Sales and—Repurchase of Notes upon a Change of Control Triggering Event covenants.

“Dollar Equivalent” means, with respect to any monetary amount in a currency other than U.S. dollars, at any time for the determination thereof, the amount of U.S. dollars obtained by converting such foreign currency involved in such computation into U.S. dollars at the base rate for the purchase of U.S. dollars with the applicable foreign currency as quoted by the Federal Reserve Bank of New York on the date of determination.

“Entrusted Loans” means borrowings by a Non-Guarantor Restricted Subsidiary from the Company or another Restricted Subsidiary (whether directly or through or facilitated by a bank or other financial institution), provided that such borrowings are not reflected on the consolidated balance sheet of the Company.

“Equity Offering” means (i) any bona fide underwritten primary public offering or private placement of Common Stock of the Company after the Original Issue Date or (ii) any bona fide underwritten secondary public offering or secondary private placement of Common Stock of the Company beneficially owned by a Permitted Holder, after the Original Issue Date, to the extent that a Permitted Holder or a company controlled by a Permitted Holder concurrently with such public offering or private placement purchases in cash an equal amount of Common Stock from the Company at the same price as the public offering or private placing price, in each case under clause (i) or (ii) provided such public offering or private placement is to a person other than a Restricted Subsidiary or Permitted Holder; provided that any offering or placing referred to in (A) clause (i), (B) clause (ii), or (C) a combination of clauses (i) and (ii) result in the aggregate gross cash proceeds received by the Company being no less than US\$20.0 million (or the Dollar Equivalent thereof).

“Euroclear” means Euroclear Bank S.A./N.V.

“Exempted Subsidiary” means any Restricted Subsidiary organized in any jurisdiction other than the PRC that is prohibited by applicable law or regulation from providing a Subsidiary Guarantee or create any Lien over its Capital Stock to secure any of the secured obligations subject to the Intercreditor Agreement; provided that (x) the Company shall have failed, upon using commercially reasonable efforts, to obtain any required governmental or regulatory approval or registration with respect to such Subsidiary Guarantee or Lien over its Capital Stock, to the extent that such approval or registration is available under any applicable law or regulation and (y) such Restricted Subsidiary shall cease to be an Exempted Subsidiary immediately upon such prohibition ceasing to be in force or apply to such Restricted Subsidiary or upon the Company having obtained such applicable approval or registration.

“Fair Market Value” means the price that would be paid in an arm’s-length transaction between an informed and willing seller under no compulsion to sell and an informed and willing buyer under no compulsion to buy, as determined in good faith by the Board of Directors, whose determination shall be conclusive if evidenced by a Board Resolution.

“Financial Company Investor” means a bank, financial institution, trust company, fund management company, asset management company, financial management company or insurance company, or an Affiliate thereof, that invests in any Capital Stock of a Restricted Subsidiary.

“Fitch” means Fitch Ratings Inc. and its successors.

“Fixed Charge Coverage Ratio” means, on any Transaction Date, the ratio of (1) the aggregate amount of Consolidated EBITDA for the then most recent four fiscal quarter periods prior to such



Transaction Date for which consolidated financial statements of the Company (which the Company shall use its reasonable best efforts to compile in a timely manner) are available (which may be internal consolidated financial statements) (the Four Quarter Period) to (2) the aggregate Consolidated Fixed Charges during such Four Quarter Period. In making the foregoing calculation:

(a) pro forma effect shall be given to any Indebtedness or Preferred Stock Incurred, repaid or redeemed during the period (the Reference Period) commencing on and including the first day of the Four Quarter Period and ending on and including the Transaction Date (other than Indebtedness Incurred or repaid under a revolving credit or similar arrangement (or under any predecessor revolving credit or similar arrangement) in effect on the last day of such Four Quarter Period), in each case as if such Indebtedness or Preferred Stock had been Incurred, repaid or redeemed on the first day of such Reference Period; provided that, in the event of any such repayment or redemption, Consolidated EBITDA for such period shall be calculated as if the Company or such Restricted Subsidiary had not earned any interest income actually earned during such period in respect of the funds used to repay or redeem such Indebtedness or Preferred Stock;

(b) Consolidated Interest Expense attributable to interest on any Indebtedness (whether existing or being Incurred) computed on a pro forma basis and bearing a floating interest rate shall be computed as if the rate in effect on the Transaction Date (taking into account any Interest Rate Agreement applicable to such Indebtedness if such Interest Rate Agreement has a remaining term in excess of 12 months or, if shorter, at least equal to the remaining term of such Indebtedness) had been the applicable rate for the entire period;

(c) pro forma effect shall be given to the creation, designation or redesignation of Restricted and Unrestricted Subsidiaries as if such creation, designation or redesignation had occurred on the first day of such Reference Period;

(d) pro forma effect shall be given to Asset Dispositions and Asset Acquisitions (including giving pro forma effect to the application of proceeds of any Asset Disposition) that occur during such Reference Period as if they had occurred and such proceeds had been applied on the first day of such Reference Period; and

(e) pro forma effect shall be given to asset dispositions and asset acquisitions (including giving pro forma effect to the application of proceeds of any asset disposition) that have been made by any Person that has become a Restricted Subsidiary or has been merged with or into the Company or any Restricted Subsidiary during such Reference Period and that would have constituted Asset Dispositions or Asset Acquisitions had such transactions occurred when such Person was a Restricted Subsidiary as if such asset dispositions or asset acquisitions were Asset Dispositions or Asset Acquisitions that occurred on the first day of such Reference Period;

*provided* that to the extent that clause (d) or (e) of this sentence requires that pro forma effect be given to an Asset Acquisition or Asset Disposition (or asset acquisition or asset disposition), such pro forma calculation shall be based upon the four fiscal quarter periods immediately preceding the Transaction Date of the Person, or division or line of business of the Person, that is acquired or disposed for which financial information is available.

"GAAP" means generally accepted accounting principles in Hong Kong as in effect from time to time. All ratios and computations contained or referred to in the Indenture shall be computed in conformity with GAAP applied on a consistent basis.

"GS Guarantee" means the guarantee entered into by the Company, the Subsidiary Guarantors and Goldman Sachs International dated June 30, 2016, and in relation to the ISDA Agreement.

"GS Hedging Obligations" means the amounts due to Goldman Sachs International from the Company and the Subsidiary Guarantors under the ISDA Agreement and the GS Guarantee.

"Guarantee" means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness or other obligation of any other Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such Person (1) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation of such other Person (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise) or (2) entered into for purposes of assuring in any other manner the obligee of such Indebtedness or other obligation of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part); provided that the term Guarantee shall not include endorsements for collection or deposit in the ordinary course of business. The term Guarantee used as a verb has a corresponding meaning.

"Hedging Obligation of any Person" means the obligations of such Person pursuant to any Commodity Hedging Agreement, Currency Agreement or Interest Rate Agreement.

"Holder" means the Person in whose name a Note is registered in the Note register.

"Hong Kong Stock Exchange" means The Stock Exchange of Hong Kong Limited and its successors.

"Incur" means, with respect to any Indebtedness or Capital Stock, to incur, create, issue, assume, Guarantee or otherwise become liable for or with respect to, or become responsible for, the payment of, contingently or otherwise, such Indebtedness or Capital Stock; provided that (1) any Indebtedness and Capital Stock of a Person existing at the time such Person becomes a Restricted Subsidiary (or fails to meet the qualifications necessary to remain an Unrestricted Subsidiary) will be deemed to be Incurred by such Restricted Subsidiary at the time it becomes a Restricted Subsidiary and (2) the accretion of original issue discount shall not be considered an Incurrence of Indebtedness. The terms Incurrence, Incurred and Incurring have meanings correlative with the foregoing.

"Indebtedness" means, with respect to any Person at any date of determination (without duplication):

- (1) all indebtedness of such Person for borrowed money;
- (2) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;
- (3) all obligations of such Person in respect of letters of credit, bankers' acceptances or other similar instruments;
- (4) all obligations of such Person to pay the deferred and unpaid purchase price of property or services, except Trade Payables;

- (5) all Capitalized Lease Obligations and Attributable Indebtedness;
- (6) all Indebtedness of other Persons secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person; provided that the amount of such Indebtedness shall be the lesser of (a) the Fair Market Value of such asset at such date of determination and (b) the amount of such Indebtedness;
- (7) all Indebtedness of other Persons Guaranteed by such Person to the extent such Indebtedness is Guaranteed by such Person;
- (8) to the extent not otherwise included in this definition, Hedging Obligations; and
- (9) all Disqualified Stock issued by such Person valued at the greater of its voluntary or involuntary liquidation preference and its maximum fixed repurchase price plus accrued dividends.

Notwithstanding the foregoing, Indebtedness shall not include any capital commitments, deferred payment obligations, pre-sale receipts in advance from customers or similar obligations incurred in the ordinary course of business in connection with the acquisition, development, construction or improvement of real or personal property (including land use rights) to be used in a business of the Company or any of its Restricted Subsidiaries or any Entrusted Loan; provided that such Indebtedness is not reflected as borrowings on the consolidated balance sheet of the Company (contingent obligations and commitments referred to in a footnote to financial statements and not otherwise reflected on the balance sheet will not be deemed to be reflected on such balance sheet).

The amount of Indebtedness of any Person at any date shall be the outstanding balance at such date of all unconditional obligations as described above and, with respect to contingent obligations, the maximum liability upon the occurrence of the contingency giving rise to the obligation; provided

- (1) that the amount outstanding at any time of any Indebtedness issued with original issue discount is the face amount of such Indebtedness less the remaining unamortized portion of the original issue discount of such Indebtedness at such time as determined in conformity with GAAP,
- (2) that money borrowed and set aside at the time of the Incurrence of any Indebtedness in order to prefund the payment of the interest on such Indebtedness shall not be deemed to be Indebtedness so long as such money is held to secure the payment of such interest, and
- (3) that the amount of Indebtedness with respect to any Hedging Obligation shall be equal to (a) zero if Incurred pursuant to paragraph 2(f) under the Limitation on Indebtedness and Preferred Stock covenant, or (b) the net amount payable if such Hedging Obligation terminated at that time due to default by such Person, if not Incurred under such covenant.

“Intercreditor Agreement” has the meaning set forth under “—Security”.

“Interest Rate Agreement” means any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedge agreement, option or future contract or other similar agreement or arrangement designed to manage exposure to fluctuations in interest rates.

“Investment” means:

- (1) any direct or indirect advance, loan or other extension of credit to another Person;
- (2) any capital contribution to another Person (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others);
- (3) any purchase or acquisition of Capital Stock, Indebtedness, bonds, notes, debentures or other similar instruments or securities issued by another Person; or
- (4) any Guarantee of any obligation of another Person.

For the purposes of the provisions of the Designation of Restricted and Unrestricted Subsidiaries and Limitation on Restricted Payments covenants: (1) the Company will be deemed to have made an Investment in an Unrestricted Subsidiary in an amount equal to the Fair Market Value of the Company’s proportionate interest in the assets (net of the Company’s proportionate interest in the liabilities owed to any Person other than the Company or a Restricted Subsidiary and that are not Guaranteed by the Company or a Restricted Subsidiary) of a Restricted Subsidiary that is designated an Unrestricted Subsidiary at the time of such designation, and (2) any property transferred to or from any Person shall be valued at its Fair Market Value at the time of such transfer, as determined in good faith by the Board of Directors.

“Investment Grade” means a rating of AAA, AA, A or BBB, as modified by a + or – indication, or an equivalent rating representing one of the four highest rating categories, by S&P or any of its successors or assigns, a rating of Aaa, or Aa, A or Baa, as modified by a 1, 2 or 3 indication, or an equivalent rating representing one of the four highest rating categories, by Moody’s, or any of its successors or a rating of AAA, AA, A or BBB, as modified by a + or – indication, or an equivalent rating representing one of the four highest rating categories, by Fitch or any of its successors or assigns or the equivalent ratings of any internationally recognized rating agency or agencies, as the case may be, which shall have been designated by the Company as having been substituted for S&P, Moody’s or Fitch or any of them, as the case may be.

“Investment Property” means any property that is owned and held by the Company or any Restricted Subsidiary primarily for rental yields or for capital appreciation or both, or any hotel owned by the Company or any Restricted Subsidiary from which the Company or any Restricted Subsidiary derives or expects to derive operating income.

“ISDA Agreement” means the swap transaction entered into by the Company with Goldman Sachs International pursuant to an ISDA 2002 Master Agreement as modified by the schedule to the 2002 Master Agreement entered into by the Company and Goldman Sachs International, each dated June 20, 2016.

“Joint Venture” means the joint venture company to be established in connection with the Project by the Company (by itself or through its Restricted Subsidiaries) with entities not Affiliated with the Company, in which the Company will hold a minority equity interest in the joint venture company’s total outstanding Capital Stock, or any successor thereof.

“Jointly Controlled Entity” means any corporation, association or other business entity of which 20% or more of the voting power of the outstanding Voting Stock is owned, directly or indirectly by the Company or a Restricted Subsidiary and such corporation, association or other business entity is treated as a joint venture in accordance with GAAP, and such Jointly Controlled Entity’s Subsidiaries.

“Lien” means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including, without limitation, any conditional sale or other title retention agreement or lease in the nature thereof or any agreement to create any mortgage, pledge, security interest, lien, charge, easement or encumbrance of any kind).

“Minority Interest Staged Acquisition Agreement” means an agreement between the Company or a Restricted Subsidiary and an Independent Third Party (x) pursuant to which the Company or such Restricted Subsidiary agrees to acquire less than a majority of the Capital Stock of a Person for a consideration that is not more than the Fair Market Value of such Capital Stock of such Person at the time the Company or such Restricted Subsidiary enters into such agreement and (y) which provides that the payment of the purchase price for such Capital Stock is made in more than one installment over a period of time.

“Moody’s” means Moody’s Investors Service, Inc. and its successors. Net Cash Proceeds means:

(1) with respect to any Asset Sale, the proceeds of such Asset Sale in the form of cash or cash equivalents, including payments in respect of deferred payment obligations (to the extent corresponding to the principal, but not interest, component thereof) when received in the form of cash or cash equivalents and proceeds from the conversion of other property received when converted to cash or cash equivalents, net of:

(a) brokerage commissions and other fees and expenses (including fees and expenses of counsel and investment bankers) related to such Asset Sale;

(b) provisions for all taxes (whether or not such taxes will actually be paid or are payable) as a result of such Asset Sale without regard to the consolidated results of operations of the Company and its Restricted Subsidiaries, taken as a whole;

(c) payments made to repay Indebtedness or any other obligation outstanding at the time of such Asset Sale that either (x) is secured by a Lien on the property or assets sold or (y) is required to be paid as a result of such sale;

(d) appropriate amounts to be provided by the Company or any Restricted Subsidiary as a reserve against any liabilities associated with such Asset Sale,

including, without limitation, pension and other post-employment benefit liabilities, liabilities related to environmental matters and liabilities under any indemnification obligations associated with such Asset Sale, all as determined in conformity with GAAP; and

(2) with respect to any issuance or sale of Capital Stock, the proceeds of such issuance or sale in the form of cash or cash equivalents, including payments in respect of deferred payment obligations (to the extent corresponding to the principal, but not interest, component thereof) when received in the form of cash or cash equivalents and proceeds from the conversion of other property received when converted to cash or cash equivalents, net of attorneys’ fees, accountants’ fees, underwriters’ or placement agents’ fees, discounts or commissions and brokerage, consultant and other fees incurred in connection with such issuance or sale and net of taxes paid or payable as a result thereof.

“Non Residential Property Entity” means any Person not primarily engaged, directly or indirectly, in the acquisition, development and sale of residential property in the PRC.

"Offer to Purchase" means an offer to purchase Notes by the Company from the Holders commenced by the Company mailing a notice by first class mail, postage prepaid, to the Trustee, the Paying Agent and each Holder at its last address appearing in the Note register stating:

- (1) the covenant pursuant to which the offer is being made and that all Notes validly tendered will be accepted for payment on a pro rata basis;
- (2) the purchase price and the date of purchase (which shall be a Business Day no earlier than 30 days nor later than 60 days from the date such notice is mailed) (the Offer to Purchase Payment Date);
- (3) that any Note not tendered will continue to accrue interest pursuant to its terms;
- (4) that, unless the Company defaults in the payment of the purchase price, any Note accepted for payment pursuant to the Offer to Purchase shall cease to accrue interest on and after the Offer to Purchase Payment Date;
- (5) that Holders electing to have a Note purchased pursuant to the Offer to Purchase will be required to surrender the Note, together with the form entitled Option of the Holder to Elect Purchase on the reverse side of the Note completed, to the Paying Agent at the address specified in the notice prior to the close of business on the Business Day immediately preceding the Offer to Purchase Payment Date;
- (6) that Holders will be entitled to withdraw their election if the Paying Agent receives, not later than the close of business on the third Business Day immediately preceding the Offer to Purchase Payment Date, a facsimile transmission or letter setting forth the name of such Holder, the principal amount of Notes delivered for purchase and a statement that such Holder is withdrawing his election to have such Notes purchased; and
- (7) that Holders whose Notes are being purchased only in part will be issued new Notes equal in principal amount to the unpurchased portion of the Notes surrendered; provided *that* each Note purchased and each new Note issued shall be in a principal amount of US\$200,000 or integral multiples of US\$1,000.

On one Business Day prior to the Offer to Purchase Payment Date, the Company shall deposit with the Paying Agent money sufficient to pay the purchase price of all Notes or portions thereof so accepted. On the Offer to Purchase Payment Date, the Company shall (a) accept for payment on a pro rata basis Notes or portions thereof tendered pursuant to an Offer to Purchase; and (b) deliver, or cause to be delivered, to the Trustee all Notes or portions thereof so accepted together with an Officers' Certificate specifying the Notes or portions thereof accepted for payment by the Company. The Paying Agent shall promptly mail to the Holders of Notes so accepted payment in an amount equal to the purchase price, and the Trustee or an authenticating agent shall promptly authenticate and mail to such Holders a new Note equal in principal amount to any unpurchased portion of the Note surrendered; provided that each Note purchased and each new Note issued shall be in a principal amount of US\$200,000 or integral multiples of US\$1,000. The Company will publicly announce the results of an Offer to Purchase as soon as practicable after the Payment Date. The Company will comply with Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent such laws and regulations are applicable, in the event that the Company is required to repurchase Notes pursuant to an Offer to Purchase.

To the extent that the provisions of any securities laws or regulations of any jurisdiction conflict with the provisions of the Indenture governing any Offer to Purchase, the Company will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Indenture by virtue of such compliance. The Company will not be required to make an Offer to Purchase if a third party makes the Offer to Purchase in compliance with the requirements set forth in the Indenture applicable to an Offer to Purchase made by the Company and purchases all Notes properly tendered and not withdrawn under such Offer to Purchase.

The offer is required to contain or incorporate by reference information concerning the business of the Company and its Subsidiaries which the Company in good faith believes will assist such Holders to make an informed decision with respect to the Offer to Purchase, including a brief description of the events requiring the Company to make the Offer to Purchase, and any other information required by applicable law to be included therein. The offer is required to contain all instructions and materials necessary to enable such Holders to tender Notes pursuant to the Offer to Purchase.

“Officer” means one of the executive officers of the Company or, in the case of a Subsidiary Guarantor, one of the directors or officers of such Subsidiary Guarantor.

“Officers’ Certificate” means a certificate signed by two Officers; provided, however, with respect to the Officers’ Certificate required to be delivered by any Subsidiary Guarantor under the Indenture, Officers’ Certificate means a certificate signed by one Officer if there is only one Officer in such Subsidiary Guarantor at the time such certificate is required to be delivered.

“Opinion of Counsel” means a written opinion from legal counsel who is reasonably acceptable to the Trustee. The counsel may be counsel to the Company.

“Original Issue Date” means the date on which the Notes are originally issued under the Indenture.

“Pari Passu Subsidiary Guarantee” means a guarantee by any Subsidiary Guarantor of Indebtedness of the Company or another Subsidiary Guarantor (including Additional Notes);

*provided* that (1) the Company and such Subsidiary Guarantor were permitted to Incur such Indebtedness under the covenant under the caption—Limitation on Indebtedness and Preferred Stock and (2) such guarantee ranks *pari passu* with any outstanding Subsidiary Guarantee of such Subsidiary Guarantor.

“Payment Default” means (1) any default in the payment of interest on any Note when the same becomes due and payable, (2) any default in the payment of principal of (or premium, if any, on) the Notes when the same becomes due and payable at maturity, upon acceleration, redemption or otherwise, (3) the failure by the Company to make or consummate a Change of Control Offer in the manner described under the caption—Repurchase of Notes upon a Change of Control Triggering Event, or an Offer to Purchase in the manner described under the caption—Certain covenants—Limitation on Asset Sales or (4) any Event of Default specified in clause (5) of the definition of Events of Default.

“Permitted Holders” means any or all of the following:

- (1) Mr. Yeung Kwok Keung and Ms. Yang Huiyan, collectively;
- (2) any Affiliate (other than an Affiliate as defined in clause (2) or (3) of the definition of Affiliate) of the Persons specified in clause (1); and

(3) any Person both the Capital Stock and the Voting Stock of which (or in the case of a trust, the beneficial interests in which) are owned 80% or more by one or more of the Persons specified in clauses (1) and (2).

“Permitted Investment” means:

(1) any Investment in the Company or a Restricted Subsidiary or a Person which will, upon the making of such Investment, become a Restricted Subsidiary or be merged or consolidated with or into or transfer or convey all or substantially all its assets to, the Company or a Restricted Subsidiary;

(2) Temporary Cash Investments;

(3) payroll, travel and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses in accordance with GAAP;

(4) stock, obligations or securities received in satisfaction of judgments;

(5) an investment in an Unrestricted Subsidiary consisting solely of an Investment in another Unrestricted Subsidiary;

(6) any Investment pursuant to a Hedging Obligation designed to reduce or manage the exposure of the Company or any Restricted Subsidiary to fluctuations in commodity prices, interest rates or foreign currency exchange rates;

(7) receivables owing to the Company or any Restricted Subsidiary, if created or acquired in the ordinary course of business and payable or dischargeable in accordance with customary trade terms;

(8) Investments made by the Company or any Restricted Subsidiary consisting of consideration received in connection with an Asset Sale made in compliance with the covenant under the caption—Certain covenants—Limitation on Asset Sales;

(9) pledges or deposits (x) with respect to leases or utilities provided to third parties in the ordinary course of business or (y) otherwise described in the definition of Permitted Liens or made in connection with Liens permitted under the covenant described under—Certain covenants—Limitation on Liens;

(10) any Investment pursuant to Pre-Registration Mortgage Guarantees or Contractor Guarantees by the Company or any Restricted Subsidiary otherwise permitted to be Incurred under the Indenture;

(11) Investments in securities of trade creditors, trade debtors or customers received pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of such trade creditor, trade debtor or customer;

(12) advances to contractors and suppliers for the acquisition of assets or consumables or services in the ordinary course of business that are recorded as deposits or prepaid expenses on the Company’s consolidated balance sheet;

(13) advances to government authorities or government-affiliated entities in the People’s Republic of China in connection with the financing of primary land development in the ordinary course of business that are recorded as assets on the Company’s balance sheet;



(14) deposits of pre-sale proceeds made in order to secure the completion and delivery of pre-sold properties and issuance of the related land use title in the ordinary course of business;

(15) deposits made in order to comply with statutory or regulatory obligations to maintain deposits for workers compensation claims and other purposes specified by statute or regulation from time to time in the ordinary course of business; and

(16) deposits made in order to secure the performance of the Company or any of its Restricted Subsidiaries and prepayments made in connection with the acquisition of real property or land use rights or personal property (including without limitation, Capital Stock) by the Company or any of its Restricted Subsidiaries (including, without limitation, by way of acquisition of Capital Stock of a Person), in each case in the ordinary course of business;

(17) Investments (other than Guarantees provided under paragraph (18) below) by the Company or any Restricted Subsidiary in the Joint Venture or any of its Subsidiaries in proportion to the Company's (direct or indirect) interest in the Capital Stock of the Joint Venture not to exceed an aggregate outstanding amount of RMB2.72 billion, which amount or amounts shall be determined at the time the relevant Investments are made, provided that the amount of any Investment not made in cash shall be the carrying or book value of such Investment as shown on the most recently available consolidated balance sheet of the Company (which may be internal consolidated balance sheet) at the time such Investment is made;

(18) any Guarantee by the Company or any Restricted Subsidiary of Indebtedness Incurred by the Joint Venture or any of its Subsidiaries in proportion to the Company's (direct or indirect) interest in the Capital Stock of the Joint Venture, provided that such Guarantee is permitted to be Incurred under paragraph (2)(p) under—Limitation on Indebtedness and Preferred Stock;

(19) any Investment (including without limitation any deemed Investment upon the redesignation of a Restricted Subsidiary as an Unrestricted Subsidiary or upon the issuance or sale of Capital Stock of a Restricted Subsidiary) by the Company or any Restricted Subsidiary in any Person (other than a Restricted Subsidiary), of which at least 20% of the Capital Stock and the Voting Stock is (or upon the making of such Investment, will be) owned, directly or indirectly, by the Company or any Restricted Subsidiary (such Person, an Associate), provided that:

(a) the aggregate of all Investments made by the Company or any Restricted Subsidiary in a Person (other than a Non-Residential Property Entity of which 50% or more of the voting power of the outstanding Voting Stock is owned, directly or indirectly, by the Company or its Restricted Subsidiaries) under this clause (19) after the Original Issue Date shall not exceed in aggregate an amount equal to 30% of Total Assets. Such aggregate amount of Investments shall be calculated after deducting an amount equal to the net reduction in all Investments made under this clause (19) after the Original Issue Date resulting from:

(i) payments of interest on Indebtedness, dividends or repayments of loans or advances made under this clause, in each case to the Company or any Restricted Subsidiary (except, in each case, to the extent any such

payment or proceeds are included in the calculation of Consolidated Net Income),

(ii) the unconditional release of a Guarantee provided by the Company or a Restricted Subsidiary after the Original Issue Date under this clause of an obligation of any such Person,

(iii) to the extent that an Investment made after the Original Issue Date under this clause (19) is sold or otherwise liquidated or repaid for cash, the lesser of (x) cash return of capital with respect to such Investment (less the cost of disposition, if any) and (y) the initial amount of such Investment, or

(iv) any such Person becoming a Restricted Subsidiary (whereupon all Investments made by the Company or any Restricted Subsidiary in such Person after the Original Issue Date shall be deemed to have been made pursuant to clause (1) of the definition of Permitted Investment), not to exceed, in each case, the amount of Investments made by the Company or a Restricted Subsidiary after the Original Issue Date in any such Person pursuant to this clause (19),

(b) if a shareholder or partner (other than the Company or a Restricted Subsidiary) in such Person in which such Investment was made pursuant to this clause (19) is a Person described in clauses (x) or (y) of the first paragraph of the covenant under the caption—Limitation on Transactions with Shareholders and Affiliates (other than by reason of such shareholder or partner being an officer or director of such Person or by reason of such shareholder or partner being the Company or a Subsidiary, Jointly Controlled Entity or Associate of the Company), such Investment complies with the covenant under the caption—Limitation on Transactions with Shareholders and Affiliates;

(c) no Default has occurred and is continuing or would occur as a result of such Investment;

(d) with respect to an Associate in which the Company or any Restricted Subsidiary has made an Investment under this clause (19), (x) if the Company or such Restricted Subsidiary no longer owns at least 20% of the Capital Stock of such Associate, such Investment less the amount of any Receipt will be deemed not to have been made in accordance with this clause (19) and such Investment must at the time such Associate is no longer treated as an Associate satisfy the other requirements of the covenant described under—Certain covenants—Limitation on Restricted Payments (including meeting the requirements of one of the other clauses set forth under this Permitted Investment definition) except for clause (4)(b) of the first paragraph of the covenant described under—Certain covenants—Limitation on Restricted Payments; and

(e) in the case of any Investment by the Company or any Restricted Subsidiary in a Person of which less than 50% of the voting power of the outstanding Voting Stock is owned, directly or indirectly, by the Company or its Restricted Subsidiaries, at the time of such Investment, the Company could Incur at least US\$1.00 of Indebtedness under the proviso in the paragraph (1) of the covenant

under the caption—Certain covenants—Limitation of Indebtedness and Preferred Stock.

For the avoidance of doubt, the value of each Investment made pursuant to this clause (19) shall be determined at the time such Investment is made.

“Permitted Liens” means:

- (1) Liens for taxes, assessments, governmental charges or claims that are being contested in good faith by appropriate legal or administrative proceedings promptly instituted and diligently conducted and for which a reserve or other appropriate provision, if any, as shall be required in conformity with GAAP shall have been made;
- (2) statutory and common law Liens of landlords and carriers, warehousemen, mechanics, suppliers, repairmen or other similar Liens arising in the ordinary course of business and with respect to amounts not yet delinquent or being contested in good faith by appropriate legal or administrative proceedings promptly instituted and diligently conducted and for which a reserve or other appropriate provision, if any, as shall be required in conformity with GAAP shall have been made;
- (3) Liens incurred or deposits made to secure the performance of tenders, bids, leases, statutory or regulatory obligations, bankers’ acceptances, surety and appeal bonds, government contracts, performance, and return-of-money bonds and other obligations of a similar nature incurred in the ordinary course of business (exclusive of obligations for the payment of borrowed money);
- (4) leases or subleases granted to others that do not materially interfere with the ordinary course of business of the Company and its Restricted Subsidiaries, taken as a whole;
- (5) Liens encumbering property or assets under construction arising from progress or partial payments by a customer of the Company or its Restricted Subsidiaries relating to such property or assets;
- (6) Liens on property of, or on shares of Capital Stock or Indebtedness of, any Person existing at the time such Person becomes, or becomes a part of, any Restricted Subsidiary; provided that such Liens do not extend to or cover any property or assets of the Company or any Restricted Subsidiary other than the property or assets acquired; provided further that such Liens were not created in contemplation of or in connection with the transactions or series of transactions pursuant to which such Person became a Restricted Subsidiary;
- (7) Liens in favor of the Company or any Restricted Subsidiary;
- (8) Liens arising from the rendering of a final judgment or order against the Company or any Restricted Subsidiary that does not give rise to an Event of Default;
- (9) Liens securing reimbursement obligations with respect to letters of credit that encumber documents and other property relating to such letters of credit and the products and proceeds thereof;
- (10) Liens encumbering customary initial deposits and margin deposits, and other Liens that are within the general parameters customary in the industry, in each case, securing

Indebtedness under Hedging Obligations permitted by clause (f) of the second paragraph of the covenant under the caption—Certain covenants—Limitation on Indebtedness and Preferred Stock;

(11) Liens existing on the Original Issue Date;

(12) Liens securing Indebtedness which is Incurred to refinance secured Indebtedness which is permitted to be Incurred under clause (e) of the second paragraph of the covenant described under the caption entitled—Certain covenants—Limitation on Indebtedness and Preferred Stock; provided that such Liens do not extend to or cover any property or assets of the Company or any Restricted Subsidiary other than the property or assets securing the Indebtedness being refinanced;

(13) Liens under the Security Documents;

(14) Liens securing any Permitted Pari Passu Secured Indebtedness that complies with each of the requirements set forth under—Security—Permitted Pari Passu Secured Indebtedness;

(15) any interest or title of a lessor in the property subject to any operating lease;

(16) Liens securing Indebtedness of the Company or any Restricted Subsidiary under any Pre-Registration Mortgage Guarantee which is permitted to be Incurred under clause (g) of the second paragraph of the covenant under the caption—Certain covenants—Limitation on Indebtedness and Preferred Stock;

(17) easements, rights-of-way, municipal and zoning ordinances or other restrictions as to the use of properties in favor of governmental agencies or utility companies that do not materially adversely affect the value of such properties or materially impair the use for the purposes of which such properties are held by the Company or any Restricted Subsidiary;

(18) Liens (including extensions and renewals thereof) upon real or personal property; provided that (a) such Lien is created solely for the purpose of securing Indebtedness of the type described under clause (2)(h) of the covenant under the caption entitled—Limitation on Indebtedness and Preferred Stock and such Lien is created prior to, at the time of or within 180 days after the later of the acquisition or the completion of development, construction or improvement of such property, (b) the principal amount of the Indebtedness secured by such Lien does not exceed 100% of the cost of such property, development, construction or improvement and (c) such Lien shall not extend to or cover any property or assets other than such item of property and any improvements on such item, provided that such Lien may cover other property or assets (instead of or in addition to such item of property or improvements) and the principal amount of Indebtedness secured by such Lien may exceed 100% of such cost if such Lien is incurred in the ordinary course of business;

(19) Liens on deposits of pre-sale proceeds made in order to secure the completion and delivery of pre-sold properties and issuance of the related land use title made in the ordinary course of business and not securing Indebtedness of the Company or any Restricted Subsidiary;

(20) Liens on deposits made in order to secure the performance of the Company or any of its Restricted Subsidiaries in connection with the acquisition of real property or land use

rights or personal property (including, without limitation, Capital Stock) by the Company or any of its Restricted Subsidiaries (including, without limitation, by way of acquisition of Capital Stock of a Person) in the ordinary course of business and not securing Indebtedness of the Company or any Restricted Subsidiary;

(21) Liens on current assets securing Indebtedness which is permitted to be Incurred under clause (2)(n) of the covenant described under the caption entitled—Certain covenants—Limitation on Indebtedness and Preferred Stock;

(22) Liens on assets securing Indebtedness permitted to be Incurred under clause (2)(o) of the—Certain covenants—Limitation on Indebtedness and Preferred Stock covenant;

(23) Liens on the Capital Stock of a Restricted Subsidiary granted by the Company or any Restricted Subsidiary in favor of any Financial Company Investor in respect of, and to secure, the Indebtedness of the type described under clause (2)(q) of the—Certain covenants—Limitation on Indebtedness and Preferred Stock covenant;

(24) Liens Incurred on deposits or bank accounts made to secure Bank Deposit Secured Indebtedness of the type described under clause (2)(r) of the—Certain covenants—Limitation on Indebtedness and Preferred Stock covenant;

(25) Liens on the Capital Stock of the Person that is to be acquired under the relevant Minority Interest Staged Acquisition Agreement securing Indebtedness permitted to be Incurred under clause (2)(s) of the—Certain covenants—Limitation on Indebtedness and Preferred Stock covenant;

(26) Liens securing Indebtedness Incurred under clause (2)(t) of the—Certain covenants—Limitation on Indebtedness and Preferred Stock covenant;

(27) Liens securing Indebtedness Incurred under clause (2)(u) of the—Certain covenants—Limitation on Indebtedness and Preferred Stock covenant;

(28) Liens on Investment Properties or fixed assets securing Indebtedness of the Company or any Restricted Subsidiary permitted to be Incurred under clause (2)(v) of the—Certain Covenants—Limitation on Indebtedness and Preferred Stock covenant;

(29) Liens on the Capital Stock of the Person that is to be acquired under the relevant Staged Acquisition Agreement securing Indebtedness permitted to be Incurred under clause (2)(x) of the—Certain Covenants—Limitation on Indebtedness and Preferred Stock covenant;

(30) Liens securing or arising from Entrusted Loans; and

(31) Liens on deposits made in order to comply with statutory obligations to maintain deposits for workers compensation claims and other purposes specified by statute made in the ordinary course of business and not securing Indebtedness of the Company or any Restricted Subsidiary.

*provided* that, with respect to the Collateral, Permitted Liens shall only refer to the Liens described in clauses (1), (13) and (14) of this definition.

“Permitted Pari Passu Secured Indebtedness” has the meaning set forth under—Security—Permitted Pari Passu Secured Indebtedness.

“Permitted Subsidiary Indebtedness” means Indebtedness (other than Public Indebtedness) of, and all Preferred Stock issued by, the Non-Guarantor Restricted Subsidiaries, taken as a whole; provided that, on the date of the Incurrence of such Indebtedness and after giving effect thereto and the application of the proceeds thereof, the sum of the aggregate principal amount outstanding of (x) all such Indebtedness of the Non-Guarantor Restricted Subsidiaries (excluding the amount of any Indebtedness of any Restricted Subsidiary permitted under clauses 2(d), 2(f), 2(g) and 2(m) and Subsidiary Guarantees or Pari Passu Subsidiary Guarantees permitted under clauses 2(a) and 2(b) of the covenant described under—Certain covenants—Limitation on Indebtedness and Preferred Stock), (y) all Public Indebtedness of any Non-Guarantor Subsidiary that constitutes Acquired Indebtedness and (z) all Public Indebtedness that was Incurred by a Non-Guarantor Subsidiary by reason of such entity being a Subsidiary Guarantor prior to being designated as a New Non-Guarantor Subsidiary does not exceed an amount equal to 15% of Total Assets.

“Person” means any individual, corporation, partnership, limited liability company, joint venture, trust, unincorporated organization or government or any agency or political subdivision thereof.

“Pre-Registration Mortgage Guarantee” means any Indebtedness of the Company or any Restricted Subsidiary consisting of a guarantee in favor of any bank or other similar financial institutions in the ordinary course of business of secured loans of purchasers of individual units of properties from the Company or any Restricted Subsidiary; provided that, any such guarantee shall be released in full on or before the perfection of a security interest in such properties under applicable law in favor of the relevant lender.

“Preferred Stock as applied to the Capital Stock of any Person” means Capital Stock of any class or classes that by its term is preferred as to the payment of dividends, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over shares of Capital Stock of any other class of such Person.

“Project” means the acquisition, development, improvement, management and operation of the Property and any activity related, ancillary or complementary to the acquisition, development, improvement, management or operation of the Property.

“Property” means the parcel or parcels of land located at Panyu District, Guangzhou City, Guangdong Province, the PRC, and any real or personal property located thereon, including any property or structure erected, constructed, fixed, attached or located thereon, as described in the land grant contract, dated December 22, 2009, between (i) the Guangzhou Land and Property Exchange Center, and (ii) Foshan Shunde Country Garden Property Development Company Limited, Gold Volcano Group Limited, Guangzhou R&F Properties Co., Ltd., Kilowell International Limited and Globe Times Investments Limited, as amended or supplemented.

“Public Indebtedness” means any bonds, debentures, notes or similar debt securities issued in a public offering or a private placement (other than the Notes) to institutional investors.

“PRC CJV” means any Subsidiary that is a sino-foreign cooperative joint venture enterprise with limited liability, established in the PRC pursuant to the Law of the People’s Republic of China on sino-foreign Cooperative Joint Ventures adopted on April 13, 1988 (as most recently amended on October 13, 2000) and the Detailed Rules for the Implementation of the Law of the People’s Republic of China on sino-foreign Cooperative Joint Ventures promulgated on September 4, 1995, as such laws may be amended.

“PRC CJV Partner” means with respect to a PRC CJV, the other party to the joint venture agreement relating to such PRC CJV with the Company or any Restricted Subsidiary.

“PRC Restricted Subsidiary” means a Restricted Subsidiary organized under the laws of the PRC.

“Qualified Exchange” means either (1) The New York Stock Exchange, the London Stock Exchange, The Stock Exchange of Hong Kong Limited, the Nasdaq Stock market, Singapore Exchange Securities Trading Limited, the Australian Securities Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange or the Malaysian Stock Exchange or (2) a national securities exchange (as such term is defined in Section 6 of the Exchange Act) or a designated offshore securities market (as such term is defined in Rule 902(b) under the Securities Act).

“Qualified IPO” means a listing (or a deemed new listing pursuant to the rules of the relevant stock exchange or governing body) of ordinary shares of a company on a Qualified Exchange; provided that in the case that such listing is on a national securities exchange (as such term is defined in Section 6 of the Exchange Act) or a designated offshore securities market (as such term is defined in Rule 902(b) under the Securities Act), such listing shall result in a public float of no less than the percentage required by the applicable listing rules.

“Rating Agencies” means (1) S&P, (2) Moody’s, (3) Fitch or (4) if S&P, Moody’s, Fitch or any of them shall not make a rating of the Notes publicly available, a nationally recognized securities rating agency or agencies, as the case may be, selected by the Company, which shall be substituted for S&P, Moody’s, Fitch or any of them, as the case may be.

“Rating Category” means (1) with respect to S&P, any of the following categories: BB, B, CCC, CC, C and D (or equivalent successor categories); (2) with respect to Moody’s, any of the following categories: Ba, B, Caa, Ca, C and D (or equivalent successor categories); (3) with respect to Fitch, any of the following categories: BB, B, CCC, CC, C, or D (or equivalent successor categories); and (4) the equivalent of any such category of S&P, Moody’s or Fitch used by another Rating Agency. In determining whether the rating of the Notes has decreased by one or more gradations, gradations within Rating Categories (+ and – for S&P; 1, 2 and 3 for Moody’s; + and – for Fitch; or the equivalent gradations for another Rating Agency) shall be taken into account (e.g., with respect to S&P, a decline in a rating from BB+ to BB, as well as from B- to B+, will constitute a decrease of one gradation).

“Rating Date” means (1) in connection with a Change of Control Triggering Event, that date which is 90 days prior to the earlier of (x) a Change of Control and (y) a public notice of the occurrence of a Change of Control or of the intention by the Company or any other Person or Persons to effect a Change of Control or (2) in connection with actions contemplated under the caption—Consolidation, merger and sale of assets, that date which is 90 days prior to the earlier of (x) the occurrence of any such actions as set forth therein and (y) a public notice of the occurrence of any such actions.

“Rating Decline” means (1) in connection with a Change of Control Triggering Event, the occurrence on, or within six months after, the date, or public notice of the occurrence of, a Change of Control or the intention by the Company or any other Person or Persons to effect a Change of Control (which period shall be extended so long as the rating of the Notes, is under publicly announced consideration for possible downgrade by any of the Rating Agencies) of any of the events listed below, or (2) in connection with actions contemplated under the caption—

Consolidation, merger and sale of assets, the notification by any of the Rating Agencies that such proposed actions will result in any of the events listed below:

(A) where the Notes are rated by three Rating Agencies on the Rating Date,

(a) in the event the Notes are rated by all three Rating Agencies on the Rating Date as Investment Grade, the rating of the Notes by any two of the three or all three Rating Agencies shall be below Investment Grade;

(b) in the event the Notes are rated by any two, but not all three, of the Rating Agencies on the Rating Date as Investment Grade, the rating of the Notes by either of such two Rating Agencies shall be below Investment Grade;

(c) in the event the Notes are rated by one, and only one, of the three Rating Agencies on the Rating Date as Investment Grade, the rating of the Notes by such Rating Agency shall be below Investment Grade or the rating of the Notes by the other two Rating Agencies shall both be decreased by one or more gradations (including gradations within Rating Categories as well as between Rating Categories); or

(d) in the event the Notes are rated below Investment Grade by all three of the Rating Agencies on the Rating Date, the rating of the Notes by any two of the three or all three Rating Agencies shall be decreased by one or more gradations (including gradations within Rating Categories as well as between Rating Categories).

(B) where the Notes are rated by two Rating Agencies on the Rating Date,

(a) in the event the Notes are rated by both Rating Agencies on the Rating Date as Investment Grade, the rating of the Notes by either Rating Agency shall be below Investment Grade;

(b) in the event the Notes are rated by either, but not both, of the Rating Agencies on the Rating Date as Investment Grade, the rating of the Notes by such Rating Agency shall be below Investment Grade; or

(c) in the event the Notes are rated below Investment Grade by both Rating Agencies on the Rating Date, the rating of the Notes by either Rating Agency shall be decreased by one or more gradations (including gradations within Rating Categories as well as between Rating Categories).

(C) where the Notes are rated by one Rating Agency on the Rating Date,

(a) in the event the Notes are rated by such Rating Agency on the Rating Date as Investment Grade, the rating of the Notes by such Rating Agency shall be below Investment Grade; or

(b) in the event the Notes are rated below Investment Grade by such Rating Agency on the Rating Date, the rating of the Notes by such Rating Agency shall be decreased by one or more gradations (including gradations within Rating Categories as well as between Rating Categories).

(D) where the Notes are not rated by any Rating Agency on the Rating Date, a Rating Decline is deemed to have occurred.



“Receipt” means, at any time, with respect to an Associate, an amount equal to the net reduction in all Investments made in such Associate under clause (19) of the definition of Permitted Investment since the Original Issue Date resulting from (A) receipt of payments in cash by the Company or any Restricted Subsidiary in respect of all such Investments, including interest on, or repayments of, loans or advances, dividends or other distributions (except, in each case, to the extent any such payments are included in the calculation of Consolidated Net Income), (B) the unconditional release of a Guarantee of any obligation of any Associate provided under such clause (19) after the Original Issue Date by the Company or any Restricted Subsidiary, (C) to the extent that an Investment made after the Original Issue Date under such clause (19) is sold or otherwise liquidated or repaid for cash, the lesser of (x) cash return of capital with respect to such Investment (less the reasonable costs of disposition, if any) and (y) the initial amount of such Investment, or (D) such Associate becoming a Restricted Subsidiary (whereupon all Investments made by the Company or any Restricted Subsidiary in such Associate since the Original Issue Date shall be deemed to have been made pursuant to clause (1) of the definition of Permitted Investment definition.

“Reference Treasury Dealer” means each of any three investment banks of recognized standing that is a primary U.S. Government securities dealer in The City of New York, selected by the Company in good faith.

“Reference Treasury Dealer Quotations” means, with respect to each Reference Treasury Dealer and any redemption date, the average as determined by the Company, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing by such Reference Treasury Dealer at 5:00 p.m. on the third Business Day preceding such redemption date.

“Replacement Assets” means, on any date, property or assets (other than current assets that are not land use rights, properties under development or completed property held for sale) of a nature or type or that are used in the businesses of the Company or any of its Restricted Subsidiaries.

“Restricted Subsidiary” means any Subsidiary of the Company other than an Unrestricted Subsidiary.

“Restructuring” means the restructuring and Qualified IPO of the ordinary shares of a Subsidiary of the Company in a Restructuring Group.

“Restructuring Group” means a group of Subsidiaries of the Company for which the Company contemplates a Qualified IPO.

“S&P” means Standard & Poor’s Ratings Group, a division of The McGraw-Hill Companies, and its successors.

“Sale and Leaseback Transaction” means any direct or indirect arrangement relating to property (whether real, personal or mixed), now owned or hereafter acquired whereby the Company or any Restricted Subsidiary transfers such property to another Person and the Company or any Restricted Subsidiary leases it from such Person.

“Security Documents” means, collectively, the pledge agreements and any other agreements or instruments that may evidence or create any security interest in favor of the Trustee or the Intercreditor/Collateral Agent and/or any Holders in any or all of the Collateral securing, with

respect to the Notes, the obligations of the Company under the Notes and the Indenture and of the Subsidiary Guarantor Pledgors under their respective Subsidiary Guarantees.

“Senior Indebtedness” of the Company or a Restricted Subsidiary, as the case may be, means all Indebtedness of the Company or the Restricted Subsidiary, as relevant, whether outstanding on the Original Issue Date or thereafter created, except for Indebtedness which, in the instrument creating or evidencing the same, is expressly stated to be subordinated in right of payment to the Notes or, in respect of any Restricted Subsidiary that is a Subsidiary Guarantor, its Subsidiary Guarantee; provided that Senior Indebtedness does not include (1) any obligation to the Company or any Restricted Subsidiary, (2) trade payables or (3) Indebtedness Incurred in violation of the Indenture.

“September 2023 Indenture” means the indenture dated September 28, 2016 governing the September 2023 Notes, as amended and supplemented from time to time.

“September 2023 Notes” means the 4.75% Senior Notes due 2023 issued by the Company from time to time pursuant to the September 2023 Indenture.

“September 2023 Trustee” means the trustee under the September 2023 Indenture.

“Significant Restricted Subsidiary” means a Restricted Subsidiary, when consolidated with its Restricted Subsidiaries, that would be a significant subsidiary within the meaning of the definition of significant subsidiary in Article 1, Rule 1-02(w) of Regulation S-X, promulgated pursuant to the Securities Act, as such Regulation is in effect on the Original Issue Date; provided that in each instance in such definition in which the term 10 percent is used, the term 5 percent shall be substituted therefor.

“Staged Acquisition Agreement” means an agreement between the Company or a Restricted Subsidiary and an Independent Third Party (x) pursuant to which the Company or such Restricted Subsidiary agrees to acquire not less than a majority of the Capital Stock of a Person for a consideration that is not more than the Fair Market Value of such Capital Stock of such Person at the time the Company or such Restricted Subsidiary enters into such agreement and (y) which provides that the payment of the purchase price for such Capital Stock is made in more than one installment over a period of time.

“Stated Maturity” means, (1) with respect to any Indebtedness, the date specified in such debt security as the fixed date on which the final installment of principal of such Indebtedness is due and payable as set forth in the documentation governing such Indebtedness and (2) with respect to any scheduled installment of principal of or interest on any Indebtedness, the date specified as the fixed date on which such installment is due and payable as set forth in the documentation governing such Indebtedness.

“Subordinated Indebtedness” means any Indebtedness of the Company or any Subsidiary Guarantor which is contractually subordinated or junior in right of payment to the Notes or any Subsidiary Guarantee, as applicable, pursuant to a written agreement to such effect.

“Subsidiary” means, with respect to any Person, any corporation, association or other business entity (1) of which more than 50% of the voting power of the outstanding Voting Stock is owned, directly or indirectly, by such Person and one or more other Subsidiaries of such Person; or (2) of which 50% of the voting power of the outstanding Voting Stock is owned, directly or indirectly, by such Person and one or more other Subsidiaries of such Person and in each case

which is controlled and consolidated by such Person in accordance with GAAP; provided, however, that with respect to clause (2) the occurrence of any event as a result of which such corporation, association or other business entity ceases to be controlled by such Person under GAAP and to constitute a Subsidiary of such Person shall be deemed to be a designation of such corporation, association or other business entity as an Unrestricted Subsidiary by such Person and be subject to the requirements under the first paragraph of Designation of Restricted and Unrestricted Subsidiaries covenant.

“Subsidiary Guarantee” means any Guarantee of the obligations of the Company under the Indenture and the Notes by any Subsidiary Guarantor.

“Subsidiary Guarantor” means any initial Subsidiary Guarantor named herein and any other Restricted Subsidiary which guarantees the payment of the Notes pursuant to the Indenture and the Notes; provided that Subsidiary Guarantor will not include any Person whose Subsidiary Guarantee has been released in accordance with the Indenture and the Notes.

“Subsidiary Guarantor Pledgor” means any initial Subsidiary Guarantor Pledgor named herein and any other Subsidiary Guarantor which pledges Collateral to secure the obligations of the Company under the Notes and the Indenture and of such Subsidiary Guarantor under its Subsidiary Guarantee; provided that a Subsidiary Guarantor Pledgor will not include any person whose pledge under the Security Documents has been released in accordance with the Security Documents, the Indenture and the Notes.

“Temporary Cash Investment” means any of the following:

- (1) direct obligations of the United States of America, any state of the European Economic Area, the People’s Republic of China and Hong Kong or any agency of any of the foregoing or obligations fully and unconditionally Guaranteed by the United States of America, any state of the European Economic Area, the People’s Republic of China, Hong Kong and Singapore or any agency of any of the foregoing, in each case maturing within one year;
- (2) time deposit accounts, certificates of deposit and money market deposits maturing within 180 days of the date of acquisition thereof issued by a bank or trust company which is organized under the laws of the United States of America, any state thereof, any state of the European Economic Area or Hong Kong, and which bank or trust company has capital, surplus and undivided profits aggregating in excess of US\$100.0 million (or the Dollar Equivalent thereof) and has outstanding debt which is rated A (or such similar equivalent rating) or higher by at least one nationally recognized statistical rating organization (as defined in Rule 436 under the Securities Act) or any money market fund sponsored by a registered broker dealer or mutual fund distributor;
- (3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clause (1) above entered into with a bank or trust company meeting the qualifications described in clause (2) above;
- (4) commercial paper, maturing not more than 180 days after the date of acquisition thereof, issued by a corporation (other than an Affiliate of the Company) organized and in existence under the laws of the United States of America, any state thereof or any foreign country recognized by the United States of America with a rating at the time as of which any investment therein is made of P-1 (or higher) according to Moody’s or A-1 (or higher) according to S&P or Fitch;

(5) securities, maturing within one year of the date of acquisition thereof, issued or fully and unconditionally Guaranteed by any state, commonwealth or territory of the United States of America, or by any political subdivision or taxing authority thereof, and rated at least A by S&P, Moody's or Fitch;

(6) any money market fund that has at least 95% of its assets continuously invested in investments of the types described in clauses (1) through (5) above; and

(7) time deposit accounts, certificates of deposit, overnight or call deposits and money market deposits with any banks or financial institutions (i) organized under the laws of the PRC, or (ii) made in the ordinary course of business.

"Total Assets" means, as of any date, the total consolidated assets of the Company and its Restricted Subsidiaries measured in accordance with GAAP as of the last day of the most recent fiscal quarter for which consolidated financial statements of the Company (which the Company shall use its best efforts to compile on a timely manner) are available (which may be internal consolidated financial statements); provided that

(1) only with respect to clause (2)(h) of—Certain covenants—Limitation on Indebtedness and Preferred Stock covenant and the definition of Permitted Subsidiary Indebtedness, Total Assets shall be calculated after giving pro forma effect to include the cumulative value of all of the real or personal property or equipment the acquisition, development, construction or improvement of which requires or required the Incurrence of Indebtedness and calculation of Total Assets thereunder in each case as of such date, as measured by the purchase price or cost therefor or budgeted cost provided in good faith by the Company or any of its Restricted Subsidiaries to the bank or other similar financial institutional lender providing such Indebtedness;

(2) only with respect to clause (2)(u) of "—Certain covenants—Limitation on Indebtedness and Preferred Stock" covenant, with respect to the Incurrence of any Acquired Indebtedness as a result of any Person becoming a Restricted Subsidiary, Total Assets shall be calculated after giving pro forma effect to include the consolidated assets of such Restricted Subsidiary and any other change to the consolidated assets of the Company as a result of such Person becoming a Restricted Subsidiary; and

(3) only with respect to any Person becoming a New Non-Guarantor Restricted Subsidiary, pro forma effect shall at such time be given to the consolidated assets of such New Non-Guarantor Subsidiary (including giving pro forma effect to any other change to the consolidated assets of the Company, in each case as a result of such Person becoming a New Non-Guarantor Restricted Subsidiary).

"Trade Payables" means, with respect to any Person, any accounts payable or any other indebtedness or monetary obligation to trade creditors created, assumed or Guaranteed by such Person or any of its Subsidiaries arising in the ordinary course of business in connection with the acquisition of goods or services.

"Transaction Date" means, with respect to the Incurrence of any Indebtedness, the date such Indebtedness is to be Incurred and, with respect to any Restricted Payment, the date such Restricted Payment is to be made.

"Unrestricted Subsidiary" means, unless redesignated as a Restricted Subsidiary pursuant to the covenant summarized under the caption—Certain covenants—Designation of Restricted and

Unrestricted Subsidiaries, Bright Start Group Limited, Top Favor Holdings Limited, Golden Favor Investments Limited, Pure Smart Enterprises Limited, Country Garden Properties (Malaysia) Sdn Bhd, Vibrant Corridor Sdn Bhd, Mayland Venue Sdn Bhd, Country Garden Real Estate Sdn Bhd, Country Garden Danga Bay Sdn Bhd, Country Garden (S) Pte. Ltd, Great Favor Holdings Limited, Country Garden Australia Pty Ltd, Country Garden Landscape Sdn. Bhd., BGY North Ryde Pty Ltd, Damai Binajaya Sdn. Bhd., Country Garden Waterfront Sdn. Bhd., Country Garden Pacificview Sdn. Bhd., Suntide Holdings Limited, Silver Dawn Holdings Limited, Sky Global International Development Limited, World Target International Development Limited, Gold Treasure International Development Limited, Yield Limited, Dongguan River Bank Garden Property Development Co., Ltd, PT. Country Garden Indonesia, Country Garden (Canada) Corporation, 675654 N.B. Inc., 675656 N.B. Inc., 675657 N.B. Inc., AG Consultant Pty Ltd, Giant Leap Construction Sdn Bhd, Country Garden Commercial Management Sdn. Bhd. (formerly known as Country Garden Seaview Sdn Bhd), CGPV Industrial Building System Sdn. Bhd. (formerly known as Country Garden Waterview Sdn Bhd, Giant Light M&E Engineering Sdn Bhd, Teng Yue Overseas Construction Sdn Bhd, Green Prospect Investments Limited, Excel Group Developments Limited, BGY Australia Holdings Pty Ltd, BGY US Real Estate, LLC, Azure Sea International Limited, Beauty Humble Limited, Great Stride Investments Limited, Harbour Ease Limited, Power Great Enterprises Limited, Scenic Reserve Limited, Tin Spring Limited, Top Speed Enterprises Limited, View Glory Enterprises Limited, Ascent Win Limited, Credit Source Limited, Grace Will Holdings Limited, New Prime Investments Limited, Winning Billion Limited, Qianhai Country Garden Huijin Investment Consulting (Shenzhen) Co., Ltd, Qianhai Country Garden Fuxin Investment Consulting (Shenzhen) Co., Ltd, Country Garden St Leonards No.1 Pty Ltd, Country Garden St Leonards No.2 Pty Ltd, Country Garden St Leonards Pty Ltd, Country Garden Forest City Phoenix Hotel Sdn Bhd (formerly known as Country Garden Hotel Management Sdn Bhd), Transcend Commercial Management Sdn Bhd, Genesis Commercial Management Sdn Bhd, Forest City Branding Sdn Bhd, Country Garden Management Sdn Bhd (formerly known as Country Garden Logistics Sdn Bhd), Contemporary Furnishing Sdn Bhd, Country Garden Logistics Management Sdn Bhd, Damai Binajaya Sdn Bhd, Kim Seng Quarry Company (1965) Sdn Bhd, Country Garden Spring Realty Sdn Bhd, Country Garden Summer Realty Sdn Bhd, Bright Sunshine Singapore Holdings Pte Ltd, Smart Dream Management Pte Ltd, Be Choice Investment Pte Ltd, Sun Green Pte Ltd, Pt Surya Gardena Propertindo, Country Garden Finance Holdings and Great Sino Development Limited and (1) any Subsidiary of the Company that at the time of determination shall be designated an Unrestricted Subsidiary by the Board of Directors in the manner provided in the Indenture; and (2) any Subsidiary of an Unrestricted Subsidiary.

“Unrestricted Subsidiary Pre-Registration Mortgage Guarantee” means any Indebtedness of the Company or any Restricted Subsidiary consisting of a guarantee in favor of any bank or other similar financial institutions in the ordinary course of business of secured loans of purchasers of individual units of properties from any Unrestricted Subsidiary; provided that, any such guarantee shall be released in full on or before the perfection of a security interest in such properties under applicable law in favor of the relevant lender.

“U.S. Government Obligations” means securities that are (1) direct obligations of the United States of America for the payment of which its full faith and credit is pledged or (2) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States of America the payment of which is unconditionally Guaranteed as a full faith and credit obligation by the United States of America, which, in either case, are not callable or redeemable at the option of the Company thereof at any time prior to the Stated Maturity of the Notes, and shall also include a depository receipt issued by a bank or trust company as custodian with

respect to any such U.S. Government Obligation or a specific payment of interest on or principal of any such U.S. Government Obligation held by such custodian for the account of the holder of a depository receipt; provided that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depository receipt from any amount received by the custodian in respect of the U.S. Government Obligation or the specific payment of interest on or principal of the U.S. Government Obligation evidenced by such depository receipt.

“Voting Stock” means, with respect to any Person, Capital Stock of any class or kind ordinarily having the power to vote for the election of directors, managers or other voting members of the governing body of such Person.

“Wholly Owned” means, with respect to any Subsidiary of any Person, the ownership of all of the outstanding Capital Stock of such Subsidiary (other than any director’s qualifying shares or Investments by foreign nationals mandated by applicable law) by such Person or one or more Wholly Owned Subsidiaries of such Person; provided that Subsidiaries that are PRC CJVs shall not be considered Wholly Owned Subsidiaries unless such Person or one or more Wholly Owned Subsidiaries of such Person is entitled to 95% or more of the economic benefits distributable by such Subsidiary.

## Taxation

The following summary of certain Cayman Islands, BVI and Hong Kong tax consequences of the purchase, ownership and disposition of Notes is based upon applicable laws, regulations, rulings and decisions in effect as of the date of this offering memorandum, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Persons considering the purchase of Notes should consult their own tax advisors concerning the tax consequences of the purchase, ownership and disposition of Notes.

### Cayman Islands

Pursuant to section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor in Cabinet:

(a) that no law which is hereafter enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Company or its operations; and

(b) in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:

(i) on or in respect of the shares, debentures or other obligations of the Company; or

(ii) by way of withholding in whole or in part of any relevant payment as defined in Section 6(3) of the Tax Concession Law (1999 Revision).

The undertaking is for a period of 20 years from December 19, 2006.

The Cayman Islands currently levies no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands is a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not a party to any double tax treaties.

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands. We do not hold, and do not intend to hold, any interest in land in the Cayman Islands.

### British Virgin Islands

There is no income or other tax of the BVI imposed by withholding or otherwise on any payment to be made to or by the Subsidiary Guarantors pursuant to the execution, delivery, performance or enforcement of the Subsidiary Guarantees.

## **Hong Kong**

### ***Withholding tax***

No withholding tax in Hong Kong is payable on payments of principal (including any premium payable on redemption of the Notes) or interest in respect of the Notes.

### ***Profits tax***

Hong Kong profits tax is charged on every person carrying on a trade, profession or business in Hong Kong in respect of assessable profits arising in or derived from Hong Kong from such trade, profession or business.

Under the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) (the "Inland Revenue Ordinance") as it is currently applied, Hong Kong profits tax may be charged on revenue profits arising on the sale, disposal or redemption of the Notes where such sale, disposal or redemption is or forms part of a trade, profession or business carried on in Hong Kong.

Interest on the Notes will be subject to Hong Kong profits tax where such interest has a Hong Kong source, and is received by or accrues to:

- a financial institution (as defined in the Inland Revenue Ordinance) and arises through or from the carrying on by the financial institution of its business in Hong Kong; or
- a corporation carrying on a trade, profession or business in Hong Kong; or
- a person, other than a corporation, carrying on a trade, profession or business in Hong Kong and such interest is in respect of the funds of the trade, profession or business.

Although no tax is imposed in Hong Kong in respect of capital gains, Hong Kong profits tax may be chargeable on trading gains arising on the sale or disposal of the Notes where such transactions are or form part of a trade, profession or business carried on in Hong Kong.

### ***Stamp duty***

No Hong Kong stamp duty will be chargeable upon the issue or transfer of a Note.



## Plan of distribution

Under the terms and subject to the conditions contained in a purchase agreement dated December 7, 2016 (the "Purchase Agreement") between the Company and the initial purchasers named below (the "Initial Purchasers"), the Initial Purchasers have agreed to purchase from us on several basis, and we have agreed to sell to the Initial Purchasers, US\$350,000,000 aggregate principal amount of the Notes set forth opposite its name below:

Initial Purchasers	Principal Amount of Notes
Goldman Sachs (Asia) L.L.C. ....	US\$175,000,000
J.P. Morgan Securities plc .....	US\$ 70,000,000
BNP Paribas .....	US\$ 35,000,000
BOCI Asia Limited .....	US\$ 17,500,000
The Hongkong and Shanghai Banking Corporation Limited .....	US\$ 17,500,000
Huarong International Securities Limited .....	US\$ 35,000,000
Total .....	<u>US\$350,000,000</u>

The Purchase Agreement provides that the obligation of the Initial Purchasers to take and pay for the Notes is subject to the approval of certain legal matters by their counsel and certain other conditions. The Initial Purchasers have agreed to take and pay for all of the Notes if any are taken. After the initial offering, the offering price and other selling terms may be varied from time to time by the Initial Purchasers. The Company has agreed with the Initial Purchasers that private banks will be paid a rebate in connection with the purchase of the Notes by such private bank's clients. The amount of this rebate will be based on the aggregate principal amount of the Notes placed with private banking investors.

We and the Subsidiary Guarantors have agreed to indemnify jointly and severally the Initial Purchasers against certain liabilities, including liabilities under the Securities Act, and to contribute to payments which the Initial Purchasers may be required to make in respect thereof.

The Notes are a new issue of securities with no established trading market. Approval in-principle has been received for the listing and quotation of the Notes on the SGX-ST. We have been advised that the Initial Purchasers presently intend to make a market in the Notes, as permitted by applicable laws and regulations. The Initial Purchasers are not obligated, however, to make a market in the Notes, and any such market making may be discontinued at any time without prior notice at the sole discretion of the Initial Purchasers. Accordingly, no assurance can be given as to the liquidity of, or trading markets for, the Notes. We have been advised by the Initial Purchasers that, in connection with the offering of the Notes, the Initial Purchasers, as stabilizing managers, or any person or entity acting on their behalf, may engage in transactions that stabilize, maintain or otherwise affect the price of the Notes. Specifically, the Initial Purchasers, as stabilizing managers, or any person or entity acting on their behalf, may over-allot the offering, creating a syndicate short position. In addition, the Initial Purchasers, as stabilizing managers, or any person or entity acting on their behalf, may bid for, and purchase, the Notes in the open market to cover syndicate shorts or to stabilize the price of the Notes. Any of these activities may stabilize or maintain the market price of the Notes above independent market levels. The Initial Purchasers, as stabilizing managers, or any person or entity acting on their behalf, are not required to engage in these activities, and may end any of these activities at any time. No assurance can be given as to the liquidity of, or the trading market for, the Notes.

The Initial Purchasers and certain of their affiliates have in the past and may in the future have performed certain investment banking, commercial/corporate banking and advisory services for

the Company and/or its affiliates from time to time for which they have received customary fees and expenses and may, from time to time, engage in transactions with and perform banking and advisory services for the Company and/or its affiliates in the ordinary course of their business. Goldman Sachs (Asia) L.L.C. and an affiliate of J.P. Morgan Securities plc were the underwriters of the Rights Issue. In connection with the Rights Issue, Goldman Sachs (Asia) L.L.C. and an affiliate of J.P. Morgan Securities plc provided a bridge loan to us. As of the date of the offering memorandum, the bridge loan has been fully repaid. In addition, Goldman Sachs (Asia) L.L.C. and an affiliate of J.P. Morgan Securities plc provided a loan to our shareholder which is secured by a pledge of our shares in connection with the Rights Issue. We may enter into hedging or other derivative transactions as part of our risk management strategy with the Initial Purchasers, which may include transactions relating to our obligations under the Notes. Our obligations under these transactions may be secured by cash or other collateral.

The Initial Purchasers or certain of their affiliates may purchase the Notes and be allocated Notes for asset management and/or proprietary purposes and not with a view to distribution.

The Initial Purchasers or their respective affiliates may purchase the Notes and/or other securities of the Company for its or their own account and enter into transactions, including credit derivatives, such as asset swaps, repackaging and credit default swaps relating to the Notes and/or other securities of the Company or their respective subsidiaries or associates at the same time as the offer and sale of the Notes or in secondary market transactions. Such transactions would be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the Notes to which this offering memorandum relates (notwithstanding that such selected counterparties may also be purchasers of the Notes).

In connection with this offering of the Notes, each Initial Purchaser and/or its affiliate(s) may act as an investor for its own account and may take up Notes in the offering and in that capacity may retain, purchase or sell for its own account such securities and any securities of the Company or related investments and may offer or sell such securities or other investments otherwise than in connection with the offering of the Notes. Accordingly, references herein to the Notes being offered should be read as including any offering of the Notes to the Initial Purchasers and/or their affiliates acting in such capacity. Such persons do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

We expect that delivery of the Notes will be made against payment therefor on or about the closing date specified on the cover page of this offering memorandum, which will be on or about the sixth business day following the pricing date of the Notes (this settlement cycle is referred to as "T+6"). Under Rule 15c6-1 of the Exchange Act, trades in the secondary market generally are required to settle in three business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade Notes on the date of pricing or the next succeeding business day will be required, by virtue of the fact that the Notes initially will settle in T+6, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of the Notes who wish to trade the Notes on the date of pricing or succeeding business days should consult their own legal advisor.

## **Selling restrictions**

### ***United States***

Each Initial Purchaser has, severally and not jointly, represented, warranted, and agreed that (i) the Notes and the Subsidiary Guarantees have not been registered under the Securities Act and

may only be offered, sold or delivered outside the United States to non-U.S. persons in transactions meeting the requirements of Rule 903 or 904 of Regulation S and (ii) it has not offered, sold or delivered and will not offer, sell or deliver any Notes (1) as part of their distribution at any time or (2) otherwise until 40 days from the later of the commencement date of the offering or the original issue date of the Notes (the **Resale Restriction Period**), to, or for the account or benefit of, any U.S. persons, and they will have sent to each dealer to which they sell Notes during the Resale Restriction Period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons; accordingly, neither such Initial Purchaser, its affiliates nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts (within the meaning of Regulation S) with respect to the Notes, and any such Initial Purchaser, its affiliates and any such persons have complied and will comply with the offering restrictions requirement of Regulation S.

### ***United Kingdom***

Each Initial Purchaser has severally represented and agreed that 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 the Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Company and the Subsidiary Guarantors; and it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes and the Subsidiary Guarantees in, from or otherwise involving the United Kingdom.

### ***Singapore***

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

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

the conditions specified in Section 275, of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(i) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(ii) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

(A) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(B) where no consideration is or will be given for the transfer;

(C) where the transfer is by operation of law;

(D) as specified in Section 276(7) of the SFA; or

(E) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

### ***Hong Kong***

Each Initial Purchaser has severally represented and agreed that (i) it has not offered or sold and will not offer or sell the Notes and the Subsidiary Guarantees in Hong Kong, by means of any document other than: (A) to professional investors as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (B) in other circumstances which do not result in the document being a prospectus as defined in the Companies (Winding-Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance, and (ii) it has not issued or had in its possession for the purpose of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes and the Subsidiary Guarantees, which is directed at, or the contents of which are likely to be assessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes and the Subsidiary Guarantees that are intended to be disposed of only to persons outside Hong Kong or only to professional investors within the meaning of the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance.

### ***Japan***

Each Initial Purchaser has severally represented and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Securities and Exchange Law of Japan and any other applicable laws and regulations of Japan.

### ***European Economic Area***

Each Initial Purchaser has severally represented and agreed that it has not made and will not make, in relation to each Member State of the European Economic Area which has implemented the EU Prospectus Directive (each, a **Relevant Member State**), with effect from and including the date on which the EU Prospectus Directive is implemented in that Relevant Member State, an offer of Notes to the public in that Relevant Member State other than:

(i) to any legal entity which is a qualified investor as defined in the EU Prospectus Directive;

(ii) to fewer than 150 natural or legal persons (other than qualified investors as defined in the EU Prospectus Directive), subject to obtaining the prior consent of the relevant Initial Purchaser or Initial Purchasers nominated by the Company for any such offer; or

(iii) in any other circumstances falling within Article 3(2) of the EU Prospectus Directive,

provided that no such offer of Notes shall require the Company or any Initial Purchaser to publish a prospectus pursuant to Article 3 of the EU Prospectus Directive.

For the purposes of the above paragraph, the expression **an offer of Notes to the public** in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes, as the same may be varied in that Member State by any measure implementing the EU Prospectus Directive in that Member State, the expression **EU Prospectus Directive** means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU) and includes any relevant implementing measure in the Relevant Member State.

### ***Cayman Islands***

Each Initial Purchaser has severally represented and agreed that it has not offered or sold, and will not offer or sell, any Notes to the public in the Cayman Islands.

### ***People's Republic of China***

Each Initial Purchaser has severally represented and agreed that it has not circulated and will not circulate the offering memorandum and it has not offered or sold and will not offer or sell the Notes, directly or indirectly, in the People's Republic of China (for such purpose, not including the Hong Kong and Macau Special Administrative Regions or Taiwan).

## Transfer restrictions

Because of the following restrictions, purchasers are advised to consult their legal counsel prior to making any offer, sale, resale, charge or other transfer of the Notes.

The Notes and the Subsidiary Guarantees have not been and will not be registered under the Securities Act and may not be offered, sold or delivered within the United States (as defined in Regulation S under the Securities Act) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Notes are being offered and sold only to non-U.S. persons outside the United States in offshore transactions in reliance on Regulation S under the Securities Act.

By its purchase of the Notes, each purchaser of the Notes will be deemed to:

1. represent that it is purchasing the Notes for its own account or an account with respect to which it exercises sole investment discretion, that it and any such account is a purchaser that is outside the United States and is not a U.S. person, that it is not an affiliate (as defined in Rule 144 under the Securities Act) of ours, that it is not acting on our behalf and that it is not a U.S. person (as defined in Regulation S under the Securities Act) or purchasing for the account or benefit of a U.S. person, other than a distributor, and it is purchasing Notes (including the Subsidiary Guarantees) in an offshore transaction in accordance with Regulation S;
2. acknowledge that the Notes and the Subsidiary Guarantees has not been and will not be registered under the Securities Act and may not be offered or sold within the United States except as set forth below;
3. agree on its own behalf and on behalf of any investor account for which it is purchasing Notes, and each subsequent holder of the Notes (including the Subsidiary Guarantees) by its acceptance of the Notes will agree, that until the end of the 40-day distribution compliance period, the Notes (including the Subsidiary Guarantees) may be offered, sold or otherwise transferred only: (i) to the Company or any subsidiary thereof, (ii) outside the United States in a transaction complying with the provisions of Rule 904 under the Securities Act, (iii) pursuant to an available exemption from the registration requirements of the Securities Act or (iv) pursuant to an effective registration statement under the Securities Act, in each of the above cases in accordance with any applicable securities laws of any State of the United States; subject in each case to any requirement of law that the disposition of the seller's property or the property of an investor account or accounts be at all times within the seller or account's control and in compliance with applicable state and other securities laws;
4. agree that if it is a purchaser in a sale that occurs outside the United States within the meaning of Regulation S, that until the expiration of the 40-day distribution compliance period, it shall not make any offer or sale of the Notes to a U.S. person or for the account or benefit of a U.S. person within the meaning of Rule 902 under the Securities Act;
5. agree that it will inform each person to whom it transfers the Notes of any restrictions on transfer of such Notes;
6. understand that if it is a purchaser outside the United States, the Notes will be represented by the Global Note and that transfers thereto are restricted as described under "Description of the Notes—Book-entry; delivery and form;"

7. understand that each Note sold within the United States will bear a legend to the following effect unless otherwise agreed by the Company and the holder thereof (unless such Note has been sold pursuant to a registration statement that has been declared effective under the Securities Act):

THIS NOTE AND THE SUBSIDIARY GUARANTEES IN RESPECT HEREOF (OR ITS PREDECESSOR) WAS ORIGINALLY ISSUED IN A TRANSACTION ORIGINALLY EXEMPT FROM REGISTRATION UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND MAY NOT BE TRANSFERRED IN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, ANY U.S. PERSON EXCEPT PURSUANT TO AN AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND ALL APPLICABLE STATE SECURITIES LAWS. TERMS USED ABOVE HAVE THE MEANINGS GIVEN TO THEM IN REGULATIONS UNDER THE SECURITIES ACT. THE HOLDER OF THIS NOTE, BY ITS ACCEPTANCE HEREOF, AGREES ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR ACCOUNT FOR WHICH IT HAS PURCHASED SECURITIES, TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY, PRIOR TO THE DATE (THE "RESALE RESTRICTION TERMINATION DATE") THAT IS 40 DAYS AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE LAST DATE ON WHICH THE COMPANY OR ANY AFFILIATE OF THE COMPANY WAS THE OWNER OF THIS SECURITY (OR ANY PREDECESSOR OF SUCH SECURITY), ONLY (A) TO THE COMPANY, (B) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, (C) PURSUANT TO OFFERS AND SALES THAT OCCUR OUTSIDE THE UNITED STATES WITHIN THE MEANING OF REGULATIONS UNDER THE SECURITIES ACT, OR (D) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, SUBJECT TO THE COMPANY'S AND THE TRUSTEE'S RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER PURSUANT TO CLAUSE (D) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM. THIS LEGEND WILL BE REMOVED UPON THE REQUEST OF THE HOLDER AFTER THE RESALE RESTRICTION TERMINATION DATE. BY ITS ACQUISITION HEREOF, THE HOLDER HEREOF REPRESENTS THAT IT IS NOT A U.S. PERSON NOR IS IT PURCHASING FOR THE ACCOUNT OF A U.S. PERSON AND IS ACQUIRING THIS SECURITY IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH REGULATIONS UNDER THE SECURITIES ACT; and

8. acknowledge that the Company, the Subsidiary Guarantors, the Trustee, the Paying Agent, the Transfer Agent, the Initial Purchasers and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements, and agree that if any of the acknowledgements, representations or agreements deemed to have been made by its purchase of the Notes are no longer accurate, it shall promptly notify the Company, the Subsidiary Guarantors, the Trustee, the Paying Agent, the Transfer Agent and the Initial Purchasers. If it is acquiring any Notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such account and it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

## **Ratings**

The Notes are expected to be rated Ba1 by Moody's Investors Service and BB+ by Fitch Ratings. The ratings reflect the rating agencies' assessment of the likelihood of timely payment of the principal of and interest on the Notes. Additionally, we have been rated BB with a stable outlook by Standard & Poor's Ratings Services, Ba1 with a stable outlook by Moody's Investors Service and BB+ with a stable outlook by Fitch Ratings. The ratings do not address the payment of any Additional Amounts and do not constitute recommendations to purchase, hold or sell the Notes inasmuch as such ratings do not comment as to market price or suitability for a particular investor. We cannot assure you that the ratings will remain in effect for any given period or that the ratings will not be revised by such rating agencies in the future if in their judgment circumstances so warrant. Each such rating should be evaluated independently of any other rating on the Notes, on other of our securities, or on us.

## **Legal matters**

Certain legal matters with respect to the Notes will be passed upon for us by Conyers Dill & Pearman as to matters of Cayman Islands law, Conyers Dill & Pearman as to matters of BVI law, Sidley Austin as to matters of United States federal, New York law and Hong Kong law and Commerce & Finance Law Offices as to matters of PRC law. Certain legal matters will be passed upon for the Initial Purchasers by Allen & Overy as to matters of United States federal and New York law and Jingtian & Gongcheng as to matters of PRC law.

## **Independent auditor**

Our consolidated financial statements as of and for each of the fiscal years ended December 31, 2014 and 2015 reproduced in this offering memorandum have been audited by PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, as stated in their reports appearing herein.

Our unaudited interim condensed consolidated financial information as of and for the six months ended June 30, 2016 reproduced in this offering memorandum has been reviewed by PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, as stated in their report appearing herein.



## **General information**

### **Consents**

We have obtained all necessary consents, approvals and authorizations in the Cayman Islands and the BVI in connection with the issue and performance of the Notes and the Subsidiary Guarantees. The entering into the Indenture governing the Notes and the issue of the Notes have been authorized by a resolution of our board of directors dated August 18, 2016. The entering into the Indenture governing the Notes and the giving of the Subsidiary Guarantees have been authorized by resolutions of board of directors of each Subsidiary Guarantor dated November 15, 2016.

### **Litigation**

Save as disclosed in this offering memorandum, there are no legal or arbitration proceedings against or affecting us, any of our subsidiaries or any of our assets, nor are we aware of any pending or threatened proceedings, which are or might be material in the context of this issue of the Notes or the Subsidiary Guarantees.

### **No material adverse change**

Except as may be otherwise disclosed in this offering memorandum, there has been no adverse change, or any development reasonably likely to involve an adverse change, in the condition (financial or otherwise) of our general affairs since June 30, 2016 that is material in the context of the issue of the Notes.

### **Documents available**

For so long as any of the Notes are outstanding, copies of the Indenture governing the Notes may be inspected free of charge during normal business hours on any weekday (except public holidays) at the corporate trust office of the Trustee.

For so long as any of the Notes are outstanding, copies of the accountant's reports and/or our published financial statements, if any, may be obtained during normal business hours on any weekday (except public holidays) at the corporate trust office of the Trustee.

### **Clearing system and settlement**

The Notes have been accepted for clearance through the facilities of Euroclear and Clearstream with ISIN of XS1512953040 and Common Code of 151295304.

### **Listing of the Notes**

Approval in-principle has been received for the listing and quotation of the Notes on the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained in this offering memorandum. Approval in-principle for the listing and quotation of the Notes on the SGX-ST is not to be taken as an indication of the merits of the Issuer, the Subsidiary Guarantors, their associated companies or the Notes. The Notes will be traded on the SGX-ST in a minimum board lot size of US\$200,000 for so long as the Notes are listed on the SGX-ST.

For so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, we will appoint and maintain a paying agent in Singapore, where the Notes may be presented or surrendered for payment or redemption, in the event that a Global Note is exchanged for definitive Notes. In addition, in the event that a Global Note is exchanged for definitive Notes, an announcement of such exchange shall be made by or on behalf of us through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive Notes, including details of the paying agent in Singapore.

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Page references included in the unaudited interim condensed consolidated financial information for the six months ended June 30, 2016 and the audited consolidated financial statements for each of the years ended December 31, 2015 and 2014 set forth below refer to pages in such unaudited interim condensed consolidated financial information or audited consolidated financial statements as appeared in our interim report for the six months ended June 30, 2016 or annual reports for the years ended December 31, 2015 and 2014, as the case may be. These interim report and annual reports are not incorporated by reference herein and do not form part of this offering memorandum.



**REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED  
FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF  
COUNTRY GARDEN HOLDINGS COMPANY LIMITED**  
(incorporated in the Cayman Islands with limited liability)

**Introduction**

We have reviewed the interim condensed consolidated financial information set out on pages 78 to 142, which comprises the interim consolidated statement of financial position of Country Garden Holdings Company Limited (the "Company") and its subsidiaries as at 30 June 2016 and the related interim consolidated statement of comprehensive income and changes in equity and interim consolidated cash flow statement for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

**Scope of Review**

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial information is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

**PricewaterhouseCoopers**  
Certified Public Accountants

Hong Kong, 18 August 2016

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*PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong*  
T: +852 2289 8888, F: +852 2810 9888, [www.pwchk.com](http://www.pwchk.com)

## Interim Consolidated Statement of Financial Position

		Unaudited 30 June 2016 RMB'000	Audited 31 December 2015 RMB'000
	Note		
<b>Non-current assets</b>			
Property, plant and equipment	8	20,510,502	20,019,841
Investment properties	8	9,638,845	8,686,295
Intangible assets	8	113,078	121,539
Land use rights	8	2,028,807	2,052,170
Properties under development	9	46,252,789	52,727,068
Investments in associates	10	1,952,788	884,492
Investments in joint ventures	11	5,039,678	803,934
Financial assets at fair value through other comprehensive income		485,835	—
Available-for-sale financial assets	4(a)	—	214,998
Derivative financial instruments		78,212	—
Trade and other receivables	12	15,500	642,950
Deferred income tax assets		4,353,039	3,786,942
		<b>90,469,073</b>	89,940,229
<b>Current assets</b>			
Properties under development	9	167,077,323	135,107,046
Completed properties held for sale		34,353,415	34,114,127
Inventories		2,399,120	1,978,437
Trade and other receivables	12	64,728,938	42,242,116
Prepaid taxes		14,534,221	9,490,355
Restricted cash	13	18,592,301	11,637,126
Cash and cash equivalents	14	30,800,244	36,240,752
Derivative financial instruments		43,893	18,043
Financial assets at fair value through profit or loss	15	1,210,110	1,188,096
		<b>333,739,565</b>	272,016,098
<b>Current liabilities</b>			
Advanced proceeds received from customers		126,168,963	96,516,079
Trade and other payables	16	86,510,203	73,385,200
Receipts under securitisation arrangements	17	6,211,000	—
Dividend payable	18	1,454,491	—
Income taxes payable		8,663,642	8,905,412
Bank and other borrowings	21	17,757,524	22,778,038
Derivative financial instruments		72,122	10,198
		<b>246,837,945</b>	201,594,927
<b>Net current assets</b>		<b>86,901,620</b>	70,421,171
<b>Total assets less current liabilities</b>		<b>177,370,693</b>	160,361,400

## Interim Consolidated Statement of Financial Position

	Note	Unaudited 30 June 2016 RMB'000	Audited 31 December 2015 RMB'000
<b>Non-current liabilities</b>			
Senior notes	19	21,348,412	20,878,179
Corporate bonds	20	23,717,518	15,258,499
Bank and other borrowings	21	34,077,538	30,829,079
Deferred government grants		238,299	239,520
Deferred income tax liabilities		5,481,995	3,815,717
Derivative financial instruments		31,898	—
		<b>84,895,660</b>	71,020,994
<b>Equity attributable to owners of the Company</b>			
Share capital and premium	22	28,403,091	29,212,611
Other reserves	23	4,453,900	3,942,139
Retained earnings		35,743,120	32,135,960
		<b>68,600,111</b>	65,290,710
<b>Non-controlling interests</b>			
Perpetual capital securities		16,600,000	19,528,000
Other non-controlling interests		7,274,922	4,521,696
		<b>23,874,922</b>	24,049,696
<b>Total equity</b>		<b>92,475,033</b>	89,340,406
<b>Total equity and non-current liabilities</b>		<b>177,370,693</b>	160,361,400

The notes on pages 87 to 142 form an integral part of this interim condensed consolidated financial information.

## Interim Consolidated Statement of Comprehensive Income

	Note	Unaudited Six months ended 30 June	
		2016 RMB'000	2015 RMB'000
<b>Revenue</b>	7	<b>57,362,492</b>	47,327,574
Cost of sales	24	<b>(45,336,521)</b>	(36,352,962)
<b>Gross profit</b>		<b>12,025,971</b>	10,974,612
Other income and gains — net	25	<b>263,939</b>	103,144
Gains arising from changes in fair value of and transfer to investment properties	8	<b>360,582</b>	467,008
Selling and marketing costs	24	<b>(1,981,774)</b>	(1,641,160)
Administrative expenses	24	<b>(1,844,799)</b>	(1,307,346)
<b>Operating profit</b>		<b>8,823,919</b>	8,596,258
Finance income	26	<b>269,903</b>	74,491
Finance costs	26	<b>(263,497)</b>	(386,808)
Finance income/(costs) — net		<b>6,406</b>	(312,317)
Share of results of associates and joint ventures	10, 11	<b>378,899</b>	(16,678)
<b>Profit before income tax</b>		<b>9,209,224</b>	8,267,263
Income tax expenses	27	<b>(3,004,349)</b>	(2,894,721)
<b>Profit for the period</b>		<b>6,204,875</b>	5,372,542
<b>Profit attributable to:</b>			
— Owners of the Company		<b>5,389,583</b>	4,929,843
— Non-controlling interests			
Perpetual capital securities		<b>871,467</b>	167,198
Other non-controlling interests		<b>(56,175)</b>	275,501
		<b>815,292</b>	442,699
		<b>6,204,875</b>	5,372,542

## Interim Consolidated Statement of Comprehensive Income

	Note	Unaudited Six months ended 30 June	
		2016 RMB'000	2015 RMB'000
<b>Other comprehensive income</b>			
Items that will not be reclassified subsequently to profit or loss:			
– Change in fair value of financial assets at fair value through other comprehensive income, net of tax		3,975	—
Items that may be reclassified to profit or loss:			
– Change in fair value of available-for-sale financial assets, net of tax		—	(3,307)
– Deferred gains on cash flow hedges, net of tax		25,515	—
– Deferred costs of hedging, net of tax		(300,333)	—
– Currency translation differences		588,987	(5,740)
<b>Other comprehensive income/(loss) for the period, net of tax</b>		<b>318,144</b>	<b>(9,047)</b>
<b>Total comprehensive income for the period, net of tax</b>		<b>6,523,019</b>	<b>5,363,495</b>
<b>Total comprehensive income attributable to:</b>			
– Owners of the Company		5,755,778	4,923,115
– Non-controlling interests			
Perpetual capital securities		871,467	167,198
Other non-controlling interests		(104,226)	273,182
		767,241	440,380
		6,523,019	5,363,495
<b>Earnings per share attributable to owners of the Company (expressed in RMB cents per share)</b>			
Basic	28	24.18	23.34
Diluted	28	24.17	23.34

The notes on pages 87 to 142 form an integral part of this interim condensed consolidated financial information.



## Interim Consolidated Statement of Changes in Equity

	Unaudited							
	Attributable to owners of the Company				Non-controlling interests			
	Share capital and premium	Other reserves	Retained earnings	Total	Perpetual capital securities	Others	Total	Total Equity
	RMB'000 (note 22)	RMB'000 (note 23)	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Balance at 31 December 2015</b>	29,212,611	3,942,139	32,135,960	65,290,710	19,528,000	4,521,696	24,049,696	89,340,406
<b>Adjustment on adoption of HKFRS 9, net of tax (note 4(a))</b>	—	—	(327,932)	(327,932)	—	—	—	(327,932)
<b>Restated total equity at 1 January 2016</b>	<b>29,212,611</b>	<b>3,942,139</b>	<b>31,808,028</b>	<b>64,962,778</b>	<b>19,528,000</b>	<b>4,521,696</b>	<b>24,049,696</b>	<b>89,012,474</b>
<b>Comprehensive income for the six months ended 30 June 2016</b>								
Profit for the period	—	—	5,389,583	5,389,583	871,467	(56,175)	815,292	6,204,875
Other comprehensive income								
— Change in fair value of equity instruments at fair value through other comprehensive income, net of tax	—	3,975	—	3,975	—	—	—	3,975
— Currency translation differences	—	637,038	—	637,038	—	(48,051)	(48,051)	588,987
— Deferred gains on cash flow hedges, net of tax	—	25,515	—	25,515	—	—	—	25,515
— Deferred costs of hedging, net of tax	—	(300,333)	—	(300,333)	—	—	—	(300,333)
<b>Total comprehensive income for the six months ended 30 June 2016</b>	<b>—</b>	<b>366,195</b>	<b>5,389,583</b>	<b>5,755,778</b>	<b>871,467</b>	<b>(104,226)</b>	<b>767,241</b>	<b>6,523,019</b>

## Interim Consolidated Statement of Changes in Equity

	Unaudited							
	Attributable to owners of the Company				Non-controlling interests			
	Share capital and premium	Other reserves	Retained earnings	Total	Perpetual capital securities	Others	Total	Total Equity
	RMB'000 (note 22)	RMB'000 (note 23)	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Transactions with owners in their capacity as owners:</b>								
Capital injections from non-controlling interests	–	86,400	–	86,400	–	1,847,148	1,847,148	1,933,548
Redemption of perpetual capital securities	–	–	–	–	(2,928,000)	–	(2,928,000)	(2,928,000)
Dividends and distributions	–	–	(1,454,491)	(1,454,491)	(871,467)	(176,660)	(1,048,127)	(2,502,618)
Employee share schemes (note 23)	–	62,871	–	62,871	–	–	–	62,871
Buy-back of shares (note 22)	(809,520)	–	–	(809,520)	–	–	–	(809,520)
Non-controlling interests arising from business combination (note 33)	–	–	–	–	–	1,631,353	1,631,353	1,631,353
Disposal of subsidiaries (note 32)	–	(5,969)	–	(5,969)	–	(365,869)	(365,869)	(371,838)
Changes in ownership interests in subsidiaries without change of control (note 31)	–	2,264	–	2,264	–	(78,520)	(78,520)	(76,256)
<b>Total transactions with owners</b>	<b>(809,520)</b>	<b>145,566</b>	<b>(1,454,491)</b>	<b>(2,118,445)</b>	<b>(3,799,467)</b>	<b>2,857,452</b>	<b>(942,015)</b>	<b>(3,060,460)</b>
<b>Balance at 30 June 2016</b>	<b>28,403,091</b>	<b>4,453,900</b>	<b>35,743,120</b>	<b>68,600,111</b>	<b>16,600,000</b>	<b>7,274,922</b>	<b>23,874,922</b>	<b>92,475,033</b>

The notes on pages 87 to 142 form an integral part of this interim condensed consolidated financial information.

## Interim Consolidated Statement of Changes in Equity

	Unaudited							
	Attributable to owners of the Company				Non-controlling interests			
	Share capital and premium RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Perpetual capital securities RMB'000	Others RMB'000	Total RMB'000	Total Equity RMB'000
<b>Balance at 1 January 2015</b>	24,262,047	4,243,448	28,180,710	56,686,205	3,090,000	2,666,221	5,756,221	62,442,426
<b>Comprehensive income for the six months ended 30 June 2015</b>								
Profit for the period	—	—	4,929,843	4,929,843	167,198	275,501	442,699	5,372,542
Other comprehensive income								
– Change in fair value of available-for-sale financial assets, net of tax	—	(3,307)	—	(3,307)	—	—	—	(3,307)
– Currency translation differences	—	(3,421)	—	(3,421)	—	(2,319)	(2,319)	(5,740)
<b>Total comprehensive income for the six months ended 30 June 2015</b>	—	(6,728)	4,929,843	4,923,115	167,198	273,182	440,380	5,363,495
<b>Transactions with owners in their capacity as owners:</b>								
Capital injections	—	—	—	—	—	148,730	148,730	148,730
Redemption of perpetual capital securities	—	—	—	—	(400,000)	—	(400,000)	(400,000)
Dividends and distributions	—	—	(3,333,127)	(3,333,127)	(167,198)	(50)	(167,248)	(3,500,375)
Issue of shares	4,950,564	—	—	4,950,564	—	—	—	4,950,564
Employee share schemes	—	20,001	—	20,001	—	—	—	20,001
<b>Total transactions with owners</b>	4,950,564	20,001	(3,333,127)	1,637,438	(567,198)	148,680	(418,518)	1,218,920
<b>Balance at 30 June 2015</b>	29,212,611	4,256,721	29,777,426	63,246,758	2,690,000	3,088,083	5,778,083	69,024,841

The notes on pages 87 to 142 form an integral part of this interim condensed consolidated financial information.

## Interim Consolidated Cash Flow Statement

	Note	Unaudited Six months ended 30 June	
		2016 RMB'000	2015 RMB'000
<b>Cash flows from operating activities</b>			
Cash used in operations		(4,664,463)	(1,059,291)
Income tax paid		(4,400,093)	(3,912,673)
Interest paid		(2,618,888)	(2,394,784)
<b>Net cash used in operating activities</b>		<b>(11,683,444)</b>	(7,366,748)
<b>Cash flows from investing activities</b>			
Payments for acquisition of subsidiaries, net of cash acquired	33	(2,147,843)	(462,246)
Proceeds from disposal of subsidiaries, net of cash disposed of	32	(336,457)	—
Disposal of property, plant and equipment		155,866	136,879
Purchases of property, plant and equipment		(1,060,301)	(1,449,524)
Proceeds from disposal of investment properties		52,254	115,477
Payments for investment properties	8	(14,421)	(251,311)
Purchases of intangible assets	8	(7,476)	—
Purchases of land use rights	8	(8,331)	(25,668)
Investments in associates		(488,044)	(5,000)
Investments in joint ventures		(1,930,756)	—
Purchases of financial assets at fair value through other comprehensive income		(265,537)	—
Loans advanced to third parties		(30,500)	—
Proceeds from repayment of loans to related parties		775,971	—
Dividend income from available-for-sale financial assets		—	9,560
Interest received	26	269,903	74,491
<b>Net cash used in investing activities</b>		<b>(5,035,672)</b>	(1,857,342)

## Interim Consolidated Cash Flow Statement

	Note	Unaudited Six months ended 30 June	
		2016 RMB'000	2015 RMB'000
<b>Cash flows from financing activities</b>			
Capital injections from non-controlling interests		1,933,548	148,730
Proceeds from disposal of interests in subsidiaries without loss of control	31	12,000	—
Payments for acquisition of additional interests in subsidiaries	31	(128,256)	—
Issue of corporate bonds	20	7,960,000	—
Proceeds received under securitisation arrangements		6,211,000	—
Redemption of perpetual capital securities		(2,928,000)	(400,000)
Net proceeds from issue of shares	22	—	4,950,564
Redemption of senior notes		—	(5,833,549)
Net proceeds from the issue of senior notes	19	—	5,483,516
Proceeds from bank and other borrowings	21	18,306,798	10,416,424
Repayments of bank and other borrowings	21	(18,751,237)	(6,887,637)
Distribution to holders of perpetual capital securities		(616,749)	(192,071)
Dividends paid to other non-controlling interests		—	(50)
Buy-back of shares	22	(809,520)	—
<b>Net cash generated from financing activities</b>		<b>11,189,584</b>	<b>7,685,927</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(5,529,532)</b>	<b>(1,538,163)</b>
Cash and cash equivalents at the beginning of the period		36,240,752	18,760,590
Exchange gains/(losses) on cash and cash equivalents		89,024	(58,260)
<b>Cash and cash equivalents at the end of the period</b>		<b>30,800,244</b>	<b>17,164,167</b>

The notes on pages 87 to 142 form an integral part of this interim condensed consolidated financial information.

## Notes to the Interim Condensed Consolidated Financial Information

### 1 General information

Country Garden Holdings Company Limited (the “Company”) was incorporated in the Cayman Islands on 10 November 2006 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

The address of the Company’s registered office is Cricket Square, Hutchins Drive, P.O. Box 2681 Grand Cayman, KY1-1111 Cayman Islands. The Company is engaged in investment holding and its subsidiaries (collectively, the “Group”) are principally engaged in the property development, construction, fitting and decoration, property investment, property management and hotel operation.

The Company’s shares are listed on The Stock Exchange of Hong Kong Limited.

This interim condensed consolidated financial information is presented in Renminbi (“RMB”), unless otherwise stated, and was approved by the Board of Directors of the Company for issue on 18 August 2016.

### 2 Basis of preparation

This interim condensed consolidated financial information for the six months ended 30 June 2016 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, ‘Interim Financial Reporting’. This interim condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2015 (“2015 Financial Statements”), which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

## Notes to the Interim Condensed Consolidated Financial Information

### 3 Significant accounting policies

Except as described below, the accounting policies applied are consistent with those of the 2015 Financial Statements, as described therein.

- (a) Amendments and interpretations to existing standards that are effective for the financial year beginning on 1 January 2016 do not have a material impact on or are not relevant to the Group.
- (b) New and revised standards and amendments to existing standards have been issued and relevant to the Group but are not effective for the financial year beginning on 1 January 2016 and have not been early adopted:

		Effective for the financial year beginning on or after
HKAS 12 (Amendments)	Income taxes	1 January 2017
HKAS 7 (Amendments)	Statement of cash flows	1 January 2017
HKFRS 15	Revenue from contracts with customers	1 January 2018
HKFRS 16	Leases	1 January 2019
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associates or joint ventures	To be determined

The Group is yet to assess the impact of the above new and revised standards and amendments to existing standards on the Group's consolidated financial statements.

(c) **New and amended standards early adopted by the Group:**

HKFRS 9 Financial Instruments ("HKFRS 9") addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The standard does not need to be applied until 1 January 2018 but is available for early adoption. The Group has elected to apply HKFRS 9 as issued in July 2014 from 1 January 2016, because the new accounting policies provide more reliable and relevant information for users to assess the amounts, timing and uncertainty of future cash flows. See note 4 for further details on the impact of the change in accounting policy.

## Notes to the Interim Condensed Consolidated Financial Information

### 3 Significant accounting policies *(Continued)*

#### (c) New and amended standards early adopted by the Group: *(Continued)*

##### *Derivatives and hedging activities*

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged and the type of hedge relationship designated.

The Group designates some of their derivatives as hedges of foreign exchange and interest rate risks associated with the cash flows of their foreign currency borrowings (cash flow hedges). The Group documents at the inception of the hedging transaction the economic relationship between hedging instruments and hedged items including whether the hedging instrument is expected to offset changes in cash flows of hedged items. The Group documents its risk management objective and strategy for undertaking various hedge transactions at the inception of each hedge relationship.

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the cash flow hedge reserve within equity, limited to the cumulative change in fair value of the hedged item on a present value basis from the inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, within 'finance income/ (costs) — net'.

When option contracts are used to hedge forecast transactions, the Group designates only the intrinsic value of the option contract as the hedging instrument. Gains or losses relating to the effective portion of the change in intrinsic value of the option contracts are recognised in the cash flow hedge reserve within equity. The changes in the time value of the option contracts that relate to the hedged item ("aligned time value") are recognised within other comprehensive income in the costs of hedging reserve within equity. The aligned time value at the date of designation of the option as a hedging instrument is amortised on a systematic and rational basis to profit or loss over the period.



## Notes to the Interim Condensed Consolidated Financial Information

### 3 Significant accounting policies *(Continued)*

#### (c) New and amended standards early adopted by the Group: *(Continued)*

##### *Derivatives and hedging activities (Continued)*

When forward contracts are used to hedge forecast transactions, the Group generally designates only the change in fair value of the forward contract related to the spot component as the hedging instrument. Gains or losses relating to the effective portion of the change in the spot component of the forward contracts are recognised in the cash flow hedge reserve within equity. The change in the forward element of the contract that relates to the hedged item ("aligned forward element") is recognised within other comprehensive income in the costs of hedging reserve within equity. The aligned forward element at the date of designation of the forward contract as a hedging instrument is amortised on a systematic and rational basis to profit or loss over the period.

When a financial instrument that involves exchanges of cash flows that are denominated in different currencies is used in a hedge transaction, the foreign currency basis spread of the instrument is separated and excluded from the designated hedging instrument. The change in fair value of this excluded portion (to the extent it relates to the hedged item) is recognised in other comprehensive income and is accumulated in a separate component of equity. For time-period related hedged items, the currency basis spread at the date of designation (to the extent that it relates to the hedged item) is amortised on a systematic and rational basis to profit or loss over the period.

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss and deferred costs of hedging in equity at that time remains in equity until the forecast transaction occurs. When the forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred costs of hedging that were reported in equity are immediately reclassified to profit or loss.

## Notes to the Interim Condensed Consolidated Financial Information

### 3 Significant accounting policies *(Continued)*

#### (c) New and amended standards early adopted by the Group: *(Continued)*

##### *Derivatives and hedging activities (Continued)*

If the hedge ratio for risk management purposes is no longer optimal but the risk management objective remains unchanged and the hedge continues to qualify for hedge accounting, the hedge relationship will be rebalanced by adjusting either the volume of the hedging instrument or the volume of the hedged item so that the hedge ratio aligns with the ratio used for risk management purposes. Any hedge ineffectiveness is calculated and accounted for in profit or loss at the time of the hedge relationship rebalancing.

- (d) Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

### 4 Change in accounting policy

As explained in note 3(c) above, the Group has early adopted HKFRS 9 as issued in July 2014 from 1 January 2016, which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transitional provisions in HKFRS 9, comparative figures have not been restated. As a consequence, any adjustments to carrying amounts of financial assets or liabilities are recognised at the beginning of the current reporting period, with the difference recognised in opening retained earnings. Provisions for impairment have not been restated in the comparative period, as well.

The accounting policies were changed to comply with HKFRS 9. HKFRS 9 replaces the provisions of HKAS 39 Financial Instruments ("HKAS 39") that relate to the recognition, classification and measurement of financial assets and financial liabilities; derecognition of financial instruments; impairment of financial assets and hedge accounting. HKFRS 9 also significantly amends other standards dealing with financial instruments such as HKFRS 7 Financial Instruments — Disclosures.

## Notes to the Interim Condensed Consolidated Financial Information

**4 Change in accounting policy** *(Continued)***(a) Classification and measurement of financial instruments**

The total impact on the Group's retained earnings due to classification and measurement of financial instruments as at 1 January 2016 is as follows:

	Notes	RMB'000
Opening retained earnings — HKAS 39		<b>32,135,960</b>
Increase in provision for loans to related and third parties, net of tax	4(c)	<b>(69,838)</b>
Increase in provision for trade and other receivables (excluding prepayments and loans to related and third parties), net of tax	4(c)	<b>(258,094)</b>
Adjustment to retained earnings from adoption of HKFRS 9		<b>(327,932)</b>
Opening retained earnings — HKFRS 9		<b>31,808,028</b>

Management has assessed the business models and the contractual terms of the cash flows apply to the financial assets held by the Group at the date of initial application of HKFRS 9 (1 January 2016) and has classified its financial instruments into the appropriate HKFRS 9 categories, which are those to be measured subsequently at fair value (either through other comprehensive income ("FVOCI"), or through profit or loss ("FVPL")), and those to be measured at amortised cost. The main effects resulting from this reclassification are as follows:

At 1 January 2016	AFS RMB'000	FVOCI RMB'000
Opening balance — HKAS 39	<b>214,998</b>	—
Reclassify non-trading unlisted equity securities from AFS to FVOCI	<b>(214,998)</b>	<b>214,998</b>
Opening balance — HKFRS 9	—	<b>214,998</b>

## Notes to the Interim Condensed Consolidated Financial Information

**4 Change in accounting policy** *(Continued)***(a) Classification and measurement of financial instruments** *(Continued)*

The main effects resulting from this reclassification on the Group's equity is as follows:

At 1 January 2016	Effect on AFS reserves RMB'000	Effect on FVOCI reserves RMB'000
Opening balance — HKAS 39	13,415	—
Reclassify non-trading unlisted equity securities from AFS to FVOCI	(13,415)	13,415
Opening balance — HKFRS 9	—	13,415

Equity interest in an unlisted investment fund company with a fair value of RMB214,998,000 was reclassified from available-for-sale financial assets ("AFS") to FVOCI and the accumulated fair value gains of RMB13,415,000 were reclassified from the AFS reserve to the FVOCI reserve on 1 January 2016.

There is no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities except for derivative financial instruments. The derecognition rules have been transferred from HKAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

**(b) Derivatives and hedging activities**

In prior years/periods, the change in fair value of the entire forward contracts was recognised in profit or loss.

Upon adoption of HKFRS 9, the Group now recognises changes in the fair value of foreign exchange forward contracts attributable to forward points in the costs of hedging reserve within equity. The deferred costs of hedging is amortised on a systematic and rational basis to profit or loss over the period.

## Notes to the Interim Condensed Consolidated Financial Information

### 4 Change in accounting policy *(Continued)*

#### (c) Impairment of financial assets

The Group has two types of financial assets at amortised cost subject to HKFRS 9's new expected credit loss model:

- loans to related and third parties
- trade and other receivables (excluding prepayments and loans to related and third parties)

The Group revised its impairment methodology under HKFRS 9 for each of these classes of assets.

#### (i) *Loans to related and third parties*

For loans to related and third parties already in place at 1 January 2016, the Group has determined that reliably assessing the probability of default at the initial recognition of each loan to related and third parties would result in undue cost and effort. As permitted by HKFRS 9, the credit provision will be determined based on whether credit risk is low only at each reporting date, until the loan is derecognised. RMB69,838,000 was recognised in retained earnings as at 1 January 2016 for those loans whose credit risk has been assessed as other than low and for which the impairment methodology described in note 6.3 has been applied. Note 6.3 reconciles the loan loss allowance as at 1 January 2016 to that at the end of the reporting period.

#### (ii) *Trade and other receivables (excluding prepayments and loans to related and third parties)*

For trade and other receivables (excluding prepayments and loans to related and third parties), the Group applies the simplified approach to providing for expected credit losses prescribed by HKFRS 9, which requires the use of the lifetime expected loss provision for all trade and other receivables (excluding prepayments and loans to related and third parties). RMB258,094,000 was recognised in retained earnings as at 1 January 2016 for those trade and other receivables (excluding prepayments and loans to related and third parties) whose credit risk has been assessed as other than low and for which the impairment methodology described in note 6.3 has been applied. Note 6.3 reconciles the loss allowance as at 1 January 2016 to that at the end of the reporting period.

### 5 Estimates

The preparation of the interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim condensed consolidated financial information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the 2015 Financial Statements.

## Notes to the Interim Condensed Consolidated Financial Information

### 6 Financial risk management

#### 6.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

The interim condensed consolidated financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the 2015 Financial Statements.

#### 6.2 Foreign exchange risk

The Group mainly operates in Mainland China and is exposed to foreign exchange risk arising from foreign currency denominated debts, primarily with respect to the United States dollar ("USD"), Hong Kong dollar ("HKD"), Ringgit Malaysia ("RM") and Australian dollar ("AUD"), which are not the Group's functional currency (RMB). The risk is measured through a forecast of highly probable repayments of principles and interests of foreign currency denominated debts. Part of the foreign exchange risk arising from USD exposures are managed through hedging. The objective of the hedges is to minimise the volatility of the RMB cost of highly probable forecast repayments of debts.

The Group's risk management policy is to hedge approximately up to 80% of forecasted foreign currency cash flows up to six months to five years in advance (mainly repayments of debts), subject to availability of appropriate hedging instruments and cost of hedging.

The Group uses a combination of foreign exchange forward contracts, foreign currency option contracts and foreign currency swap contracts to hedge its exposure to foreign currency risk. The Group designates the spot component of forward contracts and currency swap contracts and the intrinsic value of foreign currency option contracts and foreign currency swap contracts as the hedging instruments.

## Notes to the Interim Condensed Consolidated Financial Information

**6 Financial risk management** (Continued)**6.2 Foreign exchange risk** (Continued)

The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities at the respective dates of statement of financial position are as follows:

	<b>30 June 2016 RMB'000</b>	31 December 2015 RMB'000
<b>Assets</b>		
HKD	<b>2,305,485</b>	17,684
USD	<b>446,403</b>	386,984
RM	<b>700,331</b>	587,672
AUD	<b>7,158</b>	158,681
Other currencies	<b>27,516</b>	5,837
	<b>3,486,893</b>	1,156,858
<b>Liabilities</b>		
HKD	<b>3,726,768</b>	3,710,616
USD	<b>29,092,155</b>	28,009,239
RM	<b>3,380,526</b>	3,787,249
AUD	<b>258,465</b>	368,488
	<b>36,457,914</b>	35,875,592

## Notes to the Interim Condensed Consolidated Financial Information

### 6 Financial risk management *(Continued)*

#### 6.3 Credit risk

The Group is exposed to credit risk if counterparties fail to make payments as they fall due in respect of:

- loans provided to related and third parties fall due under loan term (note 12)
- payment of trade and other receivables (excluding prepayments and loans to related and third parties) as invoices fall due under credit terms after being raised (note 12)

For financial assets originated from 1 January 2016, the following credit risk modelling applies:

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- internal credit rating
- external credit rating
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations
- actual or expected significant changes in the operating results of the borrower
- significant increases in credit risk on other financial instruments of the same borrower
- significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the group and changes in the operating results of the borrower.



## Notes to the Interim Condensed Consolidated Financial Information

**6 Financial risk management** *(Continued)***6.3 Credit risk** *(Continued)**(i) Loans to related and third parties*

The Group uses four categories for loans which reflect their credit risk and how the loan loss provision is determined for each of those categories. These internal credit risk ratings are aligned to external credit ratings. The banks' ratings for the related and third parties are B.

A summary of the assumptions underpinning the Group's expected credit loss model is as follows:

Category	Group definition of category	Basis for recognition of expected credit loss provision
Performing	Customers have a low risk of default and a strong capacity to meet contractual cash flows	12 month expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime
Underperforming	Loans for which there is a significant increase in credit risk; as significant increase in credit risk is presumed if interest and/or principal repayments are 30 days past due	Lifetime expected losses
Non-performing	Interest and/or principal repayments are 60 days past due	Lifetime expected losses
Write-off	Interest and/or principal repayments are 120 days past due and there is no reasonable expectation of recovery	Asset is written off

As at 1 January 2016 and 30 June 2016, the internal credit rating of loans to related and third parties were performing.

## Notes to the Interim Condensed Consolidated Financial Information

**6 Financial risk management** (Continued)**6.3 Credit risk** (Continued)*(i) Loans to related and third parties* (Continued)

Over the term of the loans, the Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of loan, and adjusts for forward looking macroeconomic data. As at 30 June 2016, the Group provides for credit losses against loans to related and third parties as follows:

Company internal credit rating	External credit rating	Expected credit loss rate	Basis for recognition of expected credit loss provision	Estimated gross carrying amount at default RMB'000	Carrying amount (net of impairment provision) RMB'000	Basis for calculation of interest revenue
Performing	B	12%	12 month expected losses	30,500	26,840	Gross carrying amount

No significant change to estimation techniques or assumptions was made during the reporting period.

The loss allowance provision for loans to related and third parties as at 30 June 2016 reconciles to the opening loss allowance for that provision as follows:

	Performing RMB'000
Closing loss allowance as at 31 December 2015 (calculated under HKAS 39)	—
Amounts restated through opening retained earnings	93,117
Opening loss allowance as at 1 January 2016 (calculated under HKFRS 9)	93,117
Recoveries	(93,117)
Additional loss allowance	3,660
Closing loss allowance as at 30 June 2016 (calculated under HKFRS 9)	3,660

As at 30 June 2016, the gross carrying amount of loans to related and third parties was RMB30,500,000 and thus the maximum exposure to loss was RMB26,840,000.

## Notes to the Interim Condensed Consolidated Financial Information

**6 Financial risk management** *(Continued)***6.3 Credit risk** *(Continued)**(ii) Trade and other receivables (excluding prepayments and loans to related and third parties)*

The Group applies the simplified approach to providing for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade and other receivables (excluding prepayments and loans to related and third parties).

As at 30 June 2016, the loss allowance provision is determined as follows; the expected credit losses below also incorporate forward looking information.

Trade receivables	Current	More than 90 days past due	More than 180 days past due	Total
Expected loss rate	0.1%	2.0%	5.0%	
Gross carrying amount (RMB'000)	16,706,331	429,933	397,693	17,533,957
Loss allowance provision (RMB'000)	16,706	8,599	19,885	45,190

Other receivables (excluding prepayments and loans to related and third parties)	Current	More than 180 days past due	More than 1 year past due	More than 2 years past due	More than 3 years past due	Total
Expected loss rate	0.1%	1.0%	10.0%	15.0%	20.0%	
Gross carrying amount (RMB'000)	35,152,693	1,188,070	717,666	81,321	1,279,039	38,418,789
Loss allowance provision (RMB'000)	35,152	11,881	71,767	12,198	255,808	386,806

## Notes to the Interim Condensed Consolidated Financial Information

**6 Financial risk management** (Continued)**6.3 Credit risk** (Continued)**(ii) Trade and other receivables (excluding prepayments and loans to related and third parties)** (Continued)

As at 30 June 2016, the loss allowance provision for trade and other receivables (excluding prepayments and loans to related and third parties) reconciles to the opening loss allowance for that provision as follows:

	Trade receivables RMB'000	Other receivables (excluding prepayments and loans to related and third parties) RMB'000	Total RMB'000
Closing loss allowance as at 31 December 2015 (calculated under HKAS 39)	—	—	—
Amounts restated through opening retained earnings	34,859	309,267	344,126
Opening loss allowance as at 1 January 2016 (calculated under HKFRS 9)	34,859	309,267	344,126
Provision for loss allowance recognised in profit or loss during the period	10,331	77,539	87,870
Closing loss allowance as at 30 June 2016 (calculated under HKFRS 9)	45,190	386,806	431,996

As at 30 June 2016, the gross carrying amount of trade and other receivables (excluding prepayments and loans to related and third parties) was RMB55,952,746,000 and thus the maximum exposure to loss was RMB55,520,750,000.

## Notes to the Interim Condensed Consolidated Financial Information

### 6 Financial risk management *(Continued)*

#### 6.4 Liquidity risk

Management aims to maintain sufficient cash to meet funding requirement for operations and monitors rolling forecasts of the Group's cash on the basis of expected cash flow. The directors of the Company have prepared cash flow projections for the year from 1 July 2016 to 30 June 2017. Key assumptions used in the preparation of the cash flow projections for the 12 months ending 30 June 2017 include: (1) proceeds from pre-sales is expected to be higher than that of the comparative period; (2) construction payments match receipt of the relevant proceeds from pre-sales; (3) available project loan facility is expected to be no less than that of the comparative period and (4) no breach of debt covenants is anticipated in the current forecast period.

The Group has a number of alternative plans to mitigate the potential impacts on anticipated cash flows should there be significant adverse changes in economic environment. These include but are not limited to adjusting and further slowing down the construction progress as appropriate to ensure available resources for the development of properties for sale, implementing cost control measures and accelerating sales with more flexible pricing. The Group, will base on its assessment of the relevant future costs and benefits, pursue such options as are appropriate. The directors consider that the Group will be able to maintain sufficient financial resources to meet its operation needs.

The table below analyses the Group's non-derivative financial liabilities and net-settled derivative financial liabilities into relevant maturity grouping based on the remaining period at the date of statement of financial position to the contractual maturity date. Derivative financial liabilities are included in the analysis if their contractual maturities are essential for an understanding of the timing of the cash flows. The amounts disclosed in the table are the contractual undiscounted cash flows.

## Notes to the Interim Condensed Consolidated Financial Information

## 6 Financial risk management (Continued)

## 6.4 Liquidity risk (Continued)

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
<b>Unaudited</b>					
<b>At 30 June 2016</b>					
Senior notes (principal amount plus interest)	1,592,731	1,592,731	19,753,930	5,719,410	28,658,802
Bank and other borrowings (principal amount plus interest)	19,892,187	12,613,133	23,694,185	357,201	56,556,706
Corporate bonds (principal amount plus interest)	1,087,303	1,277,361	25,321,700	—	27,686,364
Derivative financial instruments	72,122	—	31,898	—	104,020
Trade and other payables (excluding other taxes payable and salaries payable)	76,328,846	—	—	—	76,328,846
Receipts under securitisation arrangements	6,485,300	256,750	—	—	6,742,050
Dividend payable	1,454,491	—	—	—	1,454,491
<b>Total</b>	<b>106,912,980</b>	<b>15,739,975</b>	<b>68,801,713</b>	<b>6,076,611</b>	<b>197,531,279</b>

## Notes to the Interim Condensed Consolidated Financial Information

**6 Financial risk management** (Continued)**6.4 Liquidity risk** (Continued)

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
<b>Audited</b>					
<b>At 31 December 2015</b>					
Senior notes (principal amount plus interest)	1,559,682	1,559,682	14,894,492	10,830,107	28,843,963
Bank and other borrowings (principal amount plus interest)	25,682,643	14,687,381	18,677,147	509,148	59,556,319
Corporate bonds (principal amount plus interest)	714,346	888,426	16,063,487	—	17,666,259
Derivative financial instruments	10,198	—	—	—	10,198
Trade and other payables (excluding other taxes payable and salaries payable)	67,571,499	—	—	—	67,571,499
<b>Total</b>	<b>95,538,368</b>	<b>17,135,489</b>	<b>49,635,126</b>	<b>11,339,255</b>	<b>173,648,238</b>

**6.5 Fair value estimation**

The table below analyses financial instruments carried at fair value, by level of the inputs to valuation techniques used to measure fair value. The different levels are defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

## Notes to the Interim Condensed Consolidated Financial Information

## 6 Financial risk management (Continued)

## 6.5 Fair value estimation (Continued)

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
<b>Unaudited</b>				
<b>At 30 June 2016</b>				
<b>Assets</b>				
Financial assets at fair value through other comprehensive income	—	—	485,835	485,835
Derivative financial instruments	—	29,330	92,775	122,105
Financial assets at fair value through profit or loss	—	—	1,210,110	1,210,110
<b>Total</b>	<b>—</b>	<b>29,330</b>	<b>1,788,720</b>	<b>1,818,050</b>
<b>Liabilities</b>				
Derivative financial instruments	—	72,122	31,898	104,020
<b>Audited</b>				
<b>At 31 December 2015</b>				
<b>Assets</b>				
Available-for-sale financial assets	—	—	214,998	214,998
Derivative financial instruments	—	18,043	—	18,043
Financial assets at fair value through profit or loss	—	—	1,188,096	1,188,096
<b>Total</b>	<b>—</b>	<b>18,043</b>	<b>1,403,094</b>	<b>1,421,137</b>
<b>Liabilities</b>				
Derivative financial instruments	—	10,198	—	10,198

The valuation techniques used in fair value measurement of derivative financial instruments are discounted cash flows and Monte-Carlo model. Details of the valuation technique used in fair value measurement of financial assets at fair value through profit or loss are disclosed in note 15.

There were no changes in valuation techniques used to derive other level 3 fair values.



## Notes to the Interim Condensed Consolidated Financial Information

### 7 Segment information

The executive directors review the Group's internal reporting in order to assess performance and allocate resources. The executive directors have determined the operating segments based on these reports.

The executive directors consider the business from product/services perspective. From a product/services perspective, executive directors assess the performance of:

- Property development;
- Construction, fitting and decoration;
- Property investment;
- Property management; and
- Hotel operation.

The executive directors assess the performance of the operating segments based on a measure of operating profit.

Segment assets consist primarily of property, plant and equipment, intangible assets, land use rights, investment properties, properties under development, completed properties held for sale, inventories, receivables and operating cash. They exclude deferred income tax assets, financial assets at fair value through other comprehensive income, financial assets at fair value through profit and loss, available-for-sale financial assets and derivative financial instruments. Segment liabilities consist primarily of operating liabilities. They exclude bank and other borrowings, senior notes, corporate bonds, deferred income tax liabilities, income taxes payable, dividend payable and derivative financial instruments.

Capital expenditure comprises additions to property, plant and equipment, land use rights, investment properties and intangible assets (note 8).

## Notes to the Interim Condensed Consolidated Financial Information

## 7 Segment information (Continued)

Revenue consists of the following:

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Sales of properties	55,406,431	45,502,636
Rendering of construction, fitting and decoration services	192,326	261,870
Rental income	52,771	47,339
Rendering of property management services	969,036	904,824
Rendering of hotel services	741,928	610,905
	<b>57,362,492</b>	47,327,574

Sales between segments are carried out according to the terms and conditions agreed by both parties.

The Group's revenue is mainly attributable to the market in Mainland China and over 90% of the Group's non-current assets are located in Mainland China. No geographical information is therefore presented.

The Group has a large number of customers; none of whom contributed 10% or more of the Group's revenue.

The segment information provided to the executive directors for the reportable segments is as follows:

	Construction, fitting and decoration		Property investment	Property management	Hotel operation	Total Group
	Property development					
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Six months ended 30 June 2016</b>						
Total revenue	55,406,431	8,660,987	52,771	1,130,004	770,544	66,020,737
Inter-segment revenue	–	(8,468,661)	–	(160,968)	(28,616)	(8,658,245)
Revenue (from external customers)	55,406,431	192,326	52,771	969,036	741,928	57,362,492
Depreciation and amortisation	211,926	13,031	–	12,688	184,195	421,840
Operating profit/(loss)	8,295,915	46,770	417,005	187,498	(123,269)	8,823,919
<b>At 30 June 2016</b>						
Total segment assets after elimination of inter-segment balances	385,233,941	8,682,115	9,638,845	1,771,011	12,711,637	418,037,549
Capital expenditure	768,340	6,746	14,421	14,300	266,352	1,070,159
Total segment liabilities after elimination of inter-segment balances	210,130,186	7,326,128	9,996	832,295	829,860	219,128,465

## Notes to the Interim Condensed Consolidated Financial Information

## 7 Segment information (Continued)

	Property development RMB'000	Construction, fitting and decoration RMB'000	Property investment RMB'000	Property management RMB'000	Hotel operation RMB'000	Total Group RMB'000
<b>Six months ended 30 June 2015</b>						
Total revenue	45,502,636	6,940,125	47,339	1,149,379	636,971	54,276,450
Inter-segment revenue	—	(6,678,255)	—	(244,555)	(26,066)	(6,948,876)
Revenue (from external customers)	45,502,636	261,870	47,339	904,824	610,905	47,327,574
Depreciation and amortisation	214,599	15,235	—	8,881	179,838	418,553
Operating profit/(loss)	8,005,664	99,791	536,101	82,431	(127,729)	8,596,258
<b>At 31 December 2015</b>						
Total segment assets after elimination of inter-segment balances	326,818,471	7,268,206	8,686,295	975,304	12,999,972	356,748,248
Capital expenditure	1,507,855	15,746	344,564	4,287	917,683	2,790,135
Total segment liabilities after elimination of inter-segment balances	160,280,150	8,180,750	8,011	737,945	933,943	170,140,799

As at 30 June 2016, segment assets of the property development segment included the amounts of investments in associates and joint ventures accounted for using the equity method totalling RMB6,992,466,000 (31 December 2015: RMB1,688,426,000).

Reportable operating profits are reconciled to profit for the period as follows:

	<b>Six months ended 30 June</b>	
	<b>2016</b>	<b>2015</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Total operating profit	<b>8,823,919</b>	8,596,258
Financial income/(costs) — net	<b>6,406</b>	(312,317)
Share of results of associates and joint ventures	<b>378,899</b>	(16,678)
Profit before income tax	<b>9,209,224</b>	8,267,263
Income tax expenses	<b>(3,004,349)</b>	(2,894,721)
Profit for the period	<b>6,204,875</b>	5,372,542

## Notes to the Interim Condensed Consolidated Financial Information

**7 Segment information** *(Continued)*

Reportable segments' assets and liabilities are reconciled to total assets and total liabilities as follows:

	<b>30 June 2016 RMB'000</b>	31 December 2015 RMB'000
Total segment assets after elimination of inter-segment balances	<b>418,037,549</b>	356,748,248
Deferred income tax assets	<b>4,353,039</b>	3,786,942
Financial assets at fair value through other comprehensive income	<b>485,835</b>	—
Available-for-sale financial assets	—	214,998
Derivative financial instruments	<b>122,105</b>	18,043
Financial assets at fair value through profit or loss	<b>1,210,110</b>	1,188,096
<b>Total assets</b>	<b>424,208,638</b>	361,956,327
Total segment liabilities after elimination of inter-segment balances	<b>219,128,465</b>	170,140,799
Dividend payable	<b>1,454,491</b>	—
Deferred income tax liabilities	<b>5,481,995</b>	3,815,717
Income taxes payable	<b>8,663,642</b>	8,905,412
Bank and other borrowings	<b>51,835,062</b>	53,607,117
Senior notes	<b>21,348,412</b>	20,878,179
Corporate bonds	<b>23,717,518</b>	15,258,499
Derivative financial instruments	<b>104,020</b>	10,198
<b>Total liabilities</b>	<b>331,733,605</b>	272,615,921

## Notes to the Interim Condensed Consolidated Financial Information

## 8 Property, plant and equipment, land use rights, investment properties and intangible assets

	Property, plant and equipment RMB'000	Land use rights RMB'000	Investment properties RMB'000	Intangible assets RMB'000
<b>Six months ended 30 June 2016</b>				
<b>Opening net book amount at 1 January 2016</b>	<b>20,019,841</b>	<b>2,052,170</b>	<b>8,686,295</b>	<b>121,539</b>
Acquisition of subsidiaries (note 33)	7,668	—	—	—
Additions	1,039,931	8,331	14,421	7,476
Transfer from properties under development and completed properties held for sale	—	—	648,162	—
Revaluation gains upon transfers	—	—	280,054	—
Fair value change	—	—	80,528	—
Disposals	(163,509)	—	(70,615)	(9,557)
Depreciation/amortisation	(432,677)	(31,694)	—	(6,380)
Exchange differences	39,248	—	—	—
<b>Closing net book amount at 30 June 2016</b>	<b>20,510,502</b>	<b>2,028,807</b>	<b>9,638,845</b>	<b>113,078</b>
<b>Six months ended 30 June 2015</b>				
<b>Opening net book amount at 1 January 2015</b>	18,642,518	2,034,522	7,035,579	29,247
Acquisition of a subsidiary	1,087	—	—	—
Additions	618,381	25,668	251,311	—
Transfer from properties under development and completed properties held for sale	—	—	284,704	—
Revaluation gains upon transfers	—	—	129,372	—
Fair value change	—	—	337,636	—
Disposals	(133,889)	—	(93,385)	—
Depreciation/amortisation	(387,391)	(27,299)	—	(3,863)
Exchange differences	(5,799)	—	—	—
<b>Closing net book amount at 30 June 2015</b>	<b>18,734,907</b>	<b>2,032,891</b>	<b>7,945,217</b>	<b>25,384</b>

## Notes to the Interim Condensed Consolidated Financial Information

### 8 Property, plant and equipment, land use rights, investment properties and intangible assets *(Continued)*

The Group's investment properties were valued at transfer or acquisition dates, and at 30 June 2016 by Vigers Appraisal and Consulting Limited, an independent and professionally qualified valuer who holds a recognised relevant professional qualification and has recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates the highest and best use.

Discussions of valuation processes and results are held between management and the valuer on a semi-annual basis, in line with the Group's interim and annual reporting dates.

At each half year-end, management:

- Verifies all major inputs to the independent valuation report;
- Assesses property valuations movements when compared to the prior year valuation report; and
- Holds discussions with the independent valuer.

Valuations of the investment properties are based on:

- (i) Direct comparison approach assuming sale of each of these properties in its existing state with the benefit of vacant possession/subject to existing tenancies (where applicable). By making reference to sales transactions as available in the relevant market, comparable properties in close proximity have been selected and adjustments have been made to account for the difference in factors such as locations and property size; or
- (ii) Income approach taking into account the current rents of the property interests and the reversionary potentials of the tenancies, term yield and reversionary yield are then applied respectively to derive the market value of the property; or
- (iii) Residual method of valuation which is commonly used in valuing development sites by establishing the market value of the properties on an "as-if" completed basis with appropriate deduction of outstanding construction costs, professional fees, contingency, marketing and legal cost, and interest payments to be incurred, anticipated developer's profits, as well as land acquisition costs, interest payment and profit on land.

There were no changes to the valuation techniques during the current period.

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. At 30 June 2016 and 31 December 2015, the Group had only level 3 investment properties.

Based on management's best estimates, there was no material impairment for the Group's property, plant and equipment, land use rights or intangible assets at 30 June 2016 and 31 December 2015.

## Notes to the Interim Condensed Consolidated Financial Information

## 9 Properties under development

	30 June 2016 RMB'000	31 December 2015 RMB'000
Properties under development expected to be completed:		
– Within normal operating cycle included under current assets	167,077,323	135,107,046
– Beyond normal operating cycle included under non-current assets	46,252,789	52,727,068
	<b>213,330,112</b>	187,834,114
Amount comprises:		
– Construction costs	130,303,804	110,526,146
– Land use rights	73,883,584	69,910,631
– Borrowing costs capitalised	9,142,724	7,397,337
	<b>213,330,112</b>	187,834,114

The capitalisation rate of general borrowings used to determine the amount of interest incurred eligible for capitalisation for the six months ended 30 June 2016 was 6.33% per annum (for the six months ended 30 June 2015: 8.06% per annum). Most of the properties under development are located in the PRC.

## 10 Investments in associates

	Six months ended 30 June 2016 RMB'000	30 June 2015 RMB'000
<b>At 1 January</b>	<b>884,492</b>	34,492
Transfer from subsidiaries as a result of disposal (note 32)	546,639	—
Other additions	569,242	5,000
Share of losses	(47,585)	(5,230)
<b>End of the period</b>	<b>1,952,788</b>	34,262

The balance comprises the following:

	30 June 2016 RMB'000	31 December 2015 RMB'000
Unlisted investments, at cost		
– Share of net assets	1,952,788	884,492

## Notes to the Interim Condensed Consolidated Financial Information

**10 Investments in associates** *(Continued)*

Other additions during the period mainly included the investments in a number of property development companies newly established. The directors of the Company consider that the associates as at 30 June 2016 and 31 December 2015 were insignificant to the Group and thus the individual financial information of the associates was not disclosed. As at 30 June 2016 and 31 December 2015, associates of the Group were mainly engaged in property development in the PRC.

As at 30 June 2016, certain associates' borrowings were guaranteed by the Group and secured by the Group's certain interests in associates with an aggregate carrying value of RMB362,803,000.

The summarised financial information of individually immaterial associates on an aggregate basis is as follows:

	Six months ended	
	30 June 2016 RMB'000	30 June 2015 RMB'000
Carrying amount in the consolidated financial statements	<b>1,952,788</b>	34,262
Share of losses for the period	<b>(47,585)</b>	(5,230)
Share of total comprehensive loss	<b>(47,585)</b>	(5,230)

**11 Investments in joint ventures**

	Six months ended	
	30 June 2016 RMB'000	30 June 2015 RMB'000
<b>At 1 January</b>	<b>803,934</b>	21,374
Transfer from subsidiaries as a result of disposal (note 32)	<b>1,568,102</b>	—
Other additions	<b>2,241,158</b>	—
Share of profits/(losses)	<b>426,484</b>	(11,448)
End of the period	<b>5,039,678</b>	9,926

The balance comprises the following:

	30 June 2016 RMB'000	31 December 2015 RMB'000
Unlisted investments, at cost		
— Share of net assets	<b>4,596,031</b>	803,934
— Negative goodwill (included in share of results of joint ventures)	<b>443,647</b>	—
	<b>5,039,678</b>	803,934



## Notes to the Interim Condensed Consolidated Financial Information

**11 Investment in joint ventures** (Continued)

Other additions during the period mainly included the acquisition of a number of property development companies from certain third parties. Details of the acquisition are as follows:

	RMB'000
<b>Identifiable net assets</b>	
Identifiable assets and liabilities assumed	
Assets	36,595,276
Liabilities	(30,336,558)
Identifiable net assets	<b>6,258,718</b>
<b>Reconciliation to the Group's interests in the joint ventures</b>	
Fair value of the Group's share of identifiable net assets	4,252,907
Fair value of the consideration for the acquisition	(3,809,260)
Negative goodwill on acquisition	<b>443,647</b>

The negative goodwill was mainly resulted from the fact that the sellers intended to exit from their investments due to various operational reasons.

The directors of the Company consider that the joint ventures as at 30 June 2016 and 31 December 2015 were insignificant to the Group and thus the individual financial information of the joint ventures were not disclosed. As at 30 June 2016 and 31 December 2015, joint ventures of the Group were mainly engaged in property development in the PRC.

As at 30 June 2016, certain joint ventures borrowings were guaranteed by the Group and secured by the Group's certain interests in joint ventures with an aggregate carrying value of RMB683,655,000.

The summarised financial information of individually immaterial joint ventures on an aggregate basis is as follows:

	Six months ended	
	30 June 2016 RMB'000	30 June 2015 RMB'000
Carrying amount in the consolidated financial statements	5,039,678	9,926
Share of profits/(losses) for the period	426,484	(11,448)
Share of total comprehensive income/(loss)	<b>426,484</b>	(11,448)

## Notes to the Interim Condensed Consolidated Financial Information

## 12 Trade and other receivables

	30 June 2016 RMB'000	31 December 2015 RMB'000
Trade receivables ( <i>note (a)</i> )	17,533,957	14,764,833
Less: allowance for impairment of trade receivables ( <i>note 6.3</i> )	(45,190)	—
Trade receivables, net	17,488,767	14,764,833
Land auction and other deposits	10,139,826	6,999,069
Other receivables ( <i>note (b)</i> )	12,671,268	6,175,220
Amounts due from customers for contract work ( <i>note (c)</i> )	756,184	563,378
Amounts due from related parties except for contract work ( <i>note 34(d)</i> )	14,851,511	4,597,657
Other receivables	38,418,789	18,335,324
Less: allowance for impairment ( <i>note 6.3</i> )	(386,806)	—
Other receivables, net	38,031,983	18,335,324
Loans to related parties	—	775,971
Loans to third parties	30,500	—
Less: allowance for impairment of loans ( <i>note 6.3</i> )	(3,660)	—
Loans to related and third parties, net	26,840	775,971
Prepayments for land use rights ( <i>note (d)</i> )	3,916,667	4,275,331
Other prepayments ( <i>note (e)</i> )	5,280,181	4,733,607
	64,744,438	42,885,066
Less: non-current portion of loans to related and third parties	(15,500)	(642,950)
Current portion of trade and other receivables	64,728,938	42,242,116

As at 30 June 2016 and 31 December 2015, the fair value of trade and other receivables approximated their carrying amounts. The impairment information of trade and other receivables is disclosed in note 6.3.

## Notes to the Interim Condensed Consolidated Financial Information

**12. Trade and other receivables** (Continued)

- (a) Trade receivables mainly arise from sales of properties. Property buyers are generally granted credit terms of one to six months. The ageing analysis of trade receivables based on revenue recognition date is as follows:

	30 June 2016 RMB'000	31 December 2015 RMB'000
Within 90 days	15,950,752	12,706,910
Over 90 days and within 180 days	665,567	853,260
Over 180 days and within 365 days	475,970	821,220
Over 365 days	441,668	383,443
	<b>17,533,957</b>	14,764,833

At 30 June 2016 and 31 December 2015, trade receivables were denominated in RMB.

- (b) Other receivables mainly represent advances provided to outsourced construction vendors, which are interest-free, unsecured and repayable on demand.
- (c) Amounts due from customers for contract work are as follows:

	30 June 2016 RMB'000	31 December 2015 RMB'000
Cost incurred	4,483,028	3,919,572
Recognised profits (less recognised losses)	916,186	1,063,910
	<b>5,399,214</b>	4,983,482
Less: progress billings	(4,643,030)	(4,420,104)
	<b>756,184</b>	563,378
Represented by:		
Amounts due from customers	<b>756,184</b>	563,378
	<b>468,563</b>	343,213
Including: Related parties (note 34(d))	<b>468,563</b>	343,213
Third parties	<b>287,621</b>	220,165

## Notes to the Interim Condensed Consolidated Financial Information

**12. Trade and other receivables** (Continued)

- (d) Prepayments for land are related to acquisition of land use rights upon successfully bidding at the land auctions conducted by the PRC government. The relevant land use right certificates have not been obtained at 30 June 2016.
- (e) Other prepayments mainly represent prepayments for purchases of construction materials and services.

**13 Restricted cash**

The amount represented guarantee deposits for construction of pre-sale properties denominated in RMB.

In accordance with relevant documents issued by the PRC State-Owned Land and Resource Bureau, certain property development companies of the Group are required to place in designated bank accounts certain amount of presale proceeds of properties as guarantee deposits for the constructions of the related properties. The deposits can only be used for payments for construction costs of the relevant properties when approval from PRC State-Owned Land and Resource Bureau is obtained. Such guarantee deposits will only be released after the completion certificates have been obtained or the issuance of the real estate ownership certificates, whichever is earlier.

**14 Cash and cash equivalents**

	<b>30 June 2016 RMB'000</b>	31 December 2015 RMB'000
Cash at bank and in hand	<b>46,718,547</b>	31,839,298
Short-term deposits	<b>2,673,998</b>	16,038,580
	<b>49,392,545</b>	47,877,878
Less: restricted cash (note 13)	<b>(18,592,301)</b>	(11,637,126)
	<b>30,800,244</b>	36,240,752

The short-term deposits are denominated in RMB and have terms ranging from one to three months. The effective interest rate of these deposits as at 30 June 2016 was 3.37% per annum (31 December 2015: 3.11% per annum).

## Notes to the Interim Condensed Consolidated Financial Information

**14 Cash and cash equivalents** (Continued)

Cash and deposits are denominated in the following currencies:

	<b>30 June 2016 RMB'000</b>	31 December 2015 RMB'000
Denominated in RMB	<b>46,027,126</b>	46,753,858
Denominated in HKD	<b>2,296,446</b>	17,684
Denominated in USD	<b>338,136</b>	386,984
Denominated in RM	<b>696,163</b>	554,834
Denominated in AUD	<b>7,158</b>	158,681
Denominated in other currencies	<b>27,516</b>	5,837
	<b>49,392,545</b>	47,877,878
Less: restricted cash	<b>(18,592,301)</b>	(11,637,126)
	<b>30,800,244</b>	36,240,752

The conversion of RMB and RM denominated balances into other currencies and the remittance of these other currencies denominated bank balances and cash out of the PRC and Malaysia are subject to relevant rules and regulations of foreign exchange control promulgated by the respective governments.

**15 Financial assets at fair value through profit or loss**

	<b>30 June 2016 RMB'000</b>	31 December 2015 RMB'000
Listed equity security — China (note a)	<b>1,210,110</b>	1,188,096

## (a) Listed equity security

The listed equity security represents a 9.16% equity interest in Shenzhen Tiantu Investment Management Co., Ltd. ("Tiantu"), which is mainly engaged in investment activities and listed on the National Equities Exchange and Quotations ("NEEQ") in the PRC. The listed equity security is denominated in RMB.

The fair value of the listed equity security as at 30 June 2016 was determined with reference to the quoted price in NEEQ as adjusted by applying a liquidity discount. The fair value measurement of the listed equity security is categorised within level 3 of the fair value hierarchy.

## Notes to the Interim Condensed Consolidated Financial Information

## 16 Trade and other payables

	30 June 2016 RMB'000	31 December 2015 RMB'000
Trade payables	46,955,450	53,478,430
Other payables	29,113,192	13,722,445
Other taxes payable	6,884,805	2,443,970
Salaries payable	3,296,552	3,369,731
Accrued expenses	260,204	370,624
	<b>86,510,203</b>	<b>73,385,200</b>

The ageing analysis of trade payables mainly based on the date of invoices was as follows:

	30 June 2016 RMB'000	31 December 2015 RMB'000
Within 90 days	40,504,181	47,826,776
Over 90 days and within 180 days	3,232,503	3,098,282
Over 180 days and within 365 days	1,699,640	1,564,830
Over 365 days	1,519,126	988,542
	<b>46,955,450</b>	<b>53,478,430</b>

## 17 Receipts under securitisation arrangements

It represents proceeds received as a result of securitisation arrangements collateralised by certain future trade receivables for the remaining payments of sales of properties amounting to RMB8,302,755,000. These properties have not yet been delivered to the property buyers as at 30 June 2016. These receipts bear an effective interest rate of 4.5% to 6.0% per annum.

## 18 Dividends

On 18 August 2016, the Board of Directors declared the payment of a 2016 interim dividend of RMB6.92 cents per share, totalling RMB1,538,000,000 (2015 interim dividend: RMB1,463,704,000). This interim dividend has not been recognised as a liability in this interim condensed consolidated financial information.

The final dividend in respect of 2015 of RMB6.47 cents (equivalent to HKD7.68 cents) per share, totalling RMB1,454,491,000, has been approved in the Annual General Meeting on 24 May 2016 and paid in cash in July 2016.

## Notes to the Interim Condensed Consolidated Financial Information

## 19 Senior notes

	Six months ended	
	30 June 2016	30 June 2015
	RMB'000	RMB'000
As at 1 January	<b>20,878,179</b>	22,273,762
Additions	—	5,483,516
Early redemption and repayment on maturity	—	(5,526,180)
Exchange difference	<b>440,491</b>	(34,572)
Interest expenses	<b>813,081</b>	1,018,521
Coupon paid	<b>(783,339)</b>	(970,849)
	<b>21,348,412</b>	22,244,198
Less: current portion included in current liabilities	—	(2,543,500)
Included in non-current liabilities	<b>21,348,412</b>	19,700,698

- (a) Except for the senior notes amounting to USD250,000,000, all senior notes are listed on the Singapore Exchange Securities Trading Limited.
- (b) Except for the senior notes amounting to USD250,000,000 that will mature in year 2019, the Company has options to redeem all senior notes in whole or in part prior to their maturity at the redemption price as defined in the indenture agreements of these senior notes.

## Notes to the Interim Condensed Consolidated Financial Information

## 20 Corporate bonds

	Six months ended	
	30 June 2016	30 June 2015
	RMB'000	RMB'000
As at 1 January	15,258,499	—
Additions ( <i>note(a) and (b)</i> )	7,960,000	—
Effect arising on translation differences in foreign currencies	15,860	—
Interest expenses	483,159	—
	<b>23,717,518</b>	—
Less: current portion included in current liabilities	—	—
Included in non-current liabilities	<b>23,717,518</b>	—

## Notes:

- (a) The Company issued 4.75% per annum corporate bonds at a par value of RMB4,000,000,000 on 2 March 2016. After deducting the issuance costs, the Company received net proceeds of RMB3,980,000,000 from the issuance.
- (b) The Company issued 4.55% per annum corporate bonds at a par value of RMB4,000,000,000 on 29 March 2016. After deducting the issuance costs, the Company received net proceeds of RMB3,980,000,000 from the issuance.

Certain corporate bonds issued by the Group contain a liability component and coupon rate adjustment options. Liability component represents the present value of the contractually determined stream of future cash flows discounted at the prevailing market interest rate at that time applicable to instruments of comparable credit status and providing substantially the same cash flows, on the same terms, but without the embedded derivatives.

The directors consider that the fair values of the above coupon rate adjustment options were insignificant on initial recognition and at 30 June 2016.



## Notes to the Interim Condensed Consolidated Financial Information

## 21 Bank and other borrowings

	30 June 2016 RMB'000	31 December 2015 RMB'000
Included in non-current liabilities:		
— secured	29,966,197	29,094,271
— unsecured	19,721,868	17,504,067
Less: current portion	(15,610,527)	(15,769,259)
	<b>34,077,538</b>	30,829,079
Included in current liabilities:		
— secured	350,000	2,807,099
— unsecured	1,796,997	4,201,680
Current portion of non-current liabilities	15,610,527	15,769,259
	<b>17,757,524</b>	22,778,038

Movements are analysed as follows:

	Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
At the beginning of the period	53,607,117	38,794,937
Additions	18,306,798	10,416,424
Repayments	(18,751,237)	(6,887,637)
Disposal of subsidiaries	(1,327,616)	—
At the end of the period	<b>51,835,062</b>	42,323,724

As at 30 June 2016, the Group's bank and other borrowings of RMB27,461,702,000 (31 December 2015: RMB29,233,374,000) were jointly secured by certain properties, land use rights, equipment and trade receivables of the Group with total carrying values of RMB38,340,181,000 (31 December 2015: RMB23,704,691,000), and RMB2,854,495,000 (31 December 2015: RMB2,667,996,000) were secured by the Group's equity interests in certain subsidiaries.

## Notes to the Interim Condensed Consolidated Financial Information

**21 Bank and other borrowings** (Continued)

The weighted average effective interest rate of bank and other borrowings is 4.92% per annum for the six months ended 30 June 2016 (year ended 31 December 2015: 6.88% per annum).

The carrying amounts of bank and other borrowings are denominated in the following currencies:

	30 June 2016 RMB'000	31 December 2015 RMB'000
RMB	38,330,850	40,076,619
HKD	3,726,768	3,710,616
USD	7,671,814	7,131,060
RM	1,851,283	2,320,723
AUD	254,347	368,099
	<b>51,835,062</b>	<b>53,607,117</b>

**22 Share capital and premium**

	Number of ordinary shares	Nominal value of ordinary shares HKD'000	Equivalent nominal value of ordinary shares RMB'000	Share premium RMB'000	Treasury shares RMB'000	Total RMB'000
<b>Authorised</b>						
At 1 January 2015,						
31 December 2015 and 30 June 2016,						
HKD0.10 per share	100,000,000,000	10,000,000				
<b>Issued and fully paid:</b>						
At 1 January 2015	20,351,819,782	2,035,182	1,940,004	22,702,279	(380,236)	24,262,047
Issue of shares	2,236,200,000	223,620	176,861	4,773,703	–	4,950,564
At 31 December 2015 and 1 January 2016	22,588,019,782	2,258,802	2,116,865	27,475,982	(380,236)	29,212,611
Buy-back of shares (note (a))	–	–	–	–	(809,520)	(809,520)
Cancellation of shares (note (a))	(262,628,000)	(26,263)	(22,089)	(636,657)	658,746	–
At 30 June 2016	22,325,391,782	2,232,539	2,094,776	26,839,325	(531,010)	28,403,091

## Notes to the Interim Condensed Consolidated Financial Information

## 22 Share capital and premium (Continued)

## (a) Buy-back and cancellation of shares

The Group bought back a total of 320,580,000 of the Company's shares during the six months ended 30 June 2016, of which 262,628,000 shares have been cancelled as of 30 June 2016. The total consideration paid to buy back these shares was RMB809,520,000, which has been deducted from shareholders' equity.

## 23 Other reserves

	Merger reserve RMB'000	Statutory reserve RMB'000	Share option reserve RMB'000	Available- for-sale RMB'000	Financial assets at fair value through other comprehensive income RMB'000	Translation reserve RMB'000	Revaluation reserve RMB'000	Cash flow hedge reserve RMB'000	Deferred costs of hedging RMB'000	Others RMB'000	Total RMB'000
Balance at 1 January 2015	(149,801)	3,312,154	56,335	8,667	—	(42,668)	1,464,237	—	—	(405,476)	4,243,448
Transfer to statutory reserves	—	547,660	—	—	—	—	—	—	—	—	547,660
Currency translation differences	—	—	—	—	—	(827,849)	—	—	—	—	(827,849)
Employee share schemes	—	—	30,111	—	—	—	—	—	—	—	30,111
Change in fair value of available-for-sale financial assets, net of tax	—	—	—	4,748	—	—	—	—	—	—	4,748
Changes in ownership interests in subsidiaries without change of control	—	—	—	—	—	—	—	—	—	(55,979)	(55,979)
Balance at 31 December 2015	(149,801)	3,859,814	86,446	13,415	—	(870,517)	1,464,237	—	—	(461,455)	3,942,139
Balance at 1 January 2016	(149,801)	3,859,814	86,446	13,415	—	(870,517)	1,464,237	—	—	(461,455)	3,942,139
Adjustment on adoption of HKFRS 9 (note 4)	—	—	—	(13,415)	13,415	—	—	—	—	—	—
Restated other reserves at 1 January 2016	(149,801)	3,859,814	86,446	—	13,415	(870,517)	1,464,237	—	—	(461,455)	3,942,139
Capital injection from non-controlling interests (note (a))	—	—	—	—	—	—	—	—	—	86,400	86,400
Employee share schemes (notes (a) and (b))	—	—	24,666	—	—	—	—	—	—	38,205	62,871
Change in fair value of equity instruments at fair value through other comprehensive income, net of tax	—	—	—	—	3,975	—	—	—	—	—	3,975
Disposal of subsidiaries	—	(5,969)	—	—	—	—	—	—	—	—	(5,969)
Changes in ownership interests in subsidiaries without change of control (note 31)	—	—	—	—	—	—	—	—	—	2,264	2,264
Currency translation differences	—	—	—	—	—	637,038	—	—	—	—	637,038
Deferred gains on cash flow hedges, net of tax	—	—	—	—	—	—	—	25,515	—	—	25,515
Deferred costs of hedging, net of tax	—	—	—	—	—	—	—	—	(300,333)	—	(300,333)
Balance at 30 June 2016	(149,801)	3,853,845	111,112	—	17,390	(233,479)	1,464,237	25,515	(300,333)	(334,586)	4,453,900

## Notes to the Interim Condensed Consolidated Financial Information

### 23 Other reserves *(Continued)*

#### (a) Capital injection

Tibet Shunqi investment Centre (LLP) ("Tibet Shunqi LLP") was set up by several directors, supervisors and senior management of Guangdong Country Garden Property Service Co., Ltd. ("Guangdong Country Garden"), a subsidiary of the Company. In March 2016, Guangdong Country Garden increased its registered capital by RMB28,800,000 in the form of issuing 28,800,000 ordinary shares, which was subscribed by Tibet Shunqi LLP at a consideration of RMB115,200,000, the RMB86,400,000 of excess of the consideration over the registered capital is accounted for as contributed surplus and is recorded in other reserves.

Tibet Shunqi LLP was established to enable the key management personnel to hold the shares of Guangdong Country Garden indirectly through the LLP, thus the grant of the 28,800,000 shares to Tibet Shunqi falls into the scope of share-based payment and constitutes share-based compensation to employees settled by equity.

The fair value of the above granted shares is determined using income approach (discounted cash flow model), which was assessed to be RMB153,405,000 as at the grant date, the difference of RMB38,205,000 as compared to the consideration of RMB115,200,000 was accounted for as share-based compensation expense. The key assumptions used in determining the fair value mainly include:

- Discount rate of 12%; and
- Lack of control discount rate of 10.28%.

#### (b) Employee share schemes

Pursuant to a profit sharing incentive scheme, certain portion of the bonus calculated in accordance with the incentive scheme is settled in cash, while the remaining portion is settled in the Company's shares (the "Incentive Scheme").

Pursuant to the Incentive Scheme, during the period, the Group granted 2,665,373 share options with an exercise price of HKD3.020 per share, 2,431,903 share options with an exercise price of HKD3.332 per share, and 1,599,861 share options with an exercise price of HKD3.106 per share to certain directors; and awarded 3,658,545 shares and 5,365,064 shares to certain senior management and employees with an exercise price of HKD3.332 per share and HKD3.106 per share respectively. During the period, 2,665,373 share options under the Incentive Scheme lapsed and none of the share options were exercised.

The vesting period of these share options and awarded shares is 5 years from their respective grant dates. The fair values of these share options and awarded shares at the grant dates approximated the relevant portion of bonus which is to be settled in the Company's shares.

## Notes to the Interim Condensed Consolidated Financial Information

## 24 Expenses by nature

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Advertising costs	555,039	521,254
Amortisation of intangible assets (note 8)	6,380	3,863
Business taxes and other levies	3,209,579	2,909,370
Costs of completed properties sold	41,549,555	33,220,625
Donations	80,352	33,231
Depreciation	383,766	387,391
Employee benefit expenses	2,139,444	1,900,410
Land use rights amortisation (note 8)	31,694	27,299
Rental expenses	113,367	64,222
Others	1,093,918	233,803
Total cost of sales, selling and marketing costs and administrative expenses	49,163,094	39,301,468

## 25 Other income and gains – net

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Gains on bargain purchase (note 33)	22,430	65,361
Income from forfeiture of deposits	47,520	14,223
Fair value gains on financial assets at fair value through profit and loss	22,014	—
(Losses)/gains on disposal of investment properties	(18,361)	22,092
(Losses)/gains on disposal of property, plant and equipment	(7,643)	2,990
Dividend income from available-for-sale financial assets	—	9,560
Government grants	86,702	16,083
Others	111,277	(27,165)
	263,939	103,144

## Notes to the Interim Condensed Consolidated Financial Information

## 26 Finance income/(costs) – net

	Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
Finance income:		
– Interest income on short-term deposits	269,903	74,491
Finance costs:		
– Interest expenses:		
– Bank and other borrowings	(1,850,511)	(1,393,760)
– Senior notes (note 19)	(813,081)	(1,018,521)
– Corporate bonds (note 20)	(483,159)	–
	(3,146,751)	(2,412,281)
– Less: amounts capitalised on qualifying assets	3,146,751	2,412,281
	–	–
– Net foreign exchange losses on financing activities	(380,771)	(79,439)
– Less: amounts capitalised on qualifying assets	117,274	–
	(263,497)	(79,439)
– Loss on early redemption of senior notes	–	(307,369)
	(263,497)	(386,808)
Finance income/(costs) – net	6,406	(312,317)

## Notes to the Interim Condensed Consolidated Financial Information

## 27 Income tax expenses

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Current income tax		
– PRC corporate income tax	2,131,312	2,089,765
– Land appreciation tax ( <i>note (c)</i> )	827,405	824,840
	<b>2,958,717</b>	2,914,605
Deferred income tax		
– PRC corporate income tax	(27,868)	(91,884)
– Withholding income tax ( <i>note (d)</i> )	73,500	72,000
	<b>45,632</b>	(19,884)
	<b>3,004,349</b>	2,894,721

## Notes:

- (a) Hong Kong profits tax has been provided at the rate of 16.5% (2015:16.5%) on the estimated assessable profits of the Group's subsidiaries in Hong Kong.
- (b) PRC corporate income tax has been provided at corporate income tax rate of 25%.
- (c) PRC land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including cost of land use rights and all property development expenditures.
- (d) Withholding income tax is provided on the dividends to be distributed by the PRC subsidiaries of the Group. The relevant overseas holding companies have obtained endorsement from various PRC tax bureaus to enjoy the treaty benefit of 5% withholding income tax rate on dividends received from the PRC subsidiaries of the Group. Accordingly, withholding income tax has been provided at 5% of the profit expected to be distributed by the PRC subsidiaries of the Group.

## Notes to the Interim Condensed Consolidated Financial Information

## 28 Earnings per share

## (a) Basic

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period, excluding ordinary shares purchased by the Group and held as treasury shares (note 22).

	Six months ended 30 June	
	2016	2015
Profit attributable to owners of the Company (RMB'000)	5,389,583	4,929,843
Weighted average number of ordinary shares in issue (thousands)	22,289,163	21,121,232
Earnings per share — Basic (RMB cents per share)	24.18	23.34

## (b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company had two categories of dilutive potential ordinary shares: share options and awarded shares. For the share options and awarded shares, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options and awarded shares. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options and awarded shares.

	Six months ended 30 June	
	2016	2015
Profit attributable to owners of the Company/profit used to determine diluted earnings per share (RMB'000)	5,389,583	4,929,843
Weighted average number of ordinary shares in issue (thousands)	22,289,163	21,121,232
Adjustments — share options and awarded shares (thousands)	12,154	1,671
Weighted average number of ordinary shares for diluted earnings per share (thousands)	22,301,317	21,122,903
Earnings per share — Diluted (RMB cents per share)	24.17	23.34



## Notes to the Interim Condensed Consolidated Financial Information

## 29 Guarantees

	30 June 2016 RMB'000	31 December 2015 RMB'000
Guarantees in respect of mortgage facilities for certain purchasers ( <i>note (a)</i> )	83,485,226	60,636,156
Guarantees to associates and joint ventures in respect of borrowings ( <i>note (b)</i> )	7,165,260	1,781,900
	<b>90,650,486</b>	62,418,056

Note:

- (a) It represents the guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible for repaying the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to retain the legal title and take over the possession of the related properties. As at 30 June 2016, the amount of RMB24,347,000 (31 December 2015: RMB50,841,000) was to be discharged two years from the day the mortgaged loans become due; and RMB83,460,879,000 (31 December 2015: RMB60,585,315,000) was to be discharged upon earlier of (i) issuance of the real estate ownership certificate which are generally available within three months after the purchasers take possession of the relevant properties; and (ii) the satisfaction of mortgaged loan by the purchasers of properties.

The directors consider that in case of default in payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interest and penalty and therefore no provision has been made in the financial statements for the guarantees.

- (b) These represented the maximum exposure of the guarantees provided for the borrowings of certain joint ventures and associates (*note 34(d)*).

## 30 Commitments

## (a) Commitments for capital and property development expenditures

	30 June 2016 RMB'000	31 December 2015 RMB'000
Contracted but not provided for		
– Property, plant and equipment	17,667	45,753
– Property development expenditures (including land premium)	82,738,223	84,779,569
	<b>82,755,890</b>	84,825,322

## Notes to the Interim Condensed Consolidated Financial Information

**30 Commitments** (Continued)**(b) Operating lease commitments**

The future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings are as follows:

	<b>30 June 2016 RMB'000</b>	31 December 2015 RMB'000
Not later than one year	<b>39,438</b>	41,080
Later than one year and not later than five years	<b>57,900</b>	30,884
Later than five years	<b>7,891</b>	6,125
	<b>105,229</b>	78,089

**(c) Operating lease rentals receivable**

The future aggregate minimum lease rentals receivable under non-cancellable operating leases are as follows:

	<b>30 June 2016 RMB'000</b>	31 December 2015 RMB'000
Not later than one year	<b>102,926</b>	93,308
Later than one year and not later than five years	<b>446,757</b>	437,225
Later than five years	<b>588,635</b>	586,023
	<b>1,138,318</b>	1,116,556

## Notes to the Interim Condensed Consolidated Financial Information

## 31 Transactions with non-controlling interests

## (a) Acquisition of additional interests in subsidiaries

## (i) Fuding Country Garden Property Development Co., Ltd. ("Fuding Country Garden")

On 30 April 2016, the Group acquired an additional 20% equity interest of Fuding Country Garden for a purchase consideration of RMB23,340,000. The Group held 100% equity interest of Fuding Country Garden after the acquisition. The carrying amount of the non-controlling interests in Fuding Country Garden on the date of acquisition was RMB19,721,000. The Group recognised a decrease in non-controlling interests of RMB19,721,000 and a decrease in equity attributable to owners of the Company of RMB3,619,000. The effect of changes in the ownership interest of the Group on the equity attributable to owners of the Company during the period is summarised as follows:

	As at 30 June 2016 RMB'000
Carrying amount of non-controlling interests acquired	19,721
Consideration paid to non-controlling interests	(23,340)
Difference recognised within equity	(3,619)

## (ii) Yangjiang Country Garden Property Development Co., Ltd. ("Yangjiang Country Garden")

On 1 January 2016, the Group acquired an additional 40% equity interest of Yangjiang Country Garden for a purchase consideration of RMB20,000,000. The Group held 100% equity interest of Yangjiang Country Garden after the acquisition. The carrying amount of the non-controlling interests in Yangjiang Country Garden on the date of acquisition was RMB14,346,000. The Group recognised a decrease in non-controlling interests of RMB14,346,000 and a decrease in equity attributable to owners of the Company of RMB5,654,000. The effect of changes in the ownership interest of the Group on the equity attributable to owners of the Company during the period is summarised as follows:

	As at 30 June 2016 RMB'000
Carrying amount of non-controlling interests acquired	14,346
Consideration paid to non-controlling interests	(20,000)
Difference recognised within equity	(5,654)

## Notes to the Interim Condensed Consolidated Financial Information

**31 Transactions with non-controlling interests** *(Continued)***(a) Acquisition of additional interests in subsidiaries** *(Continued)***(iii) Nanan Country Garden Property Development Co., Ltd. (“Nanan Country Garden”)**

On 1 January 2016, the Group acquired an additional 20% equity interest of Nanan Country Garden for a total cash consideration of RMB45,000,000. The Group held 100% equity interest of Nanan Country Garden after the acquisition. The carrying amount of the non-controlling interests in Nanan Country Garden on the date of acquisition was RMB57,376,000. The Group recognised a decrease in non-controlling interests of RMB57,376,000 and an increase in equity attributable to owners of the Company of RMB12,376,000. The effect of changes in the ownership interest of the Group on the equity attributable to owners of the Company during the period is summarised as follows:

	As at 30 June 2016 RMB'000
Carrying amount of non-controlling interests acquired	57,376
Consideration paid to non-controlling interests	(45,000)
Difference recognised within equity	12,376

**(iv) Other acquisitions of additional interests in subsidiaries**

The following table summarises the carrying amount of other non-controlling interests acquired, consideration paid to non-controlling interests and excess of consideration paid recognised within equity of these subsidiaries at the acquisition dates:

	As at 30 June 2016 RMB'000
Carrying amount of non-controlling interests acquired	39,077
Consideration paid to non-controlling interests	(39,916)
Difference recognised within equity	(839)

## Notes to the Interim Condensed Consolidated Financial Information

**31 Transactions with non-controlling interests** *(Continued)***(b) Disposal of interests in subsidiaries without loss of control**

During the period, the Group disposed of interests of 20% and 40% in two subsidiaries at a total cash consideration of RMB52,000,000. The carrying amount of the non-controlling interests in the subsidiaries on the date of disposal was RMB52,000,000. The Group recognised an increase in non-controlling interests of RMB52,000,000.

As at 30 June 2016, RMB12,000,000 of the above consideration has been received, the remaining portion will be received in 2016.

- (c)** The aggregate effects of the above transactions with non-controlling interests on the equity attributable to owners of the Company for the period ended 30 June 2016:

	RMB'000
Changes in equity attributable to owners of the Company arising from:	
– Acquisition of additional interests in subsidiaries	2,264
– Disposal of interests in subsidiaries without loss of control	–
Net effect for transactions with non-controlling interests on equity attributable to owners of the Company	2,264

**32 Disposal of subsidiaries**

During the period, the Group disposed of interests in a number of subsidiaries to certain third parties. Details of the disposal are as follows:

	RMB'000
Disposal consideration	
– Cash received	21,000
– Outstanding and included in other receivables	1,661,575
	1,682,575
Total net assets of subsidiaries disposed of	4,163,185
Non-controlling interest disposed of	(365,869)
Transferred to associates ( <i>note 10</i> )	(546,639)
Transferred to joint ventures ( <i>note 11</i> )	(1,568,102)
	1,682,575
Gains/(losses) on disposal	–
Cash proceeds from disposal, net of cash disposed of	
– Cash consideration received	21,000
– Less: cash and cash equivalents in the subsidiaries disposed of	(357,457)
– Net cash outflow on disposal	(336,457)

## Notes to the Interim Condensed Consolidated Financial Information

**33 Business combination****(a) Acquisition of Guangdong Huizhou Qunfeng Wenquan Investment Co., Ltd. (“Huizhou Qunfeng”)**

On 15 March 2016, the Group acquired 46.75% equity interest of Huizhou Qunfeng from certain third parties at a total cash consideration of RMB1,149,736,000.

Huizhou Qunfeng’s principal activities are property development and management in the PRC.

As the Group has the rights to variable returns from its involvement in Huizhou Qunfeng and has the ability to affect those returns through its majority vote position in the board of directors of Huizhou Qunfeng and the right to determine the budget, pricing and promotion strategies of Huizhou Qunfeng, the Group has control over Huizhou Qunfeng and Huizhou Qunfeng is thus accounted for as a subsidiary of the Group.

The following table summarises the consideration paid for Huizhou Qunfeng, the fair value of assets acquired, liabilities assumed and the non-controlling interest at the acquisition date.

	RMB'000
<b>Purchase consideration</b>	
– Cash	1,149,736
<b>Recognised amounts of identifiable assets acquired and liabilities assumed</b>	
Cash and cash equivalents	131
Property, plant and equipment	4,832
Properties under development and properties held for sale	3,718,192
Trade and other receivables	110,011
Trade and other payables	(598,987)
Deferred income tax liabilities	(771,045)
Total identifiable net assets	2,463,134
Non-controlling interest	(1,311,619)
Gain on bargain purchase	(1,779)
	1,149,736
Outflow of cash to acquire business, net of cash acquired	
– cash consideration	1,149,736
– cash and cash equivalents in the subsidiary acquired	(131)
Cash outflow on acquisition	1,149,605

## Notes to the Interim Condensed Consolidated Financial Information

**33 Business combination** (Continued)**(a) Acquisition of Guangdong Huizhou Qunfeng Wenquan Investment Co., Ltd. (“Huizhou Qunfeng”)**  
(Continued)

The acquired business reported net loss of RMB2,097,000 to the Group for the period from 15 March 2016 to 30 June 2016. If the acquisition had occurred on 1 January 2016, the net loss would have been RMB2,097,000 for the period ended 30 June 2016. The directors consider the ‘pro-forma’ number to represent an approximate measure of the performance of the combined group on an annualised basis and to provide a reference point for comparison in future periods.

**(b) Acquisition of Qidong Zhongbang Property Development Co., Ltd. (“Qidong Zhongbang”)**

On 21 April 2016, the Group acquired 84% equity interest of Qidong Zhongbang from certain third parties at a total cash consideration of RMB925,102,000.

Qidong Zhongbang’s principal activities are property development and management in the PRC.

The following table summarises the consideration paid for Qidong Zhongbang, the fair value of assets acquired, liabilities assumed and the non-controlling interest at the acquisition date.

	RMB'000
<b>Purchase consideration</b>	
– Cash	925,102
<b>Recognised amounts of identifiable assets acquired and liabilities assumed</b>	
Cash and cash equivalents	3,611
Property, plant and equipment	987
Properties under development and properties held for sale	2,104,731
Trade and other receivables	217,091
Trade and other payables	(952,685)
Deferred income tax liabilities	(266,592)
Total identifiable net assets	1,107,143
Non-controlling interest	(177,143)
Gain on bargain purchase	(4,898)
	925,102
Outflow of cash to acquire business, net of cash acquired	
– cash consideration	925,102
– cash and cash equivalents in the subsidiary acquired	(3,611)
Cash outflow on acquisition	921,491

## Notes to the Interim Condensed Consolidated Financial Information

### 33 Business combination *(Continued)*

#### **(b) Acquisition of Qidong Zhongbang Property Development Co., Ltd. (“Qidong Zhongbang”)** *(Continued)*

The acquired business contributed net loss of RMB4,688,000 to the Group for the period from 21 April 2016 to 30 June 2016. If the acquisition had occurred on 1 January 2016, the net loss would have been RMB63,159,000 for the period ended 30 June 2016. The directors consider the ‘pro-forma’ number to represent an approximate measure of the performance of the combined group on an annualised basis and to provide a reference point for comparison in future periods.

#### **(c) Acquisition of Jurong Lide Property Co., Ltd. (“Jurong Lide”)**

On 19 January 2016, the Group acquired 41.35% equity interest of Jurong Lide from certain third parties at a total cash consideration of RMB83,884,000.

Jurong Lide’s principal activities are property development and management in the PRC.

As the Group has the rights to variable returns from its involvement in Jurong Lide and has the ability to affect those returns through its majority vote position in the board of directors of Jurong Lide and the right to determine the budget, pricing and promotion strategies of Jurong Lide, the Group has control over Jurong Lide and Jurong Lide is thus accounted for as a subsidiary of the Group.



## Notes to the Interim Condensed Consolidated Financial Information

**33 Business combination** (Continued)**(c) Acquisition of Jurong Lide Property Co., Ltd. (“Jurong Lide”)** (Continued)

The following table summarises the consideration paid for Jurong Lide, the fair value of assets acquired, liabilities assumed and the non-controlling interest at the acquisition date.

	RMB'000
<b>Purchase consideration</b>	
– Cash	<b>83,884</b>
<b>Recognised amounts of identifiable assets acquired and liabilities assumed</b>	
Cash and cash equivalents	15,747
Property, plant and equipment	1,735
Properties under development and properties held for sale	700,886
Trade and other receivables	45,749
Trade and other payables	(477,644)
Deferred income tax liabilities	(45,513)
Total identifiable net assets	<b>240,960</b>
Non-controlling interest	<b>(141,323)</b>
Gain on bargain purchase	<b>(15,753)</b>
	<b>83,884</b>
Outflow of cash to acquire business, net of cash acquired	
– cash consideration	<b>83,884</b>
– cash and cash equivalents in the subsidiary acquired	<b>(15,747)</b>
Cash outflow on acquisition	<b>68,137</b>

The bargain purchase gain was mainly due to the fact that the sellers had the intention to exit from their investments in these acquired businesses due to various operational reasons.

The acquired business contributed net loss of RMB4,224,000 to the Group for the period from 19 January 2016 to 30 June 2016. If the acquisition had occurred on 1 January 2016, the net loss would have been RMB4,224,000 for the period ended 30 June 2016. The directors consider the ‘pro-forma’ number to represent an approximate measure of the performance of the combined group on an annualised basis and to provide a reference point for comparison in future periods.

## Notes to the Interim Condensed Consolidated Financial Information

**33 Business combination** (Continued)**(d) Acquisition of Meizhou Dong Shangu Culture Industry Co., Ltd. (“Dong Shangu”)**

On 5 February 2016, the Group acquired 83.25% equity interest of Dong Shangu from certain third parties at a total cash consideration of RMB9,238,000.

Dong Shangu’s principal activities are property development and management in the PRC.

The following table summarises the consideration paid for Dong Shangu, the fair value of assets acquired, liabilities assumed and the non-controlling interest at the acquisition date.

	RMB'000
<b>Purchase consideration</b>	
– Cash	9,238
<b>Recognised amounts of identifiable assets acquired and liabilities assumed</b>	
Cash and cash equivalents	628
Property, plant and equipment	114
Properties under development and properties held for sale	435,692
Trade and other receivables	15,500
Trade and other payables	(438,905)
Deferred income tax liabilities	(2,523)
Total identifiable net assets	10,506
Non-controlling interest	(1,268)
	9,238
Outflow of cash to acquire business, net of cash acquired	
– cash consideration	9,238
– cash and cash equivalents in the subsidiary acquired	(628)
Cash outflow on acquisition	8,610

The acquired business contributed net loss of RMB5,279,000 to the Group for the period from 5 February 2016 to 30 June 2016. If the acquisition had occurred on 1 January 2016, the net loss would have been RMB5,666,000 for the period ended 30 June 2016. The directors consider the ‘pro-forma’ number to represent an approximate measure of the performance of the combined group on an annualised basis and to provide a reference point for comparison in future periods.

## Notes to the Interim Condensed Consolidated Financial Information

**34 Related party transactions****(a) Ultimate Controlling shareholder**

The Company is ultimately controlled by Ms. Yang Huiyan (the “Ultimate Controlling Shareholder”).

**(b) Transactions with related parties**

Saved as disclosed in other notes above, the Group had the following significant transactions with related parties during the period:

	Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
(i) Controlled by the Ultimate Controlling Shareholder		
Purchase of design service	80,140	387,365
Purchases of construction materials and water	1,825	1,915
	<b>81,965</b>	389,280
(ii) Controlled by certain directors of the Company		
Construction and decoration service income	54,242	82,613
Purchases of construction materials and water	—	2,129
Property management and operating service income	1,066	—
	<b>55,308</b>	84,742
(iii) Associates:		
Construction and decoration service income	320,365	—
Property management and operating service income	2,634	—
	<b>322,999</b>	—
(iv) Joint ventures:		
Construction and decoration service income	229,750	—
Property management and operating service income	3,694	—
	<b>233,444</b>	—

The prices for the above service fees and purchases of construction materials and water were determined in accordance with the terms of the underlying agreements.

## Notes to the Interim Condensed Consolidated Financial Information

**34 Related party transactions** (Continued)**(c) Key management compensation**

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Salaries, bonus, share-based compensation expenses and other employee benefits	<b>56,759</b>	47,674

**(d) Balances with related parties**

As at 30 June 2016, the Group had the following significant balances with its related parties:

	30 June	31 December
	2016	2015
	RMB'000	RMB'000
(i) Controlled by the Ultimate Controlling Shareholder		
Other receivables and prepayments	<b>2</b>	296,408
Trade and other payables	<b>1,654</b>	2,022,613
(ii) Controlled by certain directors of the Company		
Trade receivables	<b>152,804</b>	—
Amounts due from customers for contract work	<b>38,018</b>	225,513
Other receivables and prepayments	<b>155,320</b>	964,104
Trade and other payables	<b>2,610</b>	27,224
(iii) Associates:		
Trade receivables	<b>18,434</b>	—
Amounts due from customers for contract work	<b>184,390</b>	72,570
Other receivables and prepayments	<b>5,842,725</b>	2,923,452
Trade and other payables	<b>3,129,277</b>	220,076
Providing guarantee in respect of borrowings	<b>3,841,060</b>	1,781,900
(iv) Joint ventures:		
Trade receivables	<b>129,752</b>	—
Amounts due from customers for contract work	<b>246,155</b>	45,130
Other receivables and prepayments	<b>8,853,464</b>	413,693
Trade and other payables	<b>2,446,494</b>	225,054
Providing guarantee in respect of borrowings	<b>3,324,200</b>	—
Entrusted loans	<b>—</b>	775,971

## Notes to the Interim Condensed Consolidated Financial Information

### 34 Related party transactions *(Continued)*

#### (d) Balances with related parties *(Continued)*

Except for the entrusted loans which bore an interest at 12% to 14.25% per annum, the above balances due from/to related parties are unsecured, interest-free and to be settled according to the contract terms.

### 35 Subsequent events

On 2 August 2016, the Company issued the third tranche non-public corporate bonds with a principal amount of RMB1,000,000,000 and a tenure of 5 years. The coupon rate of these bonds is 4.6% per annum. At the end of the third year, the Company can adjust the coupon rate and investors can exercise retractable option.

## FINANCIAL STATEMENTS

# Independent Auditor's Report



羅兵咸永道

**TO THE SHAREHOLDERS OF COUNTRY GARDEN HOLDINGS COMPANY LIMITED***(Incorporated in the Cayman Islands with limited liability)*

We have audited the consolidated financial statements of Country Garden Holdings Company Limited (the "Company") and its subsidiaries set out on pages 132 to 254, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

**Directors' Responsibility for the Consolidated Financial Statements**

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

*PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong  
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com*



羅兵咸永道

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at 31 December 2015, and of their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

**PricewaterhouseCoopers**  
Certified Public Accountants

Hong Kong, 15 March 2016

## FINANCIAL STATEMENTS

Consolidated Statement of  
Financial Position

	Note	As at 31 December	
		2015 RMB'000	2014 RMB'000
<b>Non-current assets</b>			
Property, plant and equipment	6	20,019,841	18,642,518
Investment properties	7	8,686,295	7,035,579
Intangible assets	8	121,539	29,247
Land use rights	9	2,052,170	2,034,522
Properties under development	10	52,727,068	44,638,652
Investments in associates	11(c)	884,492	34,492
Investments in joint ventures	11(b)	803,934	21,374
Available-for-sale financial assets	12	214,998	208,667
Trade and other receivables	15	642,950	–
Deferred income tax assets	28	3,786,942	2,770,111
		<b>89,940,229</b>	<b>75,415,162</b>
<b>Current assets</b>			
Properties under development	10	135,107,046	105,993,980
Completed properties held for sale	13	34,114,127	23,203,236
Inventories	14	1,978,437	2,095,143
Trade and other receivables	15	42,242,116	25,370,902
Prepaid taxes		9,490,355	8,739,706
Restricted cash	16	11,637,126	8,453,490
Cash and cash equivalents	17	36,240,752	18,760,590
Financial assets at fair value through profit or loss	18	1,188,096	–
Derivative financial instruments	20	18,043	–
		<b>272,016,098</b>	<b>192,617,047</b>
<b>Current liabilities</b>			
Advanced proceeds received from customers		96,516,079	91,792,491
Trade and other payables	19	73,385,200	40,924,965
Income taxes payable		8,905,412	8,976,132
Senior notes	21	–	2,538,757
Bank and other borrowings	23	22,778,038	12,390,679
Derivative financial instruments	20	10,198	–
		<b>201,594,927</b>	<b>156,623,024</b>
<b>Net current assets</b>		<b>70,421,171</b>	<b>35,994,023</b>
<b>Total assets less current liabilities</b>		<b>160,361,400</b>	<b>111,409,185</b>



	Note	As at 31 December	
		2015 RMB'000	2014 RMB'000
<b>Non-current liabilities</b>			
Senior notes	21	20,878,179	19,735,005
Debentures	22	15,258,499	–
Bank and other borrowings	23	30,829,079	26,404,258
Deferred government grants		239,520	239,520
Deferred income tax liabilities	28	3,815,717	2,587,976
		<b>71,020,994</b>	48,966,759
<b>Equity attributable to owners of the Company</b>			
Share capital and premium	24	29,212,611	24,262,047
Other reserves	26	3,942,139	4,243,448
Retained earnings	26	32,135,960	28,180,710
		<b>65,290,710</b>	56,686,205
<b>Non-controlling interests</b>			
Perpetual capital securities	27	19,528,000	3,090,000
Other non-controlling interests		4,521,696	2,666,221
		<b>24,049,696</b>	5,756,221
<b>Total equity</b>		<b>89,340,406</b>	62,442,426
<b>Total equity and non-current liabilities</b>		<b>160,361,400</b>	111,409,185

The notes on pages 140 to 254 are an integral part of these consolidated financial statements.

The financial statements on pages 132 to 254 were approved by the Board of Directors on 15 March 2016 and were signed on its behalf.

MO Bin  
Director

WU Jianbin  
Director

## FINANCIAL STATEMENTS

Consolidated Statement of  
Comprehensive Income

	Note	Year ended 31 December	
		2015 RMB'000	2014 RMB'000
<b>Revenue</b>	5	<b>113,222,640</b>	84,548,803
Cost of sales	30	<b>(90,359,341)</b>	(62,493,670)
<b>Gross profit</b>		<b>22,863,299</b>	22,055,133
Other income and gains – net	29	<b>423,985</b>	185,996
Gains arising from changes in fair value of and transfer to investment properties	7	<b>809,812</b>	1,880,036
Selling and marketing costs	30	<b>(4,688,695)</b>	(4,356,272)
Administrative expenses	30	<b>(3,230,024)</b>	(3,159,928)
<b>Operating profit</b>		<b>16,178,377</b>	16,604,965
Finance income	32	<b>221,079</b>	254,747
Finance costs	32	<b>(1,510,589)</b>	(450,329)
Finance costs – net	32	<b>(1,289,510)</b>	(195,582)
Share of results of associates and joint ventures	11(b), 11(c)	<b>(55,758)</b>	(40,258)
<b>Profit before income tax</b>		<b>14,833,109</b>	16,369,125
Income tax expenses	33	<b>(5,121,428)</b>	(5,757,225)
<b>Profit for the year</b>		<b>9,711,681</b>	10,611,900
<b>Profit attributable to:</b>			
– Owners of the Company		<b>9,276,485</b>	10,229,159
– Non-controlling interests			
Perpetual capital securities		<b>356,104</b>	207,169
Other non-controlling interests		<b>79,092</b>	175,572
		<b>435,196</b>	382,741
		<b>9,711,681</b>	10,611,900
<b>Other comprehensive income</b>			
Items that will not be reclassified subsequently to profit or loss:			
– Revaluation gains on properties upon transfer from property, plant and equipment and land use rights to investment properties, net of tax	26	<b>–</b>	1,464,237
Items that may be reclassified to profit or loss:			
– Change in fair value of available-for-sale financial assets, net of tax	26	<b>4,748</b>	2,338
– Currency translation differences		<b>(899,069)</b>	6,452
<b>Other comprehensive (loss)/income for the year, net of tax</b>		<b>(894,321)</b>	1,473,027
<b>Total comprehensive income for the year</b>		<b>8,817,360</b>	12,084,927

	Note	Year ended 31 December	
		2015 RMB'000	2014 RMB'000
<b>Total comprehensive income attributable to:</b>			
– Owners of the Company		<b>8,453,384</b>	11,700,200
– Non-controlling interests			
Perpetual capital securities		<b>356,104</b>	207,169
Other non-controlling interests		<b>7,872</b>	177,558
		<b>363,976</b>	384,727
		<b>8,817,360</b>	12,084,927
<b>Earnings per share attributable to owners of the Company (expressed in RMB cents per share)</b>			
Basic	36	<b>42.54</b>	53.45
Diluted	36	<b>42.53</b>	53.45

The notes on pages 140 to 254 are an integral part of these consolidated financial statements.

## FINANCIAL STATEMENTS

Consolidated Statement of  
Changes in Equity

	Attributable to owners of the Company				Non-controlling interests			Total Equity RMB'000
	Share capital and premium RMB'000 (note 24)	Other reserves RMB'000 (note 26)	Retained earnings RMB'000 (note 26)	Total RMB'000	Perpetual capital securities RMB'000 (note 27)	Others RMB'000	Total RMB'000	
<b>Balance at 1 January 2015</b>	24,262,047	4,243,448	28,180,710	56,686,205	3,090,000	2,666,221	5,756,221	62,442,426
<b>Comprehensive income</b>								
Profit for the year	-	-	9,276,485	9,276,485	356,104	79,092	435,196	9,711,681
Other comprehensive income								
- Change in fair value of available-for-sale financial assets, net of tax	-	4,748	-	4,748	-	-	-	4,748
- Currency translation differences	-	(827,849)	-	(827,849)	-	(71,220)	(71,220)	(899,069)
<b>Total comprehensive income for the year</b>	-	(823,101)	9,276,485	8,453,384	356,104	7,872	363,976	8,817,360
<b>Transactions with owners in their capacity as owners:</b>								
Capital injections	-	-	-	-	16,838,000	1,155,383	17,993,383	17,993,383
Redemption of perpetual capital securities	-	-	-	-	(400,000)	-	(400,000)	(400,000)
Transfer to statutory reserves	-	547,660	(547,660)	-	-	-	-	-
Dividends and distributions (note 34)	-	-	(4,773,575)	(4,773,575)	(356,104)	(50)	(356,154)	(5,129,729)
Issue of shares (note 24)	4,950,564	-	-	4,950,564	-	-	-	4,950,564
Employee share schemes: - value of employee services (note 25)	-	30,111	-	30,111	-	-	-	30,111
Non-controlling interests arising from business combination (note 40)	-	-	-	-	-	740,569	740,569	740,569
Changes in ownership interests in subsidiaries without change of control (note 39)	-	(55,979)	-	(55,979)	-	(48,299)	(48,299)	(104,278)
<b>Total transactions with owners</b>	4,950,564	521,792	(5,321,235)	151,121	16,081,896	1,847,603	17,929,499	18,080,620
<b>Balance at 31 December 2015</b>	29,212,611	3,942,139	32,135,960	65,290,710	19,528,000	4,521,696	24,049,696	89,340,406

The notes on pages 140 to 254 are an integral part of these consolidated financial statements.

	Attributable to owners of the Company				Non-controlling interests			Total Equity RMB'000
	Share capital and premium RMB'000 (note 24)	Other reserves RMB'000 (note 26)	Retained earnings RMB'000 (note 26)	Total RMB'000	Perpetual capital securities RMB'000 (note 27)	Others RMB'000	Total RMB'000	
<b>Balance at 1 January 2014</b>	20,169,019	2,194,083	21,590,518	43,953,620	-	2,057,547	2,057,547	46,011,167
<b>Comprehensive income</b>								
Profit for the year	-	-	10,229,159	10,229,159	207,169	175,572	382,741	10,611,900
Other comprehensive income								
- Revaluation gains on properties upon transfer from property, plant and equipment and land use rights to investment properties, net of tax	-	1,464,237	-	1,464,237	-	-	-	1,464,237
- Change in fair value of available-for-sale financial assets, net of tax	-	2,338	-	2,338	-	-	-	2,338
- Currency translation differences	-	4,466	-	4,466	-	1,986	1,986	6,452
<b>Total comprehensive income for the year</b>	-	1,471,041	10,229,159	11,700,200	207,169	177,558	384,727	12,084,927
<b>Transactions with owners in their capacity as owners:</b>								
Capital injections	-	-	-	-	3,090,000	431,116	3,521,116	3,521,116
Transfer to statutory reserves	-	540,156	(540,156)	-	-	-	-	-
Dividends and distributions (note 34)	-	-	(3,098,811)	(3,098,811)	(207,169)	-	(207,169)	(3,305,980)
Issue of shares as a result of scrip dividend scheme (note 24)	1,591,601	-	-	1,591,601	-	-	-	1,591,601
Issue of shares as a result of a rights issue (note 24)	2,501,427	-	-	2,501,427	-	-	-	2,501,427
Employee share schemes:								
- value of employee services (note 25)	-	38,168	-	38,168	-	-	-	38,168
<b>Total transactions with owners</b>	4,093,028	578,324	(3,638,967)	1,032,385	2,882,831	431,116	3,313,947	4,346,332
<b>Balance at 31 December 2014</b>	24,262,047	4,243,448	28,180,710	56,686,205	3,090,000	2,666,221	5,756,221	62,442,426

The notes on pages 140 to 254 are an integral part of these consolidated financial statements.

## FINANCIAL STATEMENTS

Consolidated Cash Flow  
Statement

	Note	Year ended 31 December	
		2015 RMB'000	2014 RMB'000
<b>Cash flows from operating activities</b>			
Cash (used in)/generated from operations	35	(6,488,588)	6,543,405
Income tax paid		(6,144,944)	(5,997,773)
Interest paid		(4,956,400)	(4,877,497)
<b>Net cash used in operating activities</b>		<b>(17,589,932)</b>	<b>(4,331,865)</b>
<b>Cash flows from investing activities</b>			
Payments for acquisition of subsidiaries, net of cash acquired	40	(1,637,726)	–
Proceeds from disposal of a subsidiary, net of cash disposed of		34,837	–
Purchases of property, plant and equipment		(2,197,538)	(4,768,710)
Proceeds from disposal of investment properties	35	156,401	–
Payments for investment properties	7	(344,564)	–
Purchases of intangible assets	8	(12,467)	(10,875)
Purchases of land use rights	9	(74,797)	(337,450)
Investments in associates		(399,181)	(6,000)
Investments in joint ventures		(712,771)	–
Loans advanced to joint ventures	41(d)(iii)	(775,971)	–
Dividend income from available-for-sale financial assets	29	9,560	6,100
Proceeds from disposal of property, plant and equipment	35	255,447	174,911
Payments for financial assets at fair value through profit or loss	18	(1,188,096)	–
Interest received	32	221,079	254,747
<b>Net cash used in investing activities</b>		<b>(6,665,787)</b>	<b>(4,687,277)</b>
<b>Cash flows from financing activities</b>			
Capital injections from non-controlling interests		17,993,383	3,521,116
Issue of new shares	24	4,950,564	2,501,427
Proceeds from disposal of interests in subsidiaries without loss of control	39	16,722	–
Payments for acquisition of additional interests in subsidiaries	39	(127,000)	–
Issue of debentures	22	15,111,799	–
Redemption of perpetual capital securities	27	(400,000)	–
Redemption and repayment of senior notes	21	(8,325,469)	(5,875,596)
Issue of senior notes	21	5,483,516	4,849,502
Payments for senior notes covenant modification fees	21	(51,166)	–
Proceeds from bank and other borrowings		32,895,610	17,974,590
Repayments of bank and other borrowings		(20,779,394)	(12,368,886)
Dividends paid to owners of the Company	34	(4,773,575)	(1,507,210)
Distribution to holders of perpetual capital instruments	27	(325,372)	(182,296)
Dividends paid to other non-controlling interests		(50)	–
<b>Net cash generated from financing activities</b>		<b>41,669,568</b>	<b>8,912,647</b>

	Note	Year ended 31 December	
		2015 RMB'000	2014 RMB'000
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>17,413,849</b>	(106,495)
Cash and cash equivalents at the beginning of the year		<b>18,760,590</b>	18,909,719
Exchange gains/(losses) on cash and cash equivalents		<b>66,313</b>	(42,634)
<b>Cash and cash equivalents at the end of the year</b>	17	<b>36,240,752</b>	18,760,590

The notes on pages 140 to 254 are an integral part of these consolidated financial statements.

## FINANCIAL STATEMENTS

# Notes to the Consolidated Financial Statements

## 1 General information

Country Garden Holdings Company Limited (the “Company”) was incorporated in the Cayman Islands on 10 November 2006 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

The address of the Company’s registered office is Cricket Square, Hutchins Drive, P.O. Box 2681 Grand Cayman, KY1-1111 Cayman Islands. The Company is engaged in investment holding and its subsidiaries (collectively, the “Group”) are principally engaged in the property development, construction, fitting and decoration, property investment, property management and hotel operation.

The shares of the Company are listed on The Stock Exchange of Hong Kong Limited.

These financial statements are presented in Renminbi (“RMB”), unless otherwise stated. These financial statements have been approved for issue by the Board of Directors on 15 March 2016.

## 2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### 2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRS”). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss and investment properties, which are carried at fair value.

The preparation of financial statements in conformity with the HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.



## 2 Summary of significant accounting policies (Continued)

### 2.1 Basis of preparation (Continued)

#### 2.1.1 Changes in accounting policy and disclosures

- (i) The new or revised standards, amendments and interpretations to existing standards, which are mandatory for the financial year beginning on 1 January 2015, are either currently not relevant to the Group or had no material impact on the Group's consolidated financial statements.
- (ii) New Hong Kong Companies Ordinance (Cap.622)  
In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.
- (iii) New and revised standards and amendments to existing standards that have been issued and are relevant to the Group, but are not effective for the financial year beginning on 1 January 2015 and have not been early adopted
  - Amendment to HKFRS 11 "Accounting for acquisitions of interests in joint operations". The amendment requires an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a business (as defined in HKFRS 3, Business combinations). Specifically, an investor will need to: measure identifiable assets and liabilities at fair value; expense acquisition-related costs; recognise deferred tax; and recognise the residual as goodwill. All other principles of business combination accounting apply unless they conflict with HKFRS 11. The amendment is applicable to both the acquisition of the initial interest and a further interest in a joint operation. The previously held interest is not remeasured when the acquisition of an additional interest in the same joint operation with joint control maintained. This amendment will be effective for annual periods beginning on or after 1 January 2016.
  - Amendments to HKFRS 10 and HKAS 28 "Sale or contribution of assets between an investor and its associate or joint venture". The amendments address an inconsistency between HKFRS 10 and HKAS 28 in the sale and contribution of assets between an investor and its associate or joint venture. A full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if those assets are in a subsidiary. These amendments were originally intended to be effective for annual periods beginning on or after 1 January 2016. The effective date has now been deferred/removed.

## FINANCIAL STATEMENTS

## Notes to the Consolidated Financial Statements

**2 Summary of significant accounting policies (Continued)****2.1 Basis of preparation (Continued)****2.1.1 Changes in accounting policy and disclosures (Continued)**

- (iii) New and revised standards and amendments to existing standards that have been issued and are relevant to the Group, but are not effective for the financial year beginning on 1 January 2015 and have not been early adopted (Continued)
- Amendment to HKAS 27 “Equity method in separate financial statements”. The amendment allows entities to use equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. This amendment will be effective for annual periods beginning on or after 1 January 2016.
  - Annual improvements 2014. The amendments include changes from the 2012-2014 cycle of the annual improvements project that affect 4 standards: HKFRS 5, ‘Non-current assets held for sale and discontinued operations’, HKFRS 7, ‘Financial instruments: Disclosures’, HKAS 19, ‘Employee benefits’, and HKAS 34, ‘Interim financial reporting’. These amendments will be effective for annual periods beginning on or after 1 January 2016.
  - Amendments to HKAS 1 “Disclosure initiative”. The amendments clarify guidance in HKAS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies. Although the amendments do not require specific changes, they clarify a number of presentation issues and highlight that preparers are permitted to tailor the format and presentation of the financial statements to their circumstances and the needs of users. The key areas addressed by the changes are as follows: 1) Materiality: an entity should not aggregate or disaggregate information in a manner that obscures useful information. An entity need not provide disclosures if the information is not material; 2) Disaggregation and subtotals: the amendments clarify what additional subtotals are acceptable and how they should be presented; 3) Notes: an entity is not required to present the notes to the financial statements in a particular order, and management should tailor the structure of their notes to their circumstances and the needs of their users; 4) Accounting policies: how to identify a significant accounting policy that should be disclosed; 5) Other comprehensive income from equity accounted investments: other comprehensive income of associates and joint ventures should be separated into the share of items that will subsequently be reclassified to profit or loss and those that will not. These amendments will be effective for annual periods beginning on or after 1 January 2016.

## 2 Summary of significant accounting policies (Continued)

### 2.1 Basis of preparation (Continued)

#### 2.1.1 Changes in accounting policy and disclosures (Continued)

(iii) New and revised standards and amendments to existing standards that have been issued and are relevant to the Group, but are not effective for the financial year beginning on 1 January 2015 and have not been early adopted (Continued)

- HKFRS 9, 'Financial instruments'. HKFRS 9 (2014), "Financial instruments" replaces the whole of HKAS 39. HKFRS 9 has three financial asset classification categories for investments in debt instruments: amortised cost, fair value through other comprehensive income ("OCI") and fair value through profit or loss. Classification is driven by the entity's business model for managing the debt instruments and their contractual cash flow characteristics. Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in OCI, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss. For financial liabilities there are two classification categories: amortised cost and fair value through profit or loss. Where non-derivative financial liabilities are designated at fair value through profit or loss, the changes in the fair value due to changes in the liability's own credit risk are recognised in OCI, unless such changes in fair value would create an accounting mismatch in profit or loss, in which case, all fair value movements are recognised in profit or loss. There is no subsequent recycling of the amounts in OCI to profit or loss. For financial liabilities held for trading (including derivative financial liabilities), all changes in fair value are presented in profit or loss. HKFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model, which constitutes a change from the incurred loss model in HKAS 39. HKFRS 9 contains a 'three stage' approach, which is based on the change in credit quality of financial assets since initial recognition. HKFRS 9 applies to all hedging relationships, with the exception of portfolio fair value hedges of interest rate risk. The new guidance better aligns hedge accounting with the risk management activities of an entity and provides relief from the more "rule-based" approach of HKAS39. This standard will be effective for annual periods beginning on or after 1 January 2018.

## FINANCIAL STATEMENTS

## Notes to the Consolidated Financial Statements

**2 Summary of significant accounting policies (Continued)****2.1 Basis of preparation (Continued)****2.1.1 Changes in accounting policy and disclosures (Continued)**

(iii) New and revised standards and amendments to existing standards that have been issued and are relevant to the Group, but are not effective for the financial year beginning on 1 January 2015 and have not been early adopted (Continued)

- HKFRS 15 “Revenue from Contracts with Customers”. HKFRS 15 establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise through a 5-step approach: (1) Identify the contract(s) with customer; (2) Identify separate performance obligations in a contract (3) Determine the transaction price (4) Allocate transaction price to performance obligations and (5) recognise revenue when performance obligation is satisfied. The core principle is that a company should recognise revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. It moves away from a revenue recognition model based on an ‘earnings processes to an ‘asset-liability’ approach based on transfer of control. HKFRS 15 provides specific guidance on capitalisation of contract cost and license arrangements. It also includes a cohesive set of disclosure requirements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity’s contracts with customers. HKFRS 15 replaces the previous revenue standards: HKAS 18 Revenue and HKAS 11 Construction Contracts, and the related Interpretations on revenue recognition: HKFRIC 13 Customer Loyalty Programmes, HKFRIC 15 Agreements for the Construction of Real Estate, HKFRIC 18 Transfers of Assets from Customers and SIC-31 Revenue- Barter Transactions Involving Advertising Services. This standard will be effective for annual periods beginning on or after 1 January 2018.

The Group is in the process of assessing the impact of the above new standards and amendments to existing standards on the Group’s consolidated financial statements.

## 2 Summary of significant accounting policies (Continued)

### 2.2 Subsidiaries

#### 2.2.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(i) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

**FINANCIAL STATEMENTS****Notes to the Consolidated Financial Statements****2 Summary of significant accounting policies (Continued)****2.2 Subsidiaries (Continued)****2.2.1 Consolidation (Continued)****(i) Business combinations (Continued)**

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

**(ii) Changes in ownership interests in subsidiaries without change of control**

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

**(iii) Disposal of subsidiaries**

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

**2.2.2 Separate financial statements**

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

## 2 Summary of significant accounting policies (Continued)

### 2.3 Associates

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The group's investments in associates include goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of results of an associate' in profit or loss.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gain or losses on dilution of equity interest in associates are recognised in profit or loss.

**FINANCIAL STATEMENTS****Notes to the Consolidated Financial Statements****2 Summary of significant accounting policies (Continued)****2.4 Joint arrangements**

Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

The Group determines at each reporting date whether there is any objective evidence that the investment in the joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value and recognises the amount adjacent to 'share of results of a joint venture' in profit or loss.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

**2.5 Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of the Company that makes strategic decisions.



## 2 Summary of significant accounting policies (Continued)

### 2.6 Foreign currency translation

#### (i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in RMB which is the Company's functional currency and the Group's presentation currency.

#### (ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges

Foreign exchange gains and losses that relate to cash and cash equivalents are presented in the consolidated statement of comprehensive income within 'finance income or costs'. Foreign exchange gains and losses that relate to borrowings are presented in the consolidated statement of comprehensive income within 'finance income or costs', except when capitalised on the basis set out in note 2.25. All other foreign exchange gains and losses are presented in the consolidated statement of comprehensive income within 'other income and gains – net'.

#### (iii) Group companies

The results and financial positions of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- Income and expenses for each consolidated statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- All resulting exchange differences are recognised in other comprehensive income.

## FINANCIAL STATEMENTS

## Notes to the Consolidated Financial Statements

**2 Summary of significant accounting policies (Continued)****2.7 Property, plant and equipment**

Property, plant and equipment are stated at historical cost less depreciation and any impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated income statement during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Buildings	20 – 40 years
Transportation equipment	5 – 10 years
Machinery	5 – 10 years
Furniture, fitting and equipment	5 – 8 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.10).

Construction in progress represents the direct costs of construction incurred of property, plant and equipment less any impairment losses. No provision for depreciation is made on construction in progress until such time the relevant assets are completed and put into use. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised within 'other income and gains-net' in the consolidated statement of comprehensive income.

## 2 Summary of significant accounting policies (Continued)

### 2.8 Investment properties

Investment property, principally comprising leasehold land and buildings, is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group. It also includes properties that are being constructed or developed for future use as investment properties. Land held under operating leases are accounted for as investment properties when the rest of the definition of an investment property is met. In such cases, the operating leases concerned are accounted for as if they were finance leases. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment properties are carried at fair value, representing open market value determined at each reporting date by external valuers.

Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets. Changes in fair values are recorded in profit or loss as part of a valuation gain or loss.

If an item of owner-occupied property becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is treated in the same way as a revaluation under HKAS 16. Any resulting increase in the carrying amount of the property is recognised in profit or loss to the extent that it reverses a previous impairment loss, with any remaining increase recognised in other comprehensive income and increase directly to equity in revaluation surplus within equity. Any resulting decrease in the carrying amount of the property is initially charged in other comprehensive income against any previously recognised revaluation surplus, with any remaining decrease charged to profit or loss. For a transfer from completed properties held for sale or properties under development to investment properties that will be carried at fair value, any difference between the fair value of the property at that date and its previous carrying amount shall be recognised in profit or loss.

## FINANCIAL STATEMENTS

## Notes to the Consolidated Financial Statements

**2 Summary of significant accounting policies (Continued)****2.9 Intangible assets****(i) Goodwill**

Goodwill arises on the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

**(ii) Computer software**

Acquired computer software programmes are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over the estimated useful lives of 5 to 10 years on a straight-line basis.

Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

**2.10 Impairment of non-financial assets**

Assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

## 2 Summary of significant accounting policies (Continued)

### 2.11 Financial assets

#### (i) Classification

The group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables' (note 2.18), and 'cash and cash equivalents' (note 2.19) in the statement of financial position.

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

#### (ii) Recognition and measurement

Regular way purchases and sales of financial assets are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the profit or loss. Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the profit or loss within 'other income and gains – net' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the profit or loss as part of other income when the group's right to receive payments is established.

**FINANCIAL STATEMENTS****Notes to the Consolidated Financial Statements****2 Summary of significant accounting policies (Continued)****2.11 Financial assets (Continued)****(ii) Recognition and measurement (Continued)**

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the consolidated statement of comprehensive income as 'other income and gains – net'.

Dividends on available-for-sale equity instruments are recognised in the consolidated statement of comprehensive income as part of other income when the Group's right to receive payments is established.

**2.12 Impairment of financial assets****(i) Assets carried at amortised cost**

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced and the amount of the loss is recognised in profit or loss. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated statement of comprehensive income.

## 2 Summary of significant accounting policies (Continued)

### 2.12 Impairment of financial assets (Continued)

#### (ii) *Assets classified as available for sale*

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses recognised in profit or loss on equity instruments are not reversed through profit or loss.

### 2.13 Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The change of fair value is recognised immediately in profit or loss within 'other income and gains – net'.

### 2.14 Properties under development

Properties under development are stated at the lower of cost and net realisable value. Net realisable value is determined by reference to the sale proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses and the anticipated costs to completion, or by management estimates based on prevailing marketing conditions.

Development cost of property comprises cost of land use rights, construction costs, depreciation of machinery and equipment, borrowing costs capitalised for qualifying assets and professional fees incurred during the development period. On completion, the properties are transferred to completed properties held for sale.

Properties under development are classified as current assets when the construction of the relevant properties commences unless the construction period of the relevant property development project is expected to complete beyond normal operating cycle.

### 2.15 Completed properties held for sale

Completed properties remaining unsold at year ended are stated at the lower of cost and net realisable value.

Cost comprises development costs attributable to the unsold properties.

Net realisable value is determined by reference to the sale proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses, or by management estimates based on prevailing marketing conditions.

**FINANCIAL STATEMENTS****Notes to the Consolidated Financial Statements****2 Summary of significant accounting policies (Continued)****2.16 Inventories**

Inventories are stated at the lower of cost or net realisable value. Cost is determined using the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

**2.17 Construction contracts**

A construction contract is defined by HKAS 11 as a contract specifically negotiated for the construction of an asset.

When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract by reference to the stage of completion. Contract costs are recognised as expenses by reference to the stage of completion of the contract activity at the end of the reporting period. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable.

Variations in contract work, claims and incentive payments are included in contract revenue to the extent that may have been agreed with the customer and are capable of being reliably measured.

The Group uses the “percentage of completion method” to determine the appropriate amount to recognise in a given period. The stage of completion is measured by reference to the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion.

The Group presents as an asset the gross amount due from customers for contract work for all contracts in progress for which costs incurred plus recognised profits (less recognised losses) exceed progress billings. Progress billings not yet paid by customers and retention are included within “trade and other receivables”.

The Group presents as a liability the gross amount due to customers for contract work for all contracts in progress for which progress billings exceed costs incurred plus recognised profits (less recognised losses).



## 2 Summary of significant accounting policies (Continued)

### 2.18 Trade and other receivables

Trade receivables are amounts due from customers for properties sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

### 2.19 Cash and cash equivalents

Cash and cash equivalents includes cash in hand and at banks, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

### 2.20 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the Company's owners until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effect is included in equity attributable to the Company's owners.

### 2.21 Perpetual capital securities

Perpetual capital securities with no contractual obligation to repay its principal or to pay any distribution are classified as part of equity.

### 2.22 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the group will comply with all attached conditions.

Government grants relating to construction of hotel properties are included in non-current liabilities as deferred government grants and are credited to profit or loss on a straight-line basis over the expected lives of the related assets when they are completed and ready for use.

**FINANCIAL STATEMENTS****Notes to the Consolidated Financial Statements****2 Summary of significant accounting policies (Continued)****2.23 Trade payables**

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

**2.24 Borrowings**

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

**2.25 Borrowing costs**

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Borrowing costs include interest expense, finance charges in respect of finance lease and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs. The exchange gains and losses that are an adjustment to interest costs include the interest rate differences between borrowing costs that would be incurred if the entity had borrowed funds in its functional currency, and the borrowing costs actually incurred on foreign currency borrowings. Such amounts are estimated based on forward currency rates at the inception of the borrowings.

When the construction of the qualifying assets takes more than one accounting period, the amount of foreign exchange differences eligible for capitalisation is determined for each annual period and is limited to the difference between the hypothetical interest amount for the functional currency borrowings and the actual interest incurred for foreign currency borrowings. Foreign exchange differences that did not meet the criteria for capitalisation in previous years should not be capitalised in subsequent years.

## 2 Summary of significant accounting policies (Continued)

### 2.26 Senior notes

Senior notes issued by the Company that contain both liability and early redemption option (which is not closely related to the host contract) are classified separately into respective items on initial recognition. At the date of issue, both the liability and early redemption option components are recognised at fair value.

In subsequent periods, the liability component of the senior notes is carried at amortised cost using the effective interest method. The early redemption option is measured at fair value with changes in fair value recognised in profit or loss.

Transaction costs that relate to the issue of the senior notes are allocated to the liability and early redemption option components in proportion to their relative fair values. Transaction costs relating to the early redemption option are charged to profit or loss immediately. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the senior notes using the effective interest method.

### 2.27 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

#### (i) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the date of statement of financial position in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

#### (ii) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

## FINANCIAL STATEMENTS

## Notes to the Consolidated Financial Statements

**2 Summary of significant accounting policies (Continued)****2.27 Current and deferred income tax (Continued)****(ii) Deferred income tax (Continued)**

## Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only when there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the associate's undistributed profits is not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

**(iii) Offsetting**

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

**2.28 Employee benefits****(i) Pension obligations**

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The Group contributes on a monthly basis to various defined contribution benefit plans organised by the relevant governmental authorities. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Assets of the plans are held and managed by government authorities and are separated from those of the Group.

**(ii) Profit-sharing and bonus plans**

The Group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

## 2 Summary of significant accounting policies (Continued)

### 2.29 Share-based payments

The Group operates a number of equity-settled, share-based compensation plans, under which the Group receives services from employees as consideration for equity instruments (including shares options and awarded shares) of the Group. The fair value of the employee services received in exchange for the grant of the equity instruments is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the equity instruments granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions.

Non-market performance and service conditions are included in assumptions about the number of equity instruments that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

The grant by the Company of its equity instruments to the employees of subsidiaries in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investments in subsidiaries, with a corresponding credit to equity in the parent entity accounts.

At the end of each reporting period, the Group revises its estimates of the number of equity instruments that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

When the share options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

**FINANCIAL STATEMENTS****Notes to the Consolidated Financial Statements****2 Summary of significant accounting policies (Continued)****2.30 Provisions and contingent liabilities**

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

**2.31 Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable for the sales of properties and services in the ordinary course of the Group's activities. Revenue is shown, net of discounts and after eliminating sales with the group companies. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the group's activities, as described below.

**(i) Sales of properties**

Revenue from sales of properties is recognised when the risks and rewards of properties are transferred to the purchasers, which is when the construction of relevant properties has been completed and the properties have been delivered to the purchasers and collectability of related receivables is reasonably assured. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the consolidated statement of financial position as advanced proceeds received from customers under current liabilities.

## 2 Summary of significant accounting policies (Continued)

### 2.31 Revenue recognition (Continued)

#### (ii) Construction services

Revenue arising from construction services is recognised in the accounting period in which the services is rendered, by reference to completion of the specific transaction assessed on the basis of the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract (note 2.17).

#### (iii) Hotel operation

Revenue from hotel operation is recognised in the accounting period in which the services are rendered.

#### (iv) Property management

Revenue arising from property management is recognised in the accounting period in which the services are rendered.

#### (v) Decoration services

Revenue from decoration services is recognised in the accounting period in which the services are rendered.

#### (vi) Property investment

Rental income from properties leasing under operating leases is recognised on a straight-line basis over the lease terms.

### 2.32 Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

### 2.33 Dividend income

Dividend income is recognised when the right to receive payment is established.

### 2.34 Leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

#### (i) The Group is the lessee

(a) The Group is the lessee under operating lease other than land use rights

Payments made under operating leases (net of any incentives received from the lessor) are charged to the profit or loss on a straight-line basis over the period of the lease.

## FINANCIAL STATEMENTS

## Notes to the Consolidated Financial Statements

**2 Summary of significant accounting policies (Continued)****2.34 Leases (Continued)****(i) The Group is the lessee (Continued)**

- (b) The Group is the lessee under operating lease of land use rights

The Group made upfront payments to obtain operating leases of land use rights. The upfront payments of the land use rights are recorded as assets. The amortisation of land use rights is recognised as an expense on a straight-line basis over the unexpired period of the land use rights.

**(ii) The Group is the lessor**

Assets leased out under operating leases are included in investment properties in the consolidated statement of financial position. Rental income from operating lease is recognised over the term of the lease on a straight-line basis.

**2.35 Dividend distribution**

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

**2.36 Insurance contracts**

An insurance contract is a contract under which one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. Insurance risk is a pre-existing risk transferred from the policyholder to the insurer, and is significant only if an insured event could cause an insurer to pay significant additional benefits in any scenario, excluding scenarios that lack commercial substance (i.e. have no discernible effect on the economics of the transaction).

The Group assesses at each reporting date whether its recognised insurance liabilities are adequate, using current estimates of future cash flows under its insurance contracts. If that assessment shows that the carrying amount of its insurance liabilities is inadequate in the light of the estimated future cash flows, the entire deficiency is recognised in the consolidated statement of comprehensive income.

The Group regards its financial guarantee contracts provided in respect of mortgage facilities for certain property purchasers and financial guarantee contracts provided to its related parties as insurance contracts.



### 3 Financial risk management

The Group conducts its operations mainly in the PRC and accordingly is subject to special considerations and significant risks. These include risks associated with, among others, the political, economic and legal environment, influence of national authorities over pricing regulation and competition in the industry.

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow interest rate risk and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures. The property industry is highly sensitive to the economic environment in the PRC, which will affect the volumes of property transactions and selling prices. The Group mainly relies on sales of properties and borrowings to fund its operations. All borrowings due for repayment in 2016 are anticipated to be repaid according to the terms of the loan agreements as the Group considers no renewal is necessary given its sufficient cash to finance its obligation. The Group has alternative plans (refer to note 3(a)(iv)) to monitor liquidity risk should there be significant adverse changes on the Group's cash flow projections.

#### (a) Financial risk factors

##### (i) Foreign exchange risk

The Group's businesses are principally conducted in RMB. The majority of assets is denominated in RMB. The majority of non-RMB assets and liabilities are bank deposits and borrowings denominated in Hong Kong Dollar ("HKD"), United States Dollar ("USD"), Ringgit Malaysia ("RM") and Australia Dollar ("AUD"). The Group is subject to foreign exchange rate risk arising from future commercial transactions and recognised assets and liabilities which are denominated in non-RMB. The Group manages its foreign exchange risk by closely monitoring the movement of the foreign currency rates.

The Group manages its foreign exchange risk by using foreign currency forward contracts. Such foreign currency forward contracts have the economic effect of setting a forward rate for agreed amount of foreign currency amount. Under the foreign currency forward contracts, the Group agrees with other parties to exchange, at specified intervals, the difference between forward and spot exchange rate amounts calculated by reference to the agreed notional amount.

## FINANCIAL STATEMENTS

## Notes to the Consolidated Financial Statements

## 3 Financial risk management (Continued)

## (a) Financial risk factors (Continued)

## (i) Foreign exchange risk (Continued)

The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities at the respective dates of statement of financial position are as follows:

	2015 RMB'000	2014 RMB'000
<b>Assets</b>		
HKD	17,684	1,259,806
USD	386,984	491,159
RM	587,672	748,615
AUD	158,681	470
Other currencies	5,837	18,506
	<b>1,156,858</b>	2,518,556
<b>Liabilities</b>		
HKD	3,710,616	4,945,702
USD	28,009,239	23,244,847
RM	3,787,249	2,510,809
AUD	368,488	–
	<b>35,875,592</b>	30,701,358

The following table shows the sensitivity analysis of a 5% change in RMB against the relevant foreign currencies. The sensitivity analysis includes only foreign currency denominated monetary items and adjusts their translation at the year-end for a 5% change in foreign currency rates. Should RMB strengthened/weakened by 5% against the relevant currencies, the effect on the post-tax profit for the year would be as follows:

	Change of post-tax profit – increase/(decrease)	
	2015 RMB'000	2014 RMB'000
RMB against HKD:		
Strengthened by 5%	184,647	184,295
Weakened by 5%	(184,647)	(184,295)
RMB against USD:		
Strengthened by 5%	1,381,113	1,137,684
Weakened by 5%	(1,381,113)	(1,137,684)
RMB against RM:		
Strengthened by 5%	119,984	66,082
Weakened by 5%	(119,984)	(66,082)
RMB against AUD:		
Strengthened by 5%	7,343	(16)
Weakened by 5%	(7,343)	16

### 3 Financial risk management (Continued)

#### (a) Financial risk factors (Continued)

##### (ii) Cash flow and fair value interest rate risk

The Group's interest rate risk arises from interest-bearing bank deposits, senior notes, debentures, bank and other borrowings. Bank deposits, bank and other borrowings issued at variable rates expose the Group to cash flow interest-rate risk. Senior notes and debentures issued at fixed rates expose the Group to fair value interest rate risk.

The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing. Based on these scenarios, the Group calculates the impact on profit or loss of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies. The scenarios are run only for liabilities that represent the major interest-bearing positions.

The Group currently does not use any interest rate swaps to hedge its exposure to interest rate risk. However, the Group will consider hedging significant interest rate exposure should the need arise.

As at 31 December 2015, borrowings of the Group which were bearing at floating rates amounted to approximately RMB53,607,117,000 (2014: RMB38,794,937,000). As at 31 December 2015, should the interest rate be increased/decreased by 50 basis points with all other factors remain unchanged and without taking into account interest capitalisation, the finance costs of the Group would be increased/decreased by approximately RMB268,036,000 (2014: RMB193,975,000).

##### (iii) Credit risk

The Group is exposed to credit risk in relation to its trade and other receivables and cash deposits with banks.

The carrying amounts of trade and other receivables, restricted cash and cash and cash equivalents represent the Group's maximum exposure to credit risk in relation to financial assets.

To manage this risk, bank deposits are mainly placed with state-owned financial institutions and reputable banks which are all high-credit-quality financial institutions. The Group has policies in place to ensure that sales are made to purchasers with an appropriate financial strength and appropriate percentage of down payments. It also has other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews regularly the recoverable amount of each individual trade receivables to ensure that adequate impairment losses are made for irrecoverable amounts. The Group has no significant concentrations of credit risk, with exposure spread over a large number of counterparties and customers. For other receivables, management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience. The directors of the Company believe that there is no material credit risk inherent in the Group's outstanding balance of other receivables.

## FINANCIAL STATEMENTS

## Notes to the Consolidated Financial Statements

**3 Financial risk management (Continued)****(a) Financial risk factors (Continued)****(iii) Credit risk (Continued)**

For properties that are still under construction, the Group typically provides guarantees to banks in connection with the customers' borrowing of mortgage loans to finance their purchase of the properties for an amount up to 80% of the total purchase price of the property. If a purchaser defaults on the payment of its mortgage during the term of the guarantee, the bank holding the mortgage may demand the Group to repay the outstanding amount under the loan and any accrued interest thereon. Under such circumstances, the Group is able to retain the customer's deposits and sell the property to recover any amounts paid by the Group to the bank. Unless the selling price would drop by no less than 20%, which is remote, the Group would not be in a loss position in selling those properties out. In this regard, the directors of the Company consider that the Group's credit risk is largely mitigated (refer to note 4(b) for more information).

The Group has arranged bank financing for certain purchasers of property units and provided guarantees to secure obligations of such purchasers for repayments. Detailed disclosure of these guarantees is made in note 37. No credit limits were exceeded during the year, and management does not expect any significant losses from non-performance by these counterparties.

**(iv) Liquidity risk**

Management aims to maintain sufficient cash to meet funding requirement for operations and monitors rolling forecasts of the Group's cash on the basis of expected cash flow. The directors of the Company have prepared cash flow projections for the year ending 31 December 2016. Key assumptions used in the preparation of the cash flow projections for the year ending 31 December 2016 include: (1) proceeds from pre-sales in 2016 is expected to be higher than that of 2015; (2) construction payments match receipt of the relevant proceeds from pre-sales; (3) available project loan facility is expected to be no less than that of 2015 and (4) no breach of debt covenants is anticipated in 2016.

The Group has a number of alternative plans to mitigate the potential impacts on anticipated cash flows should there be significant adverse changes in economic environment. These include adjusting and further slowing down the construction progress as appropriate to ensure available resources for the development of properties for sale, implementing cost control measures and accelerating sales with more flexible pricing. The Group, will base on its assessment of the relevant future costs and benefits, pursue such options as are appropriate. The directors consider that the Group will be able to maintain sufficient financial resources to meet its operation needs.

### 3 Financial risk management (Continued)

#### (a) Financial risk factors (Continued)

##### (iv) Liquidity risk (Continued)

The table below analyses the Group's non-derivative financial liabilities and net-settled derivative financial liabilities into relevant maturity grouping based on the remaining period at the date of statement of financial position to the contractual maturity date. Derivative financial liabilities are included in the analysis if their contractual maturities are essential for an understanding of the timing of the cash flows. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
At 31 December 2015					
Senior notes (principal amount plus interest)	1,559,682	1,559,682	14,894,492	10,830,107	28,843,963
Bank and other borrowings (principal amount plus interest)	25,682,643	14,687,381	18,677,147	509,148	59,556,319
Debentures (principal amount plus interest)	714,346	888,426	16,063,487	–	17,666,259
Trade and other payables (excluding other taxes payable and salaries payable)	67,571,499	–	–	–	67,571,499
Derivative financial instruments	10,198	–	–	–	10,198
<b>Total</b>	<b>95,538,368</b>	<b>17,135,489</b>	<b>49,635,126</b>	<b>11,339,255</b>	<b>173,648,238</b>

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
At 31 December 2014					
Senior notes (principal amount plus interest)	4,373,938	1,926,338	14,914,106	10,882,259	32,096,641
Bank and other borrowings (principal amount plus interest)	14,724,811	16,010,340	12,104,758	547,681	43,387,590
Trade and other payables (excluding other taxes payable and salaries payable)	35,209,185	–	–	–	35,209,185
<b>Total</b>	<b>54,307,934</b>	<b>17,936,678</b>	<b>27,018,864</b>	<b>11,429,940</b>	<b>110,693,416</b>

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## Notes to the Consolidated Financial Statements

**3 Financial risk management (Continued)****(b) Capital management**

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to optimise the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets.

Consistent with other companies in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity excluding perpetual capital securities. Net debt is calculated as total borrowings (including senior notes and debentures as shown in the consolidated statement of financial position) less cash and cash equivalents and the guarantee deposits for construction of pre-sale properties.

The gearing ratio as at 31 December 2015 and 2014 were as follows:

	2015 RMB'000	2014 RMB'000
Total borrowings (notes 21, 22 and 23)	89,743,795	61,068,699
Less: cash and cash equivalents (note 17)	(36,240,752)	(18,760,590)
Guarantee deposits for construction of pre-sale properties (note 16)	(11,637,126)	(8,453,490)
Net debt	41,865,917	33,854,619
Total equity (excluding perpetual capital securities)	69,812,406	59,352,426
Gearing ratio	59.97%	57.04%

The directors of the Company consider the Group's gearing ratio is within the healthy range.

### 3 Financial risk management (Continued)

#### (c) Fair value estimation

The table below analyses financial instruments carried at fair value, by level of the inputs to valuation techniques used to measure fair value. The different levels are defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
<b>At 31 December 2015</b>				
<b>Assets</b>				
Available-for-sale financial assets	–	–	214,998	214,998
Derivative financial instruments	–	18,043	–	18,043
Financial assets at fair value through profit or loss	–	–	1,188,096	1,188,096
Total	–	18,043	1,403,094	1,421,137
<b>Liabilities</b>				
Derivative financial instruments	–	10,198	–	10,198
<b>At 31 December 2014</b>				
<b>Assets</b>				
Available-for-sale financial assets	–	–	208,667	208,667

#### (i) Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

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## Notes to the Consolidated Financial Statements

**3 Financial risk management (Continued)****(c) Fair value estimation (Continued)****(i) Financial instruments in level 2 (Continued)**

Valuation techniques used to derive level 2 fair values

Level 2 derivative financial instruments comprise forward foreign exchange contracts. The fair value of these forward foreign exchange contracts was determined using forward exchange rates that are quoted in active market.

**(ii) Financial instruments in level 3**

The following table presents the changes in level 3 instruments for the year ended 31 December 2015 and 31 December 2014:

	2015 RMB'000	2014 RMB'000
Opening balance	208,667	206,329
Addition	1,188,096	–
Fair value change	6,331	2,338
Closing balance	1,403,094	208,667
Dividend income recognised in 'other income and gains – net'	9,560	6,100



### 3 Financial risk management (Continued)

#### (d) Financial instruments by category

	2015				2014		
	Available- for-sale RMB'000	Assets at fair value through profit or loss RMB'000	Loans and receivables RMB'000	Total RMB'000	Available- for-sale RMB'000	Loans and receivables RMB'000	Total RMB'000
<b>Assets as per consolidated statement of financial position</b>							
Available-for-sale financial assets (note 12)	214,998	-	-	214,998	208,667	-	208,667
Trade and other receivables excluding prepayments	-	-	33,876,128	33,876,128	-	19,327,039	19,327,039
Restricted cash (note 17)	-	-	11,637,126	11,637,126	-	8,453,490	8,453,490
Cash and cash equivalents (note 17)	-	-	36,240,752	36,240,752	-	18,760,590	18,760,590
Derivative financial instruments (note 20)	-	18,043	-	18,043	-	-	-
Financial assets at fair value through profit or loss (note 18)	-	1,188,096	-	1,188,096	-	-	-
<b>Total</b>	<b>214,998</b>	<b>1,206,139</b>	<b>81,754,006</b>	<b>83,175,143</b>	<b>208,667</b>	<b>46,541,119</b>	<b>46,749,786</b>

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## Notes to the Consolidated Financial Statements

## 3 Financial risk management (Continued)

## (d) Financial instruments by category (Continued)

	Liabilities at amortised cost RMB'000	2015 Liabilities at fair value through profit or loss RMB'000	Total RMB'000	2014 Liabilities at amortised cost RMB'000
<b>Liabilities as per consolidated statement of financial position</b>				
Senior notes (note 21)	20,878,179	–	20,878,179	22,273,762
Bank and other borrowings (note 23)	53,607,117	–	53,607,117	38,794,937
Debentures (note 22)	15,258,499	–	15,258,499	–
Trade and other payables (excluding other taxes payable and salaries payable)	67,571,499	–	67,571,499	35,209,185
Derivative financial instruments (note 20)	–	10,198	10,198	–
<b>Total</b>	<b>157,315,294</b>	<b>10,198</b>	<b>157,325,492</b>	<b>96,277,884</b>

## 4 Critical accounting estimates and judgements

Estimates and judgements used in preparing the consolidated financial statements are evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that may have a significant effect on the carrying amounts of assets and liabilities within the next financial year are discussed below.

## (a) Income taxes and deferred taxation

Significant judgement is required in determining the provision for income tax. There are many transactions and calculations for which the ultimate determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the income tax and deferred tax provision in the period in which such determination is made.

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

## 4 Critical accounting estimates and judgements (Continued)

### (b) Revenue recognition

The Group has recognised revenue from the sale of properties held for sale as disclosed in note 5. The assessment of when an entity has transferred the significant risks and rewards of ownership to buyers requires the examination of the circumstances of the transaction. In most cases, the transfer of risks and rewards of ownership coincides with the date when the equitable interest in the property vests with the buyer upon release of the respective property to the buyer.

As disclosed in note 37, the Group provides guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. These guarantees will normally be discharged upon issuance of the real estate ownership certificate which are generally be available within three months after the purchasers take possession of the relevant properties. In order to obtain mortgages, the purchasers would have settled no less than 20% of the total contract amount in accordance with related PRC regulations upon signing the sales contract. The directors of the Company are of the opinion that such settlements provide sufficient evidence of the purchasers' commitment to honour contractual obligation of the bank loans. In addition, based on the past experiences, defaults of mortgage facilities by the purchasers which resulted in the bank guarantees being called upon were rare and the financial impact was immaterial. Further, as disclosed in note 3(a)(iii), the credit risk of the Group under the circumstance that a purchaser defaults on the payment of its mortgage during the term of the guarantee is very low. Accordingly, the directors believe that significant risks and rewards associated to the ownership of the properties have been transferred to the purchasers upon the delivery of the properties to them.

### (c) Estimates for net realisable value of properties under development and completed properties held for sale

The Group assesses the carrying amounts of properties under development and completed properties held for sale according to their net realisable value based on the realisability of these properties. Net realisable value for properties under development is determined by reference to management's estimates of the selling price based on prevailing market conditions, less applicable variable selling expenses and the anticipated costs to completion (including land costs). Net realisable value for completed properties held for sale is determined by reference to management's estimates of the selling price based on prevailing market conditions, less applicable variable selling expenses. Based on management's best estimates, There was no material impairment for properties under development and completed properties held for sale as at 31 December 2015 (2014: RMB147,284,000).

**FINANCIAL STATEMENTS****Notes to the Consolidated Financial Statements****4 Critical accounting estimates and judgements (Continued)****(d) Estimates for impairment of hotel assets**

Management performs review for impairment of the hotel assets whenever events or changes in circumstances indicate that the carrying amounts of the hotel assets may not be recoverable. In such case, the recoverable amounts of hotel assets have been determined based on value-in-use method. The value-in-use calculations require the use of significant estimates and assumptions on the projections of cash flows from the continuous use of the hotel assets. The key assumptions used in determining the value-in-use of hotel assets mainly include:

- Discount rate of 12% per annum;
- 4% per annum growth rate after start-up period; and
- Occupancy rates of 60% to 65% after start-up period.

Based on management's best estimates, there was no material impairment for hotel assets at 31 December 2015 and 2014.

**(e) Estimates for fair value of investment properties**

The Group assesses the fair value of its investment properties based on valuations determined by independent and professional qualified valuer. Significant judgement and assumptions are required in assessing the fair value of the investment properties. Details of the judgement and assumptions are disclosed in note 7.

**5 Segment information**

The executive directors review the Group's internal reporting in order to assess performance and allocate resources. The executive directors have determined the operating segments based on these reports.

The executive directors consider the business from product perspective. From a product perspective, executive directors assess the performance of:

- Property development;
- Construction, fitting and decoration;
- Property investment;
- Property management; and
- Hotel operation.

The executive directors assess the performance of the operating segments based on a measure of operating profit.

## 5 Segment information (Continued)

Segment assets consist primarily of property, plant and equipment, intangible assets, land use rights, investment properties, properties under development, completed properties held for sale, inventories, receivables and operating cash. They exclude deferred income tax assets, available-for-sale financial assets, financial assets at fair value through profit and loss and derivative financial instruments. Segment liabilities consist primarily of operating liabilities. They exclude senior notes, debentures, bank and other borrowings, deferred income tax liabilities, income taxes payable and derivative financial instruments.

Capital expenditure comprises additions to property, plant and equipment (note 6), investment properties (note 7), intangible assets (note 8) and land use rights (note 9).

Revenue consists of the following:

	2015 RMB'000	2014 RMB'000
Sales of properties	109,460,370	81,897,856
Rendering of construction, fitting and decoration services	746,355	467,872
Rental income	91,747	86,714
Rendering of property management services	1,469,307	964,066
Rendering of hotel services	1,454,861	1,132,295
	<b>113,222,640</b>	84,548,803

Sales between segments are carried out according to the terms and condition agreed by the respective segments' management.

The Group's entire revenue is attributable to the market in Mainland China and over 90% of the Group's non-current assets are located in Mainland China. No geographical information is therefore presented.

The Group has a large number of customers, none of whom contributed 10% or more of the Group's revenue.

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## Notes to the Consolidated Financial Statements

## 5 Segment information (Continued)

The segment information provided to the executive directors for the reportable segments for the year ended 31 December 2015 is as follows:

	Property development RMB'000	Construction, fitting and decoration RMB'000	Property investment RMB'000	Property management RMB'000	Hotel operation RMB'000	Total Group RMB'000
Segment revenue	109,460,370	13,634,456	91,747	1,940,853	1,508,247	126,635,673
Inter-segment revenue	–	(12,888,101)	–	(471,546)	(53,386)	(13,413,033)
Revenue (from external customers)	109,460,370	746,355	91,747	1,469,307	1,454,861	113,222,640
Depreciation and amortisation	421,128	35,444	–	13,482	359,718	829,772
Operating profit/(loss)	15,039,299	170,418	903,529	253,864	(188,733)	16,178,377

## At 31 December 2015

Total segment assets after elimination of inter-segment balances	326,818,471	7,268,206	8,686,295	975,304	12,999,972	356,748,248
Capital expenditure	1,507,855	15,746	344,564	4,287	917,683	2,790,135
Total segment liabilities after elimination of inter-segment balances	160,280,150	8,180,750	8,011	737,945	933,943	170,140,799

The segment information provided to the executive directors for the reportable segments for the year ended 31 December 2014 is as follows:

	Property development RMB'000	Construction, fitting and decoration RMB'000	Property investment RMB'000	Property management RMB'000	Hotel operation RMB'000	Total Group RMB'000
Segment revenue	81,897,856	21,449,077	86,714	964,066	1,213,636	105,611,349
Inter-segment revenue	–	(20,981,205)	–	–	(81,341)	(21,062,546)
Revenue (from external customers)	81,897,856	467,872	86,714	964,066	1,132,295	84,548,803
Depreciation and amortisation	424,158	30,312	3,817	11,352	319,673	789,312
Operating profit/(loss)	15,027,422	(3,300)	1,906,185	(89,492)	(235,850)	16,604,965

## At 31 December 2014

Total segment assets after elimination of inter-segment balances	235,028,152	8,607,178	7,035,579	1,499,951	12,882,571	265,053,431
Capital expenditure	1,926,777	27,023	–	17,660	3,172,700	5,144,160
Total segment liabilities after elimination of inter-segment balances	124,665,546	6,616,117	–	1,029,748	645,565	132,956,976

## 5 Segment information (Continued)

As at 31 December 2015, segment assets of the property development segment included the amounts of investments in associates and joint ventures accounted for using the equity method totalling approximately RMB1,688,426,000 (2014: RMB55,866,000).

Reportable operating profits are reconciled to net profit as follows:

	2015 RMB'000	2014 RMB'000
Total operating profit	16,178,377	16,604,965
Finance costs – net	(1,289,510)	(195,582)
Share of results of associates and joint ventures	(55,758)	(40,258)
Profit before income tax	14,833,109	16,369,125
Income tax expenses	(5,121,428)	(5,757,225)
Profit for the year	9,711,681	10,611,900

Reportable segments' assets and liabilities are reconciled to total assets and total liabilities as follows:

	2015 RMB'000	2014 RMB'000
Total segment assets after elimination of inter-segment balances	356,748,248	265,053,431
Deferred income tax assets	3,786,942	2,770,111
Available-for-sale financial assets	214,998	208,667
Financial assets at fair value through profit or loss	1,188,096	–
Derivative financial instruments	18,043	–
<b>Total assets</b>	<b>361,956,327</b>	268,032,209
Total segment liabilities after elimination of inter-segment balances	170,140,799	132,956,976
Deferred income tax liabilities	3,815,717	2,587,976
Income taxes payable	8,905,412	8,976,132
Senior notes	20,878,179	22,273,762
Bank and other borrowings	53,607,117	38,794,937
Debentures	15,258,499	–
Derivative financial instruments	10,198	–
<b>Total liabilities</b>	<b>272,615,921</b>	205,589,783

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## Notes to the Consolidated Financial Statements

## 6 Property, plant and equipment

	Buildings RMB'000	Machinery RMB'000	Transportation equipment RMB'000	Furniture, fitting and equipment RMB'000	Construction in progress RMB'000	Total RMB'000
<b>At 1 January 2014</b>						
Cost	8,350,085	530,095	1,193,519	1,047,493	6,864,894	17,986,086
Accumulated depreciation	(1,003,880)	(198,845)	(453,911)	(501,160)	-	(2,157,796)
Net book amount	7,346,205	331,250	739,608	546,333	6,864,894	15,828,290
<b>Year ended 31 December 2014</b>						
Opening net book amount	7,346,205	331,250	739,608	546,333	6,864,894	15,828,290
Additions	1,086,881	72,514	228,364	407,716	3,025,391	4,820,866
Transfer to investment properties	(1,109,822)	-	-	-	-	(1,109,822)
Transfer upon completion	4,029,941	-	-	-	(4,029,941)	-
Disposals	(125,731)	(23,237)	(11,430)	(15,656)	-	(176,054)
Depreciation	(336,237)	(44,109)	(149,310)	(189,058)	-	(718,714)
Exchange differences	(357)	32	(1,001)	(722)	-	(2,048)
Closing net book amount	10,890,880	336,450	806,231	748,613	5,860,344	18,642,518
<b>At 31 December 2014</b>						
Cost	12,193,612	577,305	1,398,052	1,433,227	5,860,344	21,462,540
Accumulated depreciation	(1,302,732)	(240,855)	(591,821)	(684,614)	-	(2,820,022)
Net book amount	10,890,880	336,450	806,231	748,613	5,860,344	18,642,518
<b>Year ended 31 December 2015</b>						
Opening net book amount	10,890,880	336,450	806,231	748,613	5,860,344	18,642,518
Additions	753,494	39,315	88,130	156,594	1,320,774	2,358,307
Acquisition of subsidiaries (note 40)	-	-	748	48,440	-	49,188
Transfer upon completion	1,697,522	-	-	-	(1,697,522)	-
Disposals	(92,119)	(8,242)	(31,234)	(120,099)	(5,100)	(256,794)
Depreciation	(271,363)	(52,137)	(175,988)	(262,567)	-	(762,055)
Exchange differences	(6,789)	(980)	(1,785)	(1,769)	-	(11,323)
Closing net book amount	12,971,625	314,406	686,102	569,212	5,478,496	20,019,841
<b>At 31 December 2015</b>						
Cost	14,443,981	597,629	1,420,246	1,447,420	5,478,496	23,387,772
Accumulated depreciation	(1,472,356)	(283,223)	(734,144)	(878,208)	-	(3,367,931)
Net book amount	12,971,625	314,406	686,102	569,212	5,478,496	20,019,841



## 6 Property, plant and equipment (Continued)

Depreciation charge was capitalised or expensed in the following categories in the consolidated statement of financial position or the consolidated statement of comprehensive income:

	2015 RMB'000	2014 RMB'000
Properties under development	165,479	213,339
Cost of sales	416,290	309,271
Selling and marketing costs	42,267	46,458
Administrative expenses	138,019	149,646
	<b>762,055</b>	718,714

As at 31 December 2015, buildings with net book value of RMB3,528,296,000 (2014: RMB3,557,170,000) were pledged as collateral for the Group's borrowings.

As at 31 December 2015, title certificates of buildings with net book value of RMB5,120,147,000 (2014: RMB4,718,032,000) were still in the progress of being obtained.

Also as at 31 December 2015, included in buildings and construction in progress were the hotels located in the PRC with net book value of RMB11,116,518,000 (2014: RMB10,923,814,000).

## 7 Investment properties

	2015 RMB'000	2014 RMB'000
<b>Year ended 31 December</b>		
Opening net book amount	7,035,579	112,340
Additions	344,564	–
Depreciation	–	(3,817)
Transfer from property, plant and equipment and land use rights (notes 6 and 9)	–	1,211,111
Transfer from properties under development and completed properties held for sale	639,585	1,883,593
Revaluation gains upon transfer	601,023	3,333,443
– from property, plant and equipment and land use rights	–	1,952,316
– from properties under development and completed properties held for sale	601,023	1,381,127
Fair value change	208,789	498,909
Disposals	(143,245)	–
Closing net book amount	<b>8,686,295</b>	7,035,579
Gains arising from changes in fair value of and transfer to investment properties represent:		
– Revaluation gains upon transfer of properties under development and completed properties held for sale	601,023	1,381,127
– Fair value change	208,789	498,909
	<b>809,812</b>	1,880,036

**FINANCIAL STATEMENTS****Notes to the Consolidated Financial Statements****7 Investment properties (Continued)**

Properties were re-measured at their respective fair values upon transfer. For the properties transferred from properties under development and completed properties held for sale to investment properties, the differences between the fair values and carrying amounts upon transfer, amounting to RMB601,023,000 (2014: RMB1,381,127,000), were recognised in profit or loss as gains arising from changes in fair value of and transfer to investment properties. In 2015, there are no properties transferred from property, plant and equipment and land use rights to investment properties. In 2014, for the properties transferred from property, plant and equipment and land use rights to investment properties, the differences between the fair values and carrying amounts upon transfer, amounting to RMB1,952,316,000, were recognised directly in equity with related deferred income tax of RMB488,079,000 (note 28).

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. At 31 December 2015 and 2014, the Group had only level 3 investment properties.

**Valuation processes of the Group**

The Group's investment properties were valued at transfer dates, and at 31 December 2015 and 2014 by Vigers Appraisal and Consulting Limited, an independent and professionally qualified valuer who holds a recognised relevant professional qualification and has recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates the highest and best use.

Discussions of valuation processes and results are held between management and the valuer on a semi-annual basis, in line with the Group's interim and annual reporting dates.

At each half year-end, management:

- Verifies all major inputs to the independent valuation report;
- Assesses property valuations movements when compared to the prior year valuation report; and
- Holds discussions with the independent valuer.

## 7 Investment properties (Continued)

### Valuation Techniques

Valuations are based on:

- (i) Direct comparison approach assuming sale of each of these properties in its existing state with the benefit of vacant possession. By making reference to sales transactions as available in the relevant market, comparable properties in close proximity have been selected and adjustments have been made to account for the difference in factors such as locations and property size; and/or
- (ii) Income approach taking into account the current rents of the property interests and the reversionary potentials of the tenancies, term yield and reversionary yield are then applied respectively to derive the market value of the property, or
- (iii) Residual method of valuation which is commonly used in valuing development sites by establishing the market value of the properties on an “as-if” completed basis with appropriate deduction on construction costs, professional fees, contingency, marketing and legal cost, and interest payments to be incurred, anticipated developer’s profits, as well as land acquisition costs, interest payment and profit on land.

There were no changes to the valuation techniques during the year.

### Information about fair value measurements using significant unobservable inputs (level 3)

	Fair value as at 31 December 2015	Valuation techniques	Unobservable inputs	Range of unobservable inputs
			The rate of return/ capitalisation rate	4%-5.5% per annum
Completed investment properties	7,676,621,000	Income capitalisation	Monthly rental (RMB/square meter/month)	20-75
		Direct comparison	Adjusted market price (RMB/square meter)	1,800-37,000
			Budgeted construction cost to be incurred (RMB/square meter)	240-1,900
Investment properties under construction	1,009,674,000	Residual method	Remaining percentage to completion	10%-20%
			Anticipated developer’s profit margin	12%-15%

## FINANCIAL STATEMENTS

## Notes to the Consolidated Financial Statements

## 7 Investment properties (Continued)

## Valuation Techniques (Continued)

## Information about fair value measurements using significant unobservable inputs (level 3) (Continued)

	Fair value as at 31 December 2014	Valuation techniques	Unobservable inputs	Range of unobservable inputs
			The rate of return/ capitalisation rate	4%-5.5% per annum
Completed investment properties	4,213,399,000	Income capitalisation	Monthly rental (RMB/square meter/month)	20-75
		Direct comparison	Adjusted market price (RMB/square meter)	1,800-37,000
			Budgeted construction cost to be incurred (RMB/square meter)	240-1,900
Investment properties under construction	2,822,180,000	Residual method	Remaining percentage to completion	10%-20%
			Anticipated developer's profit margin	12%-15%

Relationships of unobservable inputs to fair value are as follows:

- The higher rate of return/capitalisation rate, the lower fair value;
- The higher expected vacancy rate, the lower fair value;
- The higher monthly rental, the higher fair value;
- The higher market price, the higher fair value;
- The higher budgeted construction cost to be incurred, the lower fair value;
- The higher remaining percentage to completion, the lower fair value;
- The higher the anticipated developer's profit margin, the lower fair value;

## Amounts recognised in profit or loss for investment properties

	2015 RMB'000	2014 RMB'000
Rental income	91,747	86,714
Direct operating expenses	(11,186)	(6,421)
	80,561	80,293

As at 31 December 2015, investment properties with fair value of RMB357,513,000 (2014: RMB415,804,000) were pledged as collateral for the Group's borrowings.

## 8 Intangible assets

	Computer software RMB'000	Goodwill RMB'000	Total RMB'000
<b>At 1 January 2014</b>			
Cost	83,112	–	83,112
Accumulated amortisation	(39,635)	–	(39,635)
Net book amount	43,477	–	43,477
<b>Year ended 31 December 2014</b>			
Opening net book amount	43,477	–	43,477
Additions	10,875	–	10,875
Amortisation	(6,272)	–	(6,272)
Disposals	(18,333)	–	(18,333)
Closing net book amount	29,747	–	29,747
<b>At 31 December 2014</b>			
Cost	75,154	–	75,154
Accumulated amortisation	(45,907)	–	(45,907)
Net book amount	29,247	–	29,247
<b>Year ended 31 December 2015</b>			
Opening net book amount	29,247	–	29,247
Additions	12,467	–	12,467
Acquisition of subsidiaries (note 40)	119	90,274	90,393
Amortisation	(10,568)	–	(10,568)
Closing net book amount	31,265	90,274	121,539
<b>At 31 December 2015</b>			
Cost	87,740	90,274	178,014
Accumulated amortisation	(56,475)	–	(56,475)
Net book amount	31,265	90,274	121,539

Amortisation expense has been charged in administrative expenses.

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## Notes to the Consolidated Financial Statements

## 9 Land use rights

	2015 RMB'000	2014 RMB'000
Opening net book amount	2,034,522	1,865,068
Additions	74,797	331,252
Transfer to investment properties	-	(101,289)
Amortisation	(57,149)	(60,509)
Closing net book amount	2,052,170	2,034,522

Amortisation expense has been charged in administrative expenses.

Land use rights are located in the PRC and for self-use, and held on leases of between 10 to 50 years.

As at 31 December 2015, land use rights with net book value of RMB1,169,463,000 (2014: RMB1,333,941,000) were pledged as collateral for the Group's borrowings.

## 10 Properties under development

	2015 RMB'000	2014 RMB'000
Properties under development expected to be completed:		
– Within a normal operating cycle included under current assets	135,107,046	105,993,980
– Beyond a normal operating cycle included under non-current assets	52,727,068	44,638,652
	187,834,114	150,632,632
Amounts comprise:		
– Construction costs	110,526,146	86,023,485
– Land use rights	69,910,631	59,091,249
– Borrowing costs capitalized	7,397,337	5,517,898
	187,834,114	150,632,632

Properties under development expected to be completed within a normal operating cycle did not include properties that will be available for sale more than twelve months after the date of statement of financial position.

The capitalisation rate used to determine the amount of interest on general borrowings incurred eligible for capitalisation in 2015 was 7.78% per annum (2014: 8.16% per annum). Majority of the properties under development of the Group is located in the PRC.

As at 31 December 2015, land use rights included in properties under development with net book value of RMB18,649,419,000 (2014: RMB15,247,795,000) were pledged as collateral for the Group's borrowings.

**11(a) Subsidiaries**

The principal subsidiaries at 31 December 2015 are listed in note 44.

The directors of the Company consider that the non-controlling interests of the individual subsidiaries were insignificant to the Group and thus the individual financial information of these subsidiaries are not disclosed.

**11(b) Investments in joint ventures**

	2015 RMB'000	2014 RMB'000
<b>At 1 January</b>	<b>21,374</b>	33,333
Additions	<b>805,891</b>	—
Share of loss	<b>(23,331)</b>	(11,959)
<b>At 31 December</b>	<b>803,934</b>	21,374

The directors of the Company consider that the joint ventures as at 31 December 2015 and 2014 were insignificant to the Group and thus the individual financial information of the joint ventures were not disclosed.

As at 31 December 2015, there were no significant contingent liabilities and commitments relating to the Group's interest in the joint ventures.

The summarised financial information of individually immaterial joint ventures on an aggregate basis is as follows:

	2015 RMB'000	2014 RMB'000
Carrying amount in the consolidated financial statements	<b>803,934</b>	21,374
Share of loss for the year	<b>(23,331)</b>	(11,959)
Share of total comprehensive income	<b>(23,331)</b>	(11,959)

## FINANCIAL STATEMENTS

## Notes to the Consolidated Financial Statements

## 11(c) Investments in associates

	2015 RMB'000	2014 RMB'000
<b>At 1 January</b>	<b>34,492</b>	56,791
Additions	<b>882,427</b>	6,000
Share of loss	<b>(32,427)</b>	(28,299)
<b>At 31 December</b>	<b>884,492</b>	34,492

The directors of the Company consider that the associates as at 31 December 2015 and 2014 were insignificant to the Group and thus the individual financial information of the associates were not disclosed.

As at 31 December 2015, there were no significant contingent liabilities relating to the Group's interest in the associates except for the contingent liabilities arising from the guarantee that the Group provided to Guangzhou Lihe Property Development Company Limited ("Li He"), in which the Group held 20% equity interest, for its borrowings (note 37).

The summarised financial information of individually immaterial associates on an aggregate basis is as follows:

	2015 RMB'000	2014 RMB'000
Carrying amount in the consolidated financial statements	<b>884,492</b>	34,492
Share of loss for the year	<b>(32,427)</b>	(28,299)
Share of total comprehensive income	<b>(32,427)</b>	(28,299)

## 12 Available-for-sale financial assets

	2015 RMB'000	2014 RMB'000
Unlisted equity investment at fair value:		
<b>At 1 January</b>	<b>208,667</b>	206,329
Fair value change (note 26)	<b>6,331</b>	2,338
<b>At 31 December</b>	<b>214,998</b>	208,667

The Group's available-for-sale financial assets represent a 3.95% equity interest in an unlisted investment fund company which was established in March 2013 in the PRC. The available-for-sale financial assets are denominated in RMB.

The fair value of the available-for-sale financial assets at 31 December 2015 was determined with reference to the Group's share of the net asset value of the investment fund company. The fair value measurement of the available-for-sale financial assets is categorised within level 3 of the fair value hierarchy.



**13 Completed properties held for sale**

	2015 RMB'000	2014 RMB'000
Completed properties held for sale	<b>34,114,127</b>	23,203,236

The completed properties held for sale are located in the PRC.

**14 Inventories**

	2015 RMB'000	2014 RMB'000
Construction materials and spare parts	<b>1,978,437</b>	2,095,143

**15 Trade and other receivables**

	2015 RMB'000	2014 RMB'000
Trade receivables (note (a))	<b>14,764,833</b>	8,690,063
Land auction and other deposits	<b>6,999,069</b>	2,600,236
Other receivables (note (b))	<b>6,175,220</b>	3,746,574
Amounts due from customers for contract work (note (c))	<b>563,378</b>	1,269,592
Prepayments for land use rights (note (d))	<b>4,275,331</b>	3,280,822
Amounts due from related parties except for contract work (note 41(d)(i))	<b>4,597,657</b>	3,020,574
Loans to related parties (note 41(d)(iii))	<b>775,971</b>	-
Other prepayments (note (e))	<b>4,733,607</b>	2,763,041
	<b>42,885,066</b>	25,370,902
Less: non-current portion of loans to related parties	<b>(642,950)</b>	-
Current portion of trade and other receivables	<b>42,242,116</b>	25,370,902

As at 31 December 2015, the fair value of trade and other receivables approximated their carrying amounts.

## FINANCIAL STATEMENTS

## Notes to the Consolidated Financial Statements

## 15 Trade and other receivables (Continued)

- (a) Trade receivables mainly arise from sales of properties. Property buyers are generally granted credit terms of 1 to 6 months. The ageing analysis of trade receivables based on revenue recognition date is as follows:

	2015 RMB'000	2014 RMB'000
Within 90 days	12,706,910	7,399,889
Over 90 days and within 180 days	853,260	640,911
Over 180 days and within 365 days	821,220	436,609
Over 365 days	383,443	212,654
	<b>14,764,833</b>	8,690,063

At 31 December 2015 and 2014, trade receivables were denominated in RMB.

Trade receivables are analysed as follows:

	2015 RMB'000	2014 RMB'000
Fully performing under credit terms	14,128,350	8,451,516
Past due but not impaired	636,483	238,547
	<b>14,764,833</b>	8,690,063

Past due but not impaired receivables mainly represent receivables from sales of properties. The directors consider that these receivables would be recovered and no provision was therefore made against past due receivables as at 31 December 2015 (2014: nil). The ageing analysis of these trade receivables is as follows:

	2015 RMB'000	2014 RMB'000
Over 90 days and within 180 days	369,799	97,515
Over 180 days and within 365 days	234,982	95,164
Over 365 days	31,702	45,868
	<b>636,483</b>	238,547

The other classes within trade and other receivables did not contain impaired assets and there had been no material default history for these receivables.

There is no concentration of credit risk with respect to trade receivables as the Group has a large number of customers. Trade receivables were collateralised by the properties sold.

## 15 Trade and other receivables (Continued)

(b) Other receivables mainly represent advances made to outsourced construction and design vendors, which are interest-free, unsecured and repayable on demand.

(c) Amounts due from customers for contract work at the date of statement of financial position are as follows:

	2015 RMB'000	2014 RMB'000
Cost incurred	3,919,572	4,252,364
Recognised profits (less recognised losses)	1,063,910	1,079,993
	4,983,482	5,332,357
Less: progress billings	(4,420,104)	(4,062,765)
	563,378	1,269,592
Represented by:		
Amounts due from customers	563,378	1,269,592
Including: Related parties (note 41(d)(i))	343,213	908,173
Third parties	220,165	361,419

(d) Prepayments for land use rights are related to acquisition of land use rights upon successfully bidding at the land auctions conducted by the PRC government. The relevant land use right certificates have not been obtained at 31 December 2015.

(e) Other prepayments mainly represent prepayments for purchases of construction materials and services.

## 16 Restricted cash

The amount represented guarantee deposits for construction of pre-sale properties denominated in RMB.

In accordance with relevant documents issued by the PRC State-Owned Land and Resource Bureau, certain property development companies of the Group are required to place in designated bank accounts certain amount of presale proceeds of properties as guarantee deposits for the constructions of the related properties. The deposits can only be used for payments for construction costs of the relevant properties when approval from PRC State-Owned Land and Resource Bureau is obtained. Such guarantee deposits will only be released after the completion certificates have been obtained or the issuance of the real estate ownership certificates, whichever is earlier.

## FINANCIAL STATEMENTS

## Notes to the Consolidated Financial Statements

## 17 Cash and cash equivalents

	2015 RMB'000	2014 RMB'000
Cash at bank and in hand	31,839,298	26,706,380
Short term deposits	16,038,580	507,700
	47,877,878	27,214,080
Less: restricted cash (note 16)	(11,637,126)	(8,453,490)
	36,240,752	18,760,590

The short-term bank deposits are denominated in RMB and have terms ranging from 1 month to 3 months. The effective interest rate of these deposits for the year end 31 December 2015 was 3.11% per annum (2014: 5.58% per annum).

Cash and deposits are denominated in the following currencies:

	2015 RMB'000	2014 RMB'000
Denominated in RMB	46,753,858	24,695,524
Denominated in HKD	17,684	1,259,806
Denominated in USD	386,984	491,159
Denominated in RM	554,834	748,615
Denominated in AUD	158,681	470
Denominated in other currencies	5,837	18,506
	47,877,878	27,214,080

The conversion of RMB and RM denominated balances into other currencies and the remittance of these other currencies denominated bank balances and cash out of the PRC and Malaysia are subject to relevant rules and regulations of foreign exchange control promulgated by the PRC and Malaysian governments.

## 18 Financial assets at fair value through profit or loss

	2015 RMB'000	2014 RMB'000
Listed equity security - China (note (a))	1,188,096	-

- (a) On 16 November 2015, the Group entered into a share purchase agreement to subscribe for 51,977,311 shares (representing a 9.16% equity interest) issued by Shenzhen Tiantu Investment Management Co., Ltd. ("Tiantu"), which is mainly engaged in investment activities and listed on the National Equities Exchange and Quotations ("NEEQ") in the PRC, at a consideration of approximately RMB1,188,096,000. NEEQ is not regarded as an active market for accounting purpose as its transaction volume is low; the fair value of the investment is therefore determined with reference to the transaction price of the private placement of the shares of Tiantu to certain investors immediately prior to its listing on NEEQ in November 2015.

## 19 Trade and other payables

	2015 RMB'000	2014 RMB'000
Trade payables (note (b))	53,478,430	26,875,334
Other payables	13,722,445	7,813,785
Other taxes payable	2,443,970	2,223,947
Salaries payable	3,369,731	3,491,833
Accrued expenses	370,624	520,066
	<b>73,385,200</b>	40,924,965

(a) As at 31 December 2015, the carrying amounts of trade and other payables approximated their fair values.

(b) The ageing analysis of trade payables mainly based on the date of invoices was as follows:

	2015 RMB'000	2014 RMB'000
Within 90 days	47,826,776	25,106,015
Over 90 days and within 180 days	3,098,282	740,388
Over 180 days and within 365 days	1,564,830	510,070
Over 365 days	988,542	518,861
	<b>53,478,430</b>	26,875,334

## 20 Derivative financial instruments

	2015		2014	
	Assets RMB'000	Liabilities RMB'000	Assets RMB'000	Liabilities RMB'000
Forward foreign exchange contracts	18,043	10,198	-	-

The notional principal amount of the outstanding forward foreign exchange contracts at 31 December 2015 was RMB485,718,000 (2014: nil). These contracts will mature in 2016.

## FINANCIAL STATEMENTS

## Notes to the Consolidated Financial Statements

## 21 Senior notes

	2015 RMB'000	2014 RMB'000
As at 1 January	22,273,762	23,059,545
Additions (note (a)(ix))	5,483,516	4,849,502
Early redemption and repayment on maturity (note (a)(iii) and (a)(iv))	(8,018,100)	(5,686,103)
Interest expenses (note 32)	1,880,984	2,244,632
Coupon paid	(1,917,376)	(2,262,017)
Covenant modification fees (note (b))	(51,166)	-
Exchange differences	1,226,559	68,203
	20,878,179	22,273,762
Less: current portion included in current liabilities	-	(2,538,757)
Included in non-current liabilities	20,878,179	19,735,005

At 31 December 2015, the Group's senior notes were repayable as follows:

	2015 RMB'000	2014 RMB'000
Within 1 year	-	2,538,757
Between 2 and 5 years	11,041,295	10,486,171
Over 5 years	9,836,884	9,248,834
	20,878,179	22,273,762

(a) The Group has issued the following senior notes:

- (i) On 10 September 2009, the Company issued senior notes in an aggregate principal amount of USD300,000,000. On 23 September 2009, the Company made an additional issue of senior notes in an aggregated principal amount of USD75,000,000 (collectively the "2014 Notes"). The 2014 Notes carried interest at the rate of 11.75% per annum, payable semi-annually on 10 March and 10 September in arrears, and were repaid upon maturity on 10 September 2014.
- (ii) On 22 April 2010, the Company issued senior notes in an aggregate principal amount of USD550,000,000 (the "2017 Notes"). The 2017 Notes carry interest at the rate of 11.25% per annum, payable semi-annually on 22 April and 22 October in arrears, and will mature on 22 April 2017, unless redeemed earlier. On 15 June 2014, all the outstanding 2017 Notes were early redeemed at a redemption price equal to 105.625% of the principal amount plus accrued and unpaid interest of USD9,281,000 to the redemption date. The total redemption price paid by the Company on the redemption date was USD590,219,000. The difference between the redemption price and the carrying amount of the 2017 Notes on the redemption date, amounting to USD30,938,000 (equivalent to approximately RMB189,493,000), was charged to profit or loss under 'finance costs' (note 32).

## 21 Senior notes (Continued)

(a) The Group has issued the following senior notes (Continued):

(iii) On 11 August 2010, the Company issued senior notes in an aggregate principal amount of USD400,000,000 (the "2015 Notes"). The 2015 Notes carry interest at the rate of 10.50% per annum, payable semi-annually on 11 August and 11 February in arrears, and were repaid upon maturity on 11 August 2015.

(iv) On 23 February 2011, the Company issued senior notes in an aggregate principal amount of USD900,000,000 (the "2018 Notes"). The 2018 Notes carry interest at the rate of 11.125% per annum, payable semi-annually on 23 February and 23 August in arrears, and will mature on 23 February 2018, unless redeemed earlier.

On 29 March 2015 (the "Redemption Date"), all the outstanding 2018 Notes were early redeemed at a redemption price equal to 105.5625% of the principal amount thereof, plus accrued and unpaid interest of USD10,012,500 to the Redemption Date. The total redemption price paid by the Company on the Redemption Date was USD960,075,000. The difference between the redemption price and the carrying amount of the 2018 Notes on the Redemption Date, amounting to USD50,062,500 (equivalent to approximately RMB307,369,000), was charged to profit or loss under 'finance costs' (note 32).

(v) On 10 January 2013, the Company issued senior notes in an aggregate principal amount of USD750,000,000 (the "2023 Notes"). The 2023 Notes carry interest at the rate of 7.5% per annum, payable semi-annually on 10 January and 10 July in arrears, and will mature on 10 January 2023, unless redeemed earlier.

(vi) On 4 October 2013, the Company issued senior notes in an aggregate principal amount of USD750,000,000 (the "2021 Notes"). The 2021 Notes carry interest at the rate of 7.25% per annum, payable semi-annually on 4 October and 4 April in arrears, and will mature on 4 October 2021, unless redeemed earlier.

(vii) On 27 May 2014, the Company issued senior notes in an aggregate principal amount of USD550,000,000 (the "2019 Notes I"). The 2019 Notes I carry interest at the rate of 7.875% per annum, payable semi-annually on 27 May and 27 November in arrears, and will mature on 27 May 2019, unless redeemed earlier.

(viii) On 5 June 2014, the Company issued senior notes in an aggregate principal amount of USD250,000,000 (the "2019 Notes II"). The 2019 Notes II were issued by way of private placement and carry interest at the rate of 7.5% per annum, payable semi-annually on 5 June and 5 December in arrears, and will mature on 5 June 2019, unless redeemed earlier.

(ix) On 9 March 2015, the Company issued senior notes in an aggregated principal amount of USD900,000,000 (the "2020 Notes"). The 2020 Notes carry interest at the rate of 7.5% per annum, payable semi-annually on 9 March and 9 September in arrears, and will mature on 9 March 2020, unless redeemed earlier.

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**21 Senior notes (Continued)**

(b) In 2015, the Group paid USD8,000,000 (equivalent to approximately RMB51,166,000) to modify certain covenants of all existing outstanding notes.

(c) Except for the 2019 Notes II, all senior notes are listed on the Singapore Exchange Securities Trading Limited.

Except for the 2019 Notes II, all senior notes contain a liability component and the early redemption options:

Liability component represents the present value of the contractually determined stream of future cash flows discounted at the prevailing market interest rate at that time applicable to instruments of comparable credit status and providing substantially the same cash flows, on the same terms, but without the embedded derivatives.

The interest charged for the year is calculated by applying an effective interest rate of approximately 7.91%, 7.84%, 8.77%, 7.72%, 7.96%, 11.69% and 11.23% per annum to the liability component of the 2023 Notes, 2021 Notes, 2019 Notes I, 2019 Notes II, 2020 Notes, 2018 Notes and 2015 Notes respectively.

Early redemption options are regarded as embedded derivatives not closely related to the host contract. The directors consider that the fair value of the above early redemption options was insignificant on initial recognition and at 31 December 2015 and 2014.

The fair value of the senior notes at 31 December 2015 was approximately RMB21,600,831,000 (2014: RMB21,593,997,000). The fair value is calculated using the market price of the senior notes on the date of statement of financial position. The fair value measurement of the senior notes is categorised within the level 1 of fair value hierarchy.



## 22 Debentures

Name of bond	Par value RMB'000	Issue date	Term of the bond	Net proceeds RMB'000	Effective interest rate per annum
RMB Debentures of the Company issued in 2015 (note (a))	1,000,000	29 December 2015	5 years	985,000	5.55%
RMB Debentures I tranche I of Zengcheng Country Garden Property Development Co., Ltd. ("Zengcheng Country Garden") issued in 2015 (note (b))	3,000,000	3 August 2015	3 years	2,989,500	4.33%
RMB Debentures I tranche II of Zengcheng Country Garden issued in 2015 (note (c))	3,000,000	12 August 2015	3 years	2,991,000	4.31%
RMB Debentures II tranche I of Zengcheng Country Garden issued in 2015 (note (d))	4,000,000	9 November 2015	4 years	3,985,200	5.15%
RMB Debentures II tranche II of Zengcheng Country Garden issued in 2015 (note (e))	4,000,000	7 December 2015	4 years	3,988,000	5.26%
RM Debentures of Country Garden Real Estate Sdn. Bhd. issued in 2015 (note (f))	174,219	30 December 2015	2 years	173,099	6.35%
Total	15,174,219			15,111,799	

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## Notes to the Consolidated Financial Statements

## 22 Debentures (Continued)

Name of bond	Opening balance RMB'000	Issued in the year RMB'000	Accrued interest on par value for the year RMB'000	Amortisation of the discount RMB'000	Effect arising on translation differences in foreign currencies RMB'000	Closing balance RMB'000
RMB Debentures of the Company issued in 2015 (note (a))	-	985,000	410	39	-	985,449
RMB Debentures I tranche I of Zengcheng Country Garden issued in 2015 (note (b))	-	2,989,500	52,126	1,387	-	3,043,013
RMB Debentures I tranche II of Zengcheng Country Garden issued in 2015 (note (c))	-	2,991,000	48,674	1,110	-	3,040,784
RMB Debentures II tranche I of Zengcheng Country Garden issued in 2015 (note (d))	-	3,985,200	28,208	1,028	-	4,014,436
RMB Debentures II tranche II of Zengcheng Country Garden issued in 2015 (note (e))	-	3,988,000	13,414	384	-	4,001,798
RM Debentures of Country Garden Real Estate Sdn. Bhd. issued in 2015 (note (f))	-	173,099	29	1	(110)	173,019
Total	-	15,111,799	142,861	3,949	(110)	15,258,499

At 31 December 2015, the Group's debentures were repayable as follows:

	2015 RMB'000	2014 RMB'000
Between 1 and 2 years	173,019	-
Between 2 and 5 years	15,085,480	-
	15,258,499	-

## 22 Debentures (Continued)

Notes:

- (a) The Company issued 4.99% per annum debentures at a par value of RMB1,000,000,000 on 29 December 2015. After deducting the issuance costs, the Group received net proceeds of RMB985,000,000 from the issuance.
- (b) Zengcheng Country Garden, a wholly owned subsidiary of the Group, issued 4.20% per annum debentures at a par value of RMB3,000,000,000 on 3 August 2015. After deducting the issuance costs, the Group received net proceeds of RMB2,989,500,000 from the issuance.
- (c) Zengcheng Country Garden issued 4.20% per annum debentures at a par value of RMB3,000,000,000 on 12 August 2015. After deducting the issuance costs, the Group received net proceeds of RMB2,991,000,000 from the issuance.
- (d) Zengcheng Country Garden issued 4.95% per annum debentures at a par value of RMB4,000,000,000 on 9 November 2015. After deducting the issuance costs, the Group received net proceeds of RMB3,985,200,000 from the issuance.
- (e) Zengcheng Country Garden issued 5.10% per annum debentures at a par value of RMB4,000,000,000 on 7 December 2015. After deducting the issuance costs, the Group received net proceeds of RMB3,988,000,000 from the issuance.
- (f) Country Garden Real Estate Sdn. Bhd., a wholly owned subsidiary of the Group, issued 6% per annum debentures at a par value of RM115,000,000 (equivalent to RMB174,219,000) on 30 December 2015. After deducting the issuance costs, the Group received net proceeds of 173,099,000 from the issuance.
- (g) The RMB Debentures issued by Zengcheng Country Garden were guaranteed by the Company.
- (h) The RM Debentures issued by Country Garden Real Estate Sdn. Bhd. were jointly guaranteed by the Company, Bright Start Group Ltd. and Top Favour Holdings Ltd. (both are wholly owned subsidiaries of the Company), and secured by all of Country Garden Real Estate Sdn.'s present and future assets, a first ranking charge over shares by Bright Start Group Ltd. and Top Favour Holdings Ltd. over their respective shares in Country Garden Real Estate Sdn., including but not limited to bonus shares, right shares and other new shares or rights entitlements.
- (i) The RMB Debentures II tranche I and tranche II issued by Zengcheng Country Garden and RMB Debentures issued by the Company contain a liability component and coupon rate adjustment options:

Liability component represents the present value of the contractually determined stream of future cash flows discounted at the prevailing market interest rate at that time applicable to instruments of comparable credit status and providing substantially the same cash flows, on the same terms, but without the embedded derivatives.

The directors consider that the fair values of the above coupon rate adjustment options were insignificant on initial recognition and at 31 December 2015.

The fair values of the debentures at 31 December 2015 were RMB15,335,091,000. The fair values are calculated using the market price of the debentures on the date of statement of financial position. The fair value measurement of RMB Debentures I tranche I and II issued by Zengcheng Country Garden is categorised within the level 1 of fair value hierarchy as they are listed on Shanghai Stock Exchange. The fair value measurement of other debentures is categorised within the level 3 of fair value hierarchy as they are private placements.

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## 23 Bank and other borrowings

	2015 RMB'000	2014 RMB'000
Included in non-current liabilities:		
– secured	29,094,271	26,531,036
– unsecured	17,504,067	10,581,878
Less: current portion	(15,769,259)	(10,708,656)
	<b>30,829,079</b>	26,404,258
Included in current liabilities:		
– secured	2,807,099	725,000
– unsecured	4,201,680	957,023
Current portion of non-current liabilities	15,769,259	10,708,656
	<b>22,778,038</b>	12,390,679

The Group's borrowings as at 31 December 2015 of RMB29,233,374,000 (2014: RMB26,316,236,000), were jointly secured by certain properties, land use rights and equipment of the Group (notes 6, 7, 9 and 10) with total carrying values of RMB23,704,691,000 (2014: RMB20,554,710,000). The Group's borrowings as at 31 December 2015 of RMB2,667,996,000 (2014: RMB939,800,000) were guaranteed by the Company and secured by the Group's equity interest in certain subsidiaries.

Other borrowings represented RMB209,029,000 (2014: RMB257,026,000) of borrowings under a financing arrangement entered into by the Group with a third-party financing company in the form of a sale and leaseback transaction with a repurchase option. The subject sold and leased back under the financing arrangement is a transportation equipment of the Group. As the repurchase price is set at RMB1 which is minimal compared to the expected fair value and the Group is certain that it will exercise the repurchase option, the above financing arrangement has been accounted for as collateralised borrowings of the Group.

The exposure of the Group's bank and other borrowings to interest-rate changes and the contractual repricing dates or maturity date whichever is earlier are as follows:

	6 months or less RMB'000	6-12 months RMB'000
Borrowings included in non-current liabilities:		
At 31 December 2015	30,620,050	209,029
At 31 December 2014	26,147,232	257,026
Borrowings included in current liabilities:		
At 31 December 2015	22,778,038	–
At 31 December 2014	12,390,679	–

### 23 Bank and other borrowings (Continued)

At 31 December 2015, the Group's bank and other borrowings were repayable as follows:

	2015		2014	
	Bank borrowings RMB'000	Other borrowings RMB'000	Bank borrowings RMB'000	Other borrowings RMB'000
Within 1 year	22,727,111	50,927	12,342,955	47,724
Between 1 and 2 years	12,959,677	54,346	14,593,126	50,927
Between 2 and 5 years	17,219,084	103,756	11,073,078	158,375
Over 5 years	492,216	–	528,752	–
	<b>53,398,088</b>	<b>209,029</b>	38,537,911	257,026

The annual weighted average effective interest rates as of 31 December were as follows:

	2015	2014
– Bank and other borrowings	6.88%	7.16%

The carrying amounts of the bank and other borrowings approximated their fair values as these borrowings are floating-rate borrowings.

The carrying amounts of the bank and other borrowings are denominated in the following currencies:

	2015 RMB'000	2014 RMB'000
RMB	40,076,619	30,367,341
HKD	3,710,616	4,945,702
USD	7,131,060	971,085
RM	2,320,723	2,510,809
AUD	368,099	–
	<b>53,607,117</b>	38,794,937

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## 24 Share capital and premium

	Number of ordinary shares	Nominal value of ordinary shares HKD'000	Equivalent nominal value of ordinary shares RMB'000	Share premium RMB'000	Total RMB'000	Treasury shares RMB'000	Group total RMB'000
<b>Authorised</b>							
At 1 January 2014, 31 December 2014 and 2015, HKD0.10 per share	100,000,000,000	10,000,000					
<b>Issued and fully paid</b>							
At 1 January 2014	18,457,534,177	1,845,753	1,789,737	18,759,518	20,549,255	(380,236)	20,169,019
Issue of shares as a result of the scrip dividend scheme	622,296,869	62,230	49,398	1,542,203	1,591,601	-	1,591,601
Issue of shares as a result of a rights issue	1,271,988,736	127,199	100,869	2,400,558	2,501,427	-	2,501,427
At 31 December 2014 and 1 January 2015	20,351,819,782	2,035,182	1,940,004	22,702,279	24,642,283	(380,236)	24,262,047
Issue of shares (note (a))	2,236,200,000	223,620	176,861	4,773,703	4,950,564	-	4,950,564
At 31 December 2015	22,588,019,782	2,258,802	2,116,865	27,475,982	29,592,847	(380,236)	29,212,611

Note:

- (a) On 20 April 2015, the Company issued 2,236,200,000 new shares to Ping An Life Insurance Company of China, Ltd ("Ping An"). The issued shares represent approximately 10.99% of the Company's then existing issued share capital and approximately 9.90% of the Company's issued share capital as enlarged by the above subscription. The issue price per share was HKD2.816, which was arrived at after arm's length negotiations between the subscriber and the Company and after having considered the market price of the shares before the transaction date.

## 25 Employee share schemes

The share-based compensation expenses recognised are as follows:

	2015 RMB'000	2014 RMB'000
Share option scheme (note (a))	24,321	38,168
Share award scheme (note (b))	5,790	-
Total	30,111	38,168

- (a) Share option scheme

On 30 November 2012, the Group granted 3,000,000 share options (adjusted to 3,044,358 as a result of a rights issue in 2014) with an exercise price of HKD3.7 per share (adjusted to HKD3.646 per share as a result of the a rights issue in 2014) to certain independent non-executive directors. The options were vested immediately after the grant date and have a contractual option term of 10 years. The Group has no legal or contractual obligation to repurchase or settle the options in cash.

## 25 Employee share schemes (Continued)

### (a) Share option scheme (Continued)

On 13 December 2013, the Group granted 6,173,457 share options (adjusted to 6,264,738 as a result of a rights issue in 2014) with an exercise price of HKD4.844 per share (adjusted to HKD4.773 per share as a result of a rights issue in 2014) to certain directors and employees in connection with a profit sharing incentive scheme (the “Incentive Scheme”) adopted by the Group.

Pursuant to the Incentive Scheme, certain portion of the bonus calculated in accordance with the Incentive Scheme is settled in cash, while the remaining portion is settled in the Company’s shares as the consideration for the costs to exercise the share options. The vesting period of the above share options is 5 years from their respective grant dates. The fair value of these share options at the grant date approximated the portion of bonus which is to be settled in the Company’s shares.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2015		2014	
	Weighted Average exercise price (HKD per share)	Number of options	Weighted Average exercise price (HKD per share)	Number of options
At 1 January	4.397	9,141,015	4.404	9,309,096
Lapsed	4.773	(375,989)	4.773	(168,081)
At 31 December	4.382	8,765,026	4.397	9,141,015

None of the above share options were exercised in 2015 (2014: nil).

Share options outstanding at the end of the year have the following expiry dates and exercise prices:

Expiry date	Exercise price in HKD per share	Number of share options
29 November 2022	3.646	3,044,358
12 December 2023	4.773	5,720,668

The Group has to estimate the expected percentage of grantees that will stay within the Group at the end of vesting periods (the “Expected Retention Rate”) of the shares option scheme in order to determine the amount of share-based compensation expenses charged to profit or loss. As at 31 December 2015, the Expected Retention Rate was assessed to be 100% (2014: 100%).

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## 25 Employee share schemes (Continued)

## (b) Share award scheme

Pursuant to the Incentive Scheme, certain portion of the bonus calculated in accordance with the Incentive Scheme is settled in cash, while the remaining portion is settled in the Company's shares. On 11 February 2015, 11 March 2015 and 20 August 2015, respectively, the Group granted 14,770,863, 6,128,293 and 9,863,225 shares to certain senior management and employees (the "Awarded Shares"). The vesting period of the Awarded Shares is 5 years from their respective grant dates. As at 31 December 2015, the registration and transfer procedures were yet to be completed.

The Group planned to use treasury shares to award the grantees of the Awarded Shares. The Awarded Shares are held by Power Great Enterprises Limited, a wholly owned subsidiary of the Group, on behalf of these senior management and employees until the end of vesting periods.

The fair value of these Awarded Shares at the grant date approximated the portion of bonus which is to be settled in the Company's shares.

Movements in the number of Awarded Shares are as follows:

	2015 Number of shares awarded	2014 Number of shares awarded
<b>At 1 January</b>	–	–
Granted	30,762,381	–
Lapsed	(1,967,394)	–
<b>At 31 December</b>	<b>28,794,987</b>	–

The Awarded Shares outstanding at the end of the year have the following expiry dates:

Expiry date	Number of shares awarded
10 February 2025	13,734,472
10 March 2025	5,269,592
19 August 2025	9,790,923

The Group has to estimate the Expected Retention Rate of the share award scheme in order to determine the amount of share-based compensation expenses charged to profit or loss. As at 31 December 2015, the Expected Retention Rate was assessed to be 100% (2014: 100%).



## 26 Other reserves and retained earnings

	Other reserves							Total RMB'000	Retained earnings RMB'000	Total RMB'000
	Merger reserve RMB'000 (note (a))	Statutory reserves RMB'000 (note (b))	Share option reserve RMB'000 (note 25)	Available- for-sale RMB'000 (note 12)	Translation reserve RMB'000	Revaluation reserve RMB'000	Others RMB'000			
Balance at 1 January 2014	(149,801)	2,771,998	18,167	6,329	(47,134)	-	(405,476)	2,194,083	21,590,518	23,784,601
Profit for the year	-	-	-	-	-	-	-	-	10,229,159	10,229,159
Transfer to statutory reserves	-	540,156	-	-	-	-	-	540,156	(540,156)	-
2013 final dividends	-	-	-	-	-	-	-	-	(3,098,811)	(3,098,811)
Currency translation differences	-	-	-	-	4,466	-	-	4,466	-	4,466
Employee share schemes:										
- Value of employee service (notes 25 and 31)	-	-	38,168	-	-	-	-	38,168	-	38,168
Revaluation gains on properties upon transfer (note 7)	-	-	-	-	-	1,464,237	-	1,464,237	-	1,464,237
Change in fair value of available-for-sale financial assets, net of tax (note 12)	-	-	-	2,338	-	-	-	2,338	-	2,338
Balance at 31 December 2014	(149,801)	3,312,154	56,335	8,667	(42,668)	1,464,237	(405,476)	4,243,448	28,180,710	32,424,158

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## Notes to the Consolidated Financial Statements

## 26 Other reserves and retained earnings (Continued)

	Other reserves							Total RMB'000	Retained earnings RMB'000	Total RMB'000
	Merger reserve RMB'000 (note (a))	Statutory reserves RMB'000 (note (b))	Share option reserve RMB'000 (note 25)	Available- for-sale RMB'000 (note 12)	Translation reserve RMB'000	Revaluation reserve RMB'000	Others RMB'000 (note 39)			
Balance at 1 January 2015	(149,801)	3,312,154	56,335	8,667	(42,668)	1,464,237	(405,476)	4,243,448	28,180,710	32,424,158
Profit for the year	-	-	-	-	-	-	-	-	9,276,485	9,276,485
Transfer to statutory reserves	-	547,660	-	-	-	-	-	547,660	(547,660)	-
2014 final dividends and 2015 interim dividends	-	-	-	-	-	-	-	-	(4,773,575)	(4,773,575)
Currency translation differences	-	-	-	-	(827,849)	-	-	(827,849)	-	(827,849)
Employee share schemes:										
- Value of employee service (notes 25 and 31)	-	-	30,111	-	-	-	-	30,111	-	30,111
Change in fair value of available-for-sale financial assets, net of tax (note 12)	-	-	-	4,748	-	-	-	4,748	-	4,748
Changes in ownership interests in subsidiaries without change of control (note 39)	-	-	-	-	-	-	(55,979)	(55,979)	-	(55,979)
Balance at 31 December 2015	(149,801)	3,859,814	86,446	13,415	(870,517)	1,464,237	(461,455)	3,942,139	32,135,960	36,078,099

## Notes:

- (a) Merger reserve of the Group represented the difference between the share capital of subsidiaries acquired pursuant to a group reorganisation undertaken for the listing of Company on the main board of the Stock Exchange in 2007 over the nominal value of shares of the Company issued in exchange thereof.
- (b) Pursuant to the relevant rules and regulations governing foreign investment enterprise established in the PRC and the articles of association of certain PRC subsidiaries of the Group, the subsidiaries are required to transfer certain portion of their profit after taxation to the statutory reserve fund, until the accumulated total of the fund reaches 50% of their respective registered capital.

## 27 Perpetual capital securities

	RMB'000
<b>Balance as at 1 January 2014</b>	–
Securities issued during the year	3,090,000
Profit for the year	207,169
Distribution for the year	(207,169)
<b>Balance as at 31 December 2014</b>	3,090,000
<b>Balance as at 1 January 2015</b>	<b>3,090,000</b>
Securities issued during the year	<b>16,838,000</b>
Redemption	<b>(400,000)</b>
Profit for the year	<b>356,104</b>
Distribution for the year	<b>(356,104)</b>
<b>Balance as at 31 December 2015</b>	<b>19,528,000</b>

In 2015 and 2014, certain subsidiaries (the “Issuing Subsidiaries”) of the Group issued subordinated unlisted perpetual capital securities (the “Perpetual Capital Securities”) to certain financial institutions in the PRC.

The Perpetual Capital Securities are jointly guaranteed by the Company and Issuing Subsidiaries and secured by pledges of the shares of Issuing Subsidiaries. They do not have maturity date and the distribution payments can be deferred at the discretion of the Issuing Subsidiaries. The Perpetual Capital Securities are classified as equity instruments and recorded in non-controlling interests in the consolidated statement of financial position.

As at 31 December 2015, Issuing Subsidiaries declared distributions of totalling RMB356,104,000 (2014: RMB207,169,000) to the holders of the Perpetual Capital Securities, of which RMB55,605,000 (2014: RMB24,873,000) has not been paid and recorded in other payables as at 31 December 2015.

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## 28 Deferred income tax

The analysis of deferred tax assets and liabilities is as follows:

	2015 RMB'000	2014 RMB'000
Deferred income tax assets:		
– to be realised after more than 12 months	1,610,778	1,627,377
– to be realised within 12 months	2,176,164	1,142,734
	<b>3,786,942</b>	2,770,111
Deferred income tax liabilities:		
– to be settled after more than 12 months	(3,510,843)	(2,587,976)
– to be settled within 12 months	(304,874)	–
	<b>(3,815,717)</b>	(2,587,976)
	<b>(28,775)</b>	182,135

The movement on the net deferred income tax account is as follows:

	2015 RMB'000	2014 RMB'000
Beginning of the year	182,135	530,112
Acquisition of subsidiaries (note 40)	(681,166)	–
Charged to other comprehensive income	(1,583)	(488,079)
Recognised in profit or loss (note 33)	471,839	140,102
End of the year	<b>(28,775)</b>	182,135

**28 Deferred income tax (Continued)**

Movement in deferred tax assets and liabilities without taking into consideration the offsetting of balances within the same tax jurisdiction is as follows:

Deferred income tax assets:

	Fair value loss from business combination RMB'000	Recognition of expenses RMB'000	Elimination of unrealised profits RMB'000	Tax losses RMB'000	Total RMB'000
At 1 January 2014	–	28,114	1,071,910	699,998	1,800,022
Credited to profit or loss	–	49,103	324,396	596,590	970,089
At 31 December 2014	–	77,217	1,396,306	1,296,588	2,770,111
At 1 January 2015	–	<b>77,217</b>	<b>1,396,306</b>	<b>1,296,588</b>	<b>2,770,111</b>
Acquisition of subsidiaries (note 40)	<b>15,887</b>	–	–	<b>7,664</b>	<b>23,551</b>
(Charged)/Credited to profit or loss	–	<b>(52,516)</b>	<b>(149,566)</b>	<b>1,195,362</b>	<b>993,280</b>
At 31 December 2015	<b>15,887</b>	<b>24,701</b>	<b>1,246,740</b>	<b>2,499,614</b>	<b>3,786,942</b>

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets as at 31 December 2015 of RMB6,333,500 (2014: RMB8,946,000) in respect of accumulated tax losses amounting to RMB25,334,000 as at 31 December 2015 (2014: RMB35,785,000), of which RMB4,733,000, RMB17,427,000, RMB2,374,000, RMB266,000 and RMB534,000 as at 31 December 2015 will expire in 2016, 2017, 2018, 2019 and 2020 respectively.

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## 28 Deferred income tax (Continued)

Deferred income tax liabilities:

	Fair value gain on available-for-sale RMB'000	Fair value gain from business combination RMB'000	Recognition of construction contract revenue and contract costs RMB'000	Withholding income tax on profit to be distributed in future RMB'000 (note)	Fair value gains on investment properties RMB'000	Total RMB'000
<b>At 1 January 2014</b>	-	(120,272)	(750,092)	(399,546)	-	(1,269,910)
Charged to other comprehensive income	-	-	-	-	(488,079)	(488,079)
Credited/(Charged) to profit or loss	-	21,002	(337,085)	(43,895)	(470,009)	(829,987)
<b>At 31 December 2014</b>	-	(99,270)	(1,087,177)	(443,441)	(958,088)	(2,587,976)
<b>At 1 January 2015</b>	-	(99,270)	(1,087,177)	(443,441)	(958,088)	(2,587,976)
Acquisition of subsidiaries (note 40)	-	(704,717)	-	-	-	(704,717)
Charged to other comprehensive income	(1,583)	-	-	-	-	(1,583)
Credited/(Charged) to profit or loss	-	29,986	(239,831)	(99,955)	(211,641)	(521,441)
<b>At 31 December 2015</b>	(1,583)	(774,001)	(1,327,008)	(543,396)	(1,169,729)	(3,815,717)

Note:

As at 31 December 2015, the retained earnings of the Group's PRC subsidiaries not yet remitted to holding companies incorporated outside PRC, for which no deferred income tax liability had been provided, were approximately RMB33,844,170,000 (2014: RMB27,465,467,000). Such earnings are expected to be retained by the PRC subsidiaries for reinvestment purposes and would not be remitted to a foreign investor in the foreseeable future based on management's estimation of overseas funding requirements.

**29 Other income and gains – net**

	2015 RMB'000	2014 RMB'000
Refund of land usage tax and other government grants	183,690	68,470
Gains on bargain purchase (note 40)	118,315	–
Forfeiture of advances received from customers	68,232	16,330
Gains on disposal of investment properties	13,156	–
Dividend income on available-for-sale financial assets	9,560	6,100
Change in fair value of derivative financial instruments	7,845	–
Gain on disposal of a subsidiary	1,547	–
Losses on disposals of property, plant and equipment	(1,347)	(1,143)
Gains on disposals of properties under development	–	43,300
Others	22,987	52,939
	<b>423,985</b>	<b>185,996</b>

**30 Expenses by nature**

	2015 RMB'000	2014 RMB'000
Auditor's remuneration	15,710	9,230
– Audit services	9,950	6,900
– Non-audit services	5,760	2,330
Advertising costs	1,391,167	1,539,647
Amortisation of intangible assets (note 8)	10,568	6,272
Business taxes and other levies (note below)	6,872,861	5,383,350
Costs of completed properties sold	82,330,852	56,060,584
Donations	83,038	264,543
Depreciation (notes 6 and 7)	596,576	509,192
Employee benefit expenses (note 31)	4,955,937	4,466,080
Land use rights amortisation (note 9)	57,149	60,509
Rental expenses	166,339	150,255
Write-down of completed properties held for sale	–	147,284
Others	1,797,863	1,412,924
Total cost of sales, selling and marketing costs and administrative expenses	<b>98,278,060</b>	<b>70,009,870</b>

Note:

The PRC subsidiaries of the Group are subject to business taxes on their revenues at the following rates:

Category	Rate
Sale of properties	5%
Property construction, fitting and decoration	3%
Property investment	5%
Property management	5%
Hotel service	5%

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## 31 Employee benefit expenses

	2015 RMB'000	2014 RMB'000
Wages and salaries	7,317,496	7,312,085
Contributions to pension plans (note (a))	50,317	49,559
Staff welfare	115,015	113,281
Medical benefits	100,638	99,120
Share-based compensation expenses	30,111	38,168
Other allowances and benefits	28,752	28,319
	7,642,329	7,640,532
Less: capitalised in properties under development	(2,686,392)	(3,174,452)
	4,955,937	4,466,080

## (a) Contributions to pension plans

Employees in the Group's PRC subsidiaries are required to participate in a defined contribution retirement scheme administrated and operated by the local municipal governments. The Group's PRC subsidiaries contribute funds which are calculated on certain percentage of the average employee salary as agreed by local municipal governments to the scheme to fund the retirement benefits of the employees.

## (b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year including four (2014: three) directors whose emoluments are reflected in the analysis shown in note 45. The emoluments payable to the remaining one (2014: two) individual during the year are as follows:

	2015 RMB'000	2014 RMB'000
Salaries and other benefits	1,746	9,167
Bonuses	16,162	7,510
Employee share schemes	5,661	-
Contributions to pension plans	31	42
	23,600	16,719

The emoluments fell within the following bands:

	Number of individuals	
	2015	2014
HKD9,500,001 to HKD10,000,000	-	1
HKD11,000,001 to HKD11,500,000	-	1
HKD29,000,001 to HKD29,500,000	1	-



**32 Finance costs – net**

	2015 RMB'000	2014 RMB'000
Finance income:		
– Interest income on short-term bank deposits	221,079	254,747
Finance costs:		
– Interest expense:		
– Senior notes	(1,880,984)	(2,244,632)
– Bank and other borrowings	(3,033,909)	(2,634,812)
– Debentures	(146,810)	–
	(5,061,703)	(4,879,444)
Less: amounts capitalised on qualifying assets	5,061,703	4,879,444
	–	–
– Net foreign exchange losses on financing activities	(1,640,840)	(260,836)
Less: amounts capitalised on qualifying assets	437,620	–
	(1,203,220)	(260,836)
– Loss on early redemption of senior notes (note 21)	(307,369)	(189,493)
	(1,510,589)	(450,329)
Finance costs – net	(1,289,510)	(195,582)

**33 Income tax expenses**

	2015 RMB'000	2014 RMB'000
Current income tax		
– PRC corporate income tax	4,482,128	4,252,464
– Land appreciation tax (note (c))	1,111,139	1,644,863
	5,593,267	5,897,327
Deferred income tax (note 28)		
– PRC corporate income tax	(571,794)	(183,997)
– Withholding income tax on profit to be distributed in future (note (d))	99,955	43,895
	(471,839)	(140,102)
	5,121,428	5,757,225

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## Notes to the Consolidated Financial Statements

**33 Income tax expenses (Continued)**

The income tax on the Group's profit before income tax differs from the theoretical amount that would arise using the enacted tax rate of the home country of the group companies as follows:

	2015 RMB'000	2014 RMB'000
Profit before income tax	14,833,109	16,369,125
Tax calculated at PRC corporate income tax rate of 25% (2014: 25%)	3,708,277	4,092,281
Land appreciation tax deductible for calculation of income tax purpose	(277,785)	(411,216)
Utilisation of tax losses not recognised as deferred income tax assets	(2,613)	(1,674)
Income not subject to tax	(4,472)	(5,574)
Expenses not deductible for tax	486,927	394,650
	3,910,334	4,068,467
Withholding income tax on profit to be distributed in future (note (d))	99,955	43,895
Land appreciation tax (note (c))	1,111,139	1,644,863
Income tax expenses	5,121,428	5,757,225

## Notes:

- (a) Hong Kong profits tax has been provided at the rate of 16.5% (2014:16.5%) on the estimated assessable profits of the Group's subsidiaries in Hong Kong.
- (b) PRC corporate income tax has been provided at corporate income tax rate of 25%.
- (c) PRC land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including cost of land use rights and all property development expenditures.
- (d) Withholding income tax is provided on the dividends to be distributed by the PRC subsidiaries of the Group. The relevant overseas holding companies have successfully obtained endorsement from various PRC tax bureaus to enjoy the treaty benefit of 5% withholding income tax rate on dividends received from the PRC subsidiaries of the Group. Accordingly, withholding income tax has been provided at 5% of the dividends to be distributed by the PRC subsidiaries of the Group.

### 34 Dividends

	2015 RMB'000	2014 RMB'000
Interim dividend of RMB6.48 cents (2014:nil) per share	1,463,704	–
Proposed final dividend of RMB6.47 cents per share (2014: RMB14.75 cents)	1,448,530	3,001,893

On 19 August 2015, the Board of Directors declared the payment of a 2015 interim dividend of RMB6.48 cents per share, totalling RMB1,463,704,000 which was paid in cash in November 2015 (2014: nil).

The final dividend in respect of 2014 of RMB14.75 cents (equivalent to HKD18.70 cents) per share, totalling RMB3,333,127,000 (including the dividend payable to Ping An as a result of the issue of shares to Ping An in April 2015 (note 24(a))), was approved in the Annual General Meeting on 20 May 2015 and paid in cash in July 2015.

The directors recommend the payment of a 2015 final dividend of RMB6.47 cents per share, totalling RMB1,448,530,000, which has taken into account the effect of the buy-back of the Company's shares subsequent to 31 December 2015 and up to the date of these financial statements (note 42). Such dividend is to be approved by the shareholders at the forthcoming Annual General Meeting. These financial statements do not reflect this dividend payable.

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## 35 Cash (used in)/generated from operations

	2015 RMB'000	2014 RMB'000
Profit for the year	9,711,681	10,611,900
Adjustments for:		
Income tax expenses (note 33)	5,121,428	5,757,225
Interest income (note 32)	(221,079)	(254,747)
Loss on early redemption of senior notes (note 32)	307,369	189,493
Net foreign exchange losses (note 32)	1,203,220	260,836
Depreciation (notes 6 and 7)	596,576	509,192
Amortisation of land use rights (note 9)	57,149	60,509
Amortisation of intangible assets (note 8)	10,568	6,272
Write-down of completed properties held for sale (note 30)	-	147,284
Losses on disposals of property, plant and equipment (note 29)	1,347	1,143
Share of results of associates and joint ventures (note 11)	55,758	40,258
Gains arising from changes in fair value of and transfer to investment properties (note 7)	(809,812)	(1,880,036)
Share-based compensation expense (note 31)	30,111	38,168
Dividend income from available-for-sale financial assets (note 29)	(9,560)	(6,100)
Gains on bargain purchase (note 40)	(118,315)	-
Change in fair value of derivative financial instruments (note 29)	(7,845)	-
Gain on disposal of a subsidiary	(1,547)	-
Gains on disposal of investment properties (note 29)	(13,156)	-
	15,913,893	15,481,397
Changes in working capital (excluding the effects of acquisition of subsidiaries and currency exchange differences on consolidation):		
Property under development and completed properties held for sale	(38,278,986)	(47,792,364)
Inventories	116,706	(1,522,280)
Restricted cash	(3,183,636)	(683,620)
Trade and other receivables	(14,796,926)	985,042
Prepaid taxes	(272,767)	(1,611,398)
Trade and other payables	30,837,529	13,312,089
Advanced proceeds received from customers	3,175,599	28,374,539
Cash (used in)/generated from operations	(6,488,588)	6,543,405

### 35 Cash (used in)/generated from operations (Continued)

In the consolidated cash flow statement, proceeds from disposals of property, plant and equipment and investment properties comprise:

	2015 RMB'000	2014 RMB'000
<b>Property, plant and equipment</b>		
Net book amount (note 6)	256,794	176,054
Losses on disposals (note 29)	(1,347)	(1,143)
Proceeds	255,447	174,911
<b>Investment properties</b>		
Net book amount(note 7)	143,245	–
Gains on disposals(note 29)	13,156	–
Proceeds	156,401	–

### 36 Earnings per share

#### (a) Basic

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year, excluding ordinary shares purchased by the Group and held as treasury shares (note 24).

	2015	2014
Profit attributable to owners of the Company (RMB'000)	9,276,485	10,229,159
Weighted average number of ordinary shares in issue (thousands)	21,806,325	19,138,531
Earnings per share – Basic (RMB cents per share)	42.54	53.45

#### (b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company had two categories of dilutive potential ordinary shares: share options and the Awarded Shares. For the share options and Awarded Shares, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the company's shares) based on the monetary value of the subscription rights attached to outstanding share options and Awarded Shares. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options and Awarded Shares.

	2015	2014
Profit attributable to owners of the Company (RMB'000)	9,276,485	10,229,159
Weighted average number of ordinary shares in issue (thousands)	21,806,325	19,138,531
Adjustments – share options and Awarded Shares (thousands)	7,471	902
Weighted average number of ordinary shares for diluted earnings per share (thousands)	21,813,796	19,139,433
Earnings per share – Diluted (RMB cents per share)	42.53	53.45

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## Notes to the Consolidated Financial Statements

## 37 Contingencies

The Group had the following contingent liabilities:

	2015 RMB'000	2014 RMB'000
Guarantees in respect of mortgage facilities for certain purchasers (note (a))	60,636,156	49,375,895
Guarantees to related parties in respect of borrowings (note (b))	1,781,900	2,298,980
	<b>62,418,056</b>	<b>51,674,875</b>

Note:

(a) These represented the guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to retain the legal title and take over the possession of the related properties. As at 31 December 2015, the amount of RMB50,841,000 (2014: RMB113,392,000) was to be discharged two years from the day the mortgaged loans become due; and RMB60,585,315,000 (2014: RMB49,262,503,000) was to be discharged upon the earlier of (i) issuance of the real estate ownership certificate which are generally available within three months after the purchasers take possession of the relevant properties; and (ii) the satisfaction of mortgaged loans by the purchasers of properties.

The directors consider that in case of default in payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interest and penalty (note 4(b)) and therefore no provision has been made in the financial statements for the guarantees.

(b) These represented the maximum exposure of the guarantees provided for Li He (note 41(b)(iv)).

### 38 Commitments

#### (a) Commitments for capital and property development expenditures

	2015 RMB'000	2014 RMB'000
Contracted but not provided for:		
– Property, plant and equipment	45,753	5,928
– Property development expenditure (including land premium)	84,779,569	72,646,326
	<b>84,825,322</b>	72,652,254

#### (b) Operating lease commitments

The lease terms are between 1 and 10 years, and the majority of lease agreements are renewable at the end of the lease period at market rate. The future aggregate minimum lease payments under non-cancellable operating leases in respect of buildings are as follows:

	2015 RMB'000	2014 RMB'000
Not later than one year	41,080	15,568
Later than one year and not later than five years	30,884	34,326
Later than five years	6,125	1,749
	<b>78,089</b>	51,643

#### (c) Operating lease rentals receivable

The lease terms are between 1 and 10 years, and the majority of lease agreements are renewable at the end of the lease period at market rate. The future aggregate minimum lease rentals receivable under non-cancellable operating leases in respect of buildings are as follows:

	2015 RMB'000	2014 RMB'000
Not later than one year	93,308	82,839
Later than one year and not later than five years	437,225	346,069
Later than five years	586,023	314,948
	<b>1,116,556</b>	743,856

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## Notes to the Consolidated Financial Statements

## 39 Transactions with non-controlling interests

## (a) Acquisition of additional interests in subsidiaries

(i) *Yongchun Country Garden Property Development Co., Ltd. (“Yongchun Country Garden”)*

On 22 October 2015, the Group acquired an additional 30% equity interest in Yongchun Country Garden for a cash consideration of RMB97,000,000. Yongchun Country Garden became a wholly owned subsidiary of the Group after the acquisition. The carrying amount of the non-controlling interests in Yongchun Country Garden on the date of acquisition was RMB61,890,000. The Group recognised a decrease in non-controlling interests of RMB61,890,000 and a decrease in equity attributable to owners of the Company of RMB35,110,000. The effect of changes in the ownership interest of the Group on the equity attributable to owners of the Company during the year is summarised as follows:

	RMB'000
Carrying amount of non-controlling interests acquired	61,890
Consideration paid to non-controlling interests	(97,000)
Excess of consideration paid recognised within equity	(35,110)

(ii) *Wuyishan Country Garden Property Development Co., Ltd. (“Wuyishan Country Garden”)*

On 6 November 2015, the Group acquired an additional 20% of equity interest in Wuyishan Country Garden for a cash consideration of RMB30,000,000. The Group held 80% equity interest of Wuyishan Country Garden after the acquisition. The carrying amount of the non-controlling interests in Wuyishan Country Garden on the date of acquisition was RMB18,262,000. The Group recognised a decrease in non-controlling interests of RMB9,131,000 and a decrease in equity attributable to owners of the Company of RMB20,869,000. The effect of changes in the ownership interest of the Group on the equity attributable to owners of the Company during the year is summarised as follows:

	RMB'000
Carrying amount of non-controlling interests acquired	9,131
Consideration paid to non-controlling interests	(30,000)
Excess of consideration paid recognised within equity	(20,869)



### 39 Transactions with non-controlling interests (Continued)

#### (b) Disposal of interests in subsidiaries without loss of control

During the year, the Group disposed of interests ranging from 5% to 49% in 8 subsidiaries at a total consideration of RMB22,722,000. The carrying amount of the non-controlling interests in the subsidiaries on the date of disposal was RMB22,722,000. The Group recognised an increase in non-controlling interests of RMB22,722,000.

As at 31 December 2015, RMB16,722,000 of the above consideration has been received, the remaining portion will be received in 2016.

#### (c) The aggregate effects of the above transactions with non-controlling interests on the equity attributable to owners of the Company for the year ended 31 December 2015:

	RMB'000
Changes in equity attributable to owners of the Company arising from:	
– Acquisition of additional interests in subsidiaries	(55,979)
– Disposal of interests in subsidiaries without loss of control	–
Net effect for transactions with non-controlling interests on equity attributable to owners of the Company	(55,979)

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## Notes to the Consolidated Financial Statements

## 40 Business combination

## (a) Acquisition of Suigang Baiyun Property Development Co., Ltd. (“Suigang Baiyun”)

On 29 April 2015, The Group acquired 100% equity interest of Suigang Baiyun from certain third parties for a total cash consideration of RMB464,026,000.

Suigang Baiyun’s principal activities are property development and management in the PRC.

The following table summarises the consideration paid, the fair value of assets acquired and liabilities assumed at the acquisition date.

	RMB'000
<b>Purchase consideration</b>	
— Cash	464,026
<b>Recognised amounts of identifiable assets acquired and liabilities assumed</b>	
Cash and cash equivalents	1,780
Property, plant and equipment	1,087
Properties under development and completed properties held for sale	828,408
Trade and other receivables	40,575
Trade and other payables	(350,127)
Deferred tax assets	7,664
<b>Total identifiable net assets</b>	529,387
Gain on bargain purchase	(65,361)
	464,026
<b>Outflow of cash to acquire business, net of cash acquired</b>	
— Cash consideration	464,026
— Cash and cash equivalents in subsidiary acquired	(1,780)
<b>Cash outflow on acquisition</b>	462,246

The bargain purchase gain was mainly due to the fact that the sellers had the intention to exit from their investments in Suigang Baiyun due to various operational reasons.

The acquired business contributed revenue of RMB92,531,000 and net loss of RMB67,447,000 to the Group for the period from 29 April 2015 to 31 December 2015. If the acquisition had occurred on 1 January 2015, the revenue would have been RMB93,715,000 and net loss would have been RMB178,201,000 respectively for the year ended 31 December 2015. The directors consider these ‘pro-forma’ numbers to represent an approximate measure of the performance of the combined group on an annualised basis and to provide a reference point for comparison in future periods.

**40 Business combination (Continued)****(b) Acquisition of Nanjing Jin Mengdu Property Development Co., Ltd. (“Jin Mengdu”)**

On 4 July 2015, The Group acquired 85% equity interest of Jin Mengdu from certain third parties for a total cash consideration of RMB702,525,000.

Jin Mengdu’s principal activities are property development and management in the PRC.

The following table summarises the consideration paid, the fair value of assets acquired and liabilities assumed at the acquisition date.

	RMB’000
<b>Purchase consideration</b>	
– Cash	702,525
<b>Recognised amounts of identifiable assets acquired and liabilities assumed</b>	
Cash and cash equivalents	27,116
Property, plant and equipment	1,528
Properties under development and completed properties held for sale	1,801,568
Trade and other receivables	4,975
Trade and other payables	(782,130)
Deferred tax liabilities	(225,447)
<b>Total identifiable net assets</b>	827,610
Non-controlling interests	(124,141)
Gain on bargain purchase	(944)
	702,525
<b>Outflow of cash to acquire business, net of cash acquired</b>	
– Cash consideration	702,525
– Cash and cash equivalents in subsidiary acquired	(27,116)
<b>Cash outflow on acquisition</b>	675,409

The bargain purchase gain was mainly due to the fact that the sellers had the intention to exit from their investments in Jin Mengdu due to various operational reasons.

The acquired business contributed revenue of RMB6,875,000 and net loss of RMB11,743,000 to the Group for the period from 4 July 2015 to 31 December 2015. If the acquisition had occurred on 1 January 2015, the revenue would have been RMB20,296,000 and the net loss would have been RMB16,287,000 respectively for the year ended 31 December 2015. The directors consider these ‘pro-forma’ numbers to represent an approximate measure of the performance of the combined group on an annualised basis and to provide a reference point for comparison in future periods.

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## Notes to the Consolidated Financial Statements

## 40 Business combination (Continued)

## (c) Acquisition of Foshan City Nanhai District Huaxing Property Development and Investment Co.,Ltd. (“Huaxing Property”)

On 4 December 2015, The Group acquired 51% equity interest of Huaxing Property from certain third parties for a total cash consideration of RMB82,209,000.

Huaxing Property’s principal activities are property development and management and investment in the PRC.

The following table summarises the consideration paid, the fair value of assets acquired and liabilities assumed at the acquisition date.

	RMB'000
<b>Purchase consideration</b>	
— Cash	82,209
<b>Recognised amounts of identifiable assets acquired and liabilities assumed</b>	
Cash and cash equivalents	73,628
Property, plant and equipment	546
Properties under development and completed properties held for sale	1,263,521
Trade and other receivables	349,755
Trade and other payables	(761,297)
Prepaid taxes	34,521
Intangible assets	13
Advanced proceeds received from customers	(411,628)
Income taxes payable	(3,734)
Bank and other borrowings	(399,500)
Deferred tax liabilities	(36,193)
<b>Total identifiable net assets</b>	109,632
Non-controlling interests	(53,720)
Goodwill	26,297
	82,209
<b>Outflow of cash to acquire business, net of cash acquired</b>	
— Cash consideration	82,209
— Cash and cash equivalents in subsidiary acquired	(73,628)
<b>Cash outflow on acquisition</b>	8,581

As a result of the acquisition, the Group is expected to increase its presence in the market. It also expects to reduce costs through economies of scale. The goodwill of RMB26,297,000 arising from the acquisition is attributable to acquired customer base and economies of scale expected from combining the operations of the Group and Huaxing Property. None of the goodwill recognised is expected to be deductible for income tax purposes.

The acquired business contributed revenue of RMB386,560,000 and net profit of RMB41,154,000 to the Group for the period from 4 December 2015 to 31 December 2015. If the acquisition had occurred on 1 January 2015, the revenue would have been RMB386,560,000 and the net loss would have been RMB5,490,000 respectively for the year ended 31 December 2015. The directors consider these ‘pro-forma’ numbers to represent an approximate measure of the performance of the combined group on an annualised basis and to provide a reference point for comparison in future periods.

**40 Business combination (Continued)****(d) Acquisition of Guangdong Yehe Property Development Co., Ltd. (“Guangdong Yehe”)**

On 28 October 2015, The Group acquired 75.31% equity interest of Guangdong Yehe from certain third parties for a total cash consideration of RMB22,557,000.

Guangdong Yehe’s principal activities are property development and management in the PRC.

The following table summarises the consideration paid, the fair value of assets acquired and liabilities assumed at the acquisition date.

	RMB'000
<b>Purchase consideration</b>	
— Cash	22,557
<b>Recognised amounts of identifiable assets acquired and liabilities assumed</b>	
Cash and cash equivalents	15,609
Property, plant and equipment	159
Properties under development and completed properties held for sale	547,436
Trade and other receivables	6,033
Trade and other payables	(341,560)
Prepaid taxes	2,289
Intangible assets	13
Advanced proceeds received from customers	(28,841)
Income taxes payable	(958)
Bank and other borrowings	(100,000)
Deferred tax liabilities	(18,726)
<b>Total identifiable net assets</b>	81,454
Non-controlling interests	(20,111)
Gain on bargain purchase	(38,786)
	22,557
<b>Outflow of cash to acquire business, net of cash acquired</b>	
— Cash consideration	22,557
— Cash and cash equivalents in subsidiary acquired	(15,609)
<b>Cash outflow on acquisition</b>	6,948

The bargain purchase gain was mainly due to the fact that the sellers had the intention to exit from their investments in Guangdong Yehe due to various operational reasons.

The acquired business contributed revenue of RMB13,486,000 and net loss of RMB1,068,000 to the Group for the period from 28 October 2015 to 31 December 2015. If the acquisition had occurred on 1 January 2015, the revenue would have been RMB54,252,000 and the net loss would have been RMB5,204,000 respectively for the year ended 31 December 2015. The directors consider these ‘pro-forma’ numbers to represent an approximate measure of the performance of the combined group on an annualised basis and to provide a reference point for comparison in future periods.

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## Notes to the Consolidated Financial Statements

## 40 Business combination (Continued)

## (e) Acquisition of Hunan Dongchen Zhidi Property Development Co., Ltd. (“Zhidi Property”)

On 25 August 2015, The Group acquired 43.35% equity interest of Zhidi Property from certain third parties for a total cash consideration of RMB197,931,000.

Zhidi Property’s principal activities are property development and management in the PRC.

As the Group has the rights to variable returns from its involvement in Zhidi Property and has the ability to affect those returns through its majority vote position in the board of directors of Zhidi Property and the right to determine the budget, pricing and promotion strategies of Zhidi Property, the Group has control over Zhidi Property and Zhidi Property is thus accounted for as a subsidiary of the Group.

The following table summarises the consideration paid, the fair value of assets acquired and liabilities assumed at the acquisition date.

	RMB’000
<b>Purchase consideration</b>	
— Cash	197,931
<b>Recognised amounts of identifiable assets acquired and liabilities assumed</b>	
Cash and cash equivalents	15,713
Properties under development and completed properties held for sale	1,000,422
Trade and other receivables	265,975
Trade and other payables	(171,784)
Bank and other borrowings	(332,380)
Advanced proceeds received from customers	(308,553)
Income taxes payable	(14,916)
Deferred tax liabilities	(19,935)
<b>Total identifiable net assets</b>	434,542
Non-controlling interests	(246,168)
Goodwill	9,557
	197,931
<b>Outflow of cash to acquire business, net of cash acquired</b>	
— Cash consideration	197,931
— Cash and cash equivalents in subsidiary acquired	(15,713)
<b>Cash outflow on acquisition</b>	182,218

As a result of the acquisition, the Group is expected to increase its presence in the market. It also expects to reduce costs through economies of scale. The goodwill of RMB9,557,000 arising from the acquisition is attributable to acquired customer base and economies of scale expected from combining the operations of the Group and Zhidi Property. None of the goodwill recognised is expected to be deductible for income tax purposes.

The acquired business contributed net loss of RMB5,777,000 to the Group for the period from 25 August 2015 to 31 December 2015. If the acquisition had occurred on 1 January 2015, the net loss would have been RMB38,223,000 for the year ended 31 December 2015. The directors consider these ‘pro-forma’ numbers to represent an approximate measure of the performance of the combined group on an annualised basis and to provide a reference point for comparison in future periods.

**40 Business combination (Continued)****(f) Acquisition of Huizhou Junfeng Pengfeng Property Development Co., Ltd. (“Junfeng Pengfeng”)**

On 3 December 2015, The Group acquired 63% equity interest of Junfeng Pengfeng from certain third parties for a total cash consideration of RMB207,144,000.

Junfeng Pengfeng’s principal activities are property development and management in the PRC.

The following table summarises the consideration paid, the fair value of assets acquired and liabilities assumed at the acquisition date.

	RMB’000
<b>Purchase consideration</b>	
– Cash	207,144
<b>Recognised amounts of identifiable assets acquired and liabilities assumed</b>	
Cash and cash equivalents	11
Property, plant and equipment	147
Properties under development and completed properties held for sale	497,604
Trade and other receivables	51,696
Trade and other payables	(243,156)
Intangible assets	7
Income taxes payable	(708)
Deferred tax liabilities	(63,182)
<b>Total identifiable net assets</b>	242,419
Non-controlling interests	(89,695)
Goodwill	54,420
	207,144
<b>Outflow of cash to acquire business, net of cash acquired</b>	
– Cash consideration	207,144
– Cash and cash equivalents in subsidiary acquired	(11)
<b>Cash outflow on acquisition</b>	207,133

As a result of the acquisition, the Group is expected to increase its presence in the market. It also expects to reduce costs through economies of scale. The goodwill of RMB54,420,000 arising from the acquisition is attributable to acquired customer base and economies of scale expected from combining the operations of the Group and Junfeng Pengfeng. None of the goodwill recognised is expected to be deductible for income tax purposes.

The acquired business contributed net loss of RMB4,047,000 to the Group for the period from 3 December 2015 to 31 December 2015. If the acquisition had occurred on 1 January 2015, the net loss would have been RMB15,736,000 for the year ended 31 December 2015. The directors consider these ‘pro-forma’ numbers to represent an approximate measure of the performance of the combined group on an annualised basis and to provide a reference point for comparison in future periods.

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## Notes to the Consolidated Financial Statements

## 40 Business combination (Continued)

## (g) Other business combinations

In 2015, The Group also acquired 93.5%, 47.68%, 89.68%, 45.90%, 43.35%, 100.00%, 51.00% and 54.00% equity interest of Dongguan City Junxuan Real Estate Co., Ltd., Dongguan City Tianhui Property Investment Co., Ltd., Dongguan City Yizhan Hengtai Property Development Co., Ltd., Huizhou City Huiyang Jingsheng Real Estate Co., Ltd., Hainan Baolian City (Bo'ao) Real Estate Co., Ltd., Guangdong Longyue Construction Co., Ltd., Foshan City Shunde District Dongyiwan Property Development Co., Ltd. and Huizhou Dayawan Haiyada Property Development Co., Ltd., respectively, from various third parties for a total cash consideration of RMB328,467,000.

The acquired companies' principal activities are property development and management and construction in the PRC.

As the Group has the rights to variable returns from its involvement with Dongguan City Tianhui Property Investment Co., Ltd., Huizhou City Huiyang Jingsheng Real Estate Co., Ltd., and Hainan Baolian City (Bo'ao) Real Estate Co., Ltd. and has the ability to affect those returns through its majority vote position in the board of directors of these companies and the right to determine the budget, pricing and promotion strategies of these companies, the Group has control over these companies and these companies are thus accounted for as subsidiaries of the Group.

The following table summarises the considerations paid, the fair value of assets acquired and liabilities assumed of these subsidiaries at the acquisition dates.

	RMB'000
<b>Purchase consideration</b>	
— Cash	328,467
<b>Recognised amounts of identifiable assets acquired and liabilities assumed</b>	
Cash and cash equivalents	233,276
Property, plant and equipment	45,721
Properties under development and completed properties held for sale	2,652,613
Trade and other receivables	2,025,448
Deferred tax assets	15,887
Intangible assets	86
Trade and other payables	(1,472,424)
Bank and other borrowings	(1,777,000)
Advanced proceeds received from customers	(798,967)
Income taxes payable	(34,981)
Deferred tax liabilities	(341,234)
<b>Total identifiable net assets</b>	548,425
Non-controlling interests	(206,734)
Gain on bargain purchase	(13,224)
Goodwill	—
	328,467
<b>Outflow of cash to acquire business, net of cash acquired</b>	
— Cash consideration	328,467
— Cash and cash equivalents in subsidiary acquired	(233,276)
<b>Cash outflow on acquisition</b>	95,191



## 40 Business combination (Continued)

### (g) Other business combinations (Continued)

The bargain purchase gain was mainly due to the fact that the sellers had the intention to exit from their investments in these acquired businesses due to various operational reasons.

The acquired businesses contributed total revenues of RMB298,203,000 and total net loss of RMB25,632,000 to the Group for the period from their respective acquisition dates to 31 December 2015. If the acquisition had occurred on 1 January 2015, the total revenues would have been RMB298,223,000 and the total net losses would have been RMB77,493,000 respectively for the year ended 31 December 2015. The directors consider these 'pro-forma' numbers to represent an approximate measure of the performance of the combined group on an annualised basis and to provide a reference point for comparison in future periods.

## 41 Related party transactions

### (a) Name and relationship with related parties

#### Existing shareholders

Ms. YANG Huiyan, Mr. YANG Erzhu, Mr. SU Rubo and Mr. OU Xueming.

#### Controlled by existing shareholders and/or their close family members

Guangdong Elite Architectural Co., Ltd.	廣東博意建築設計院有限公司
Qingyuan Country Garden Property Development Co., Ltd. ("Qingyuan Country Garden")	清遠碧桂園物業發展有限公司
Foshan Shunde Jiangkou Water Plant Co., Ltd.*	佛山市順德區江口自來水有限公司
Zengcheng Crystal Water Plant Co., Ltd.	增城市清源自來水廠有限公司
Guangdong Grand Pipe Pile Co., Ltd. ("Grand Pipe")	廣東鴻業管樁有限公司
Wanfang Construction Co., Ltd. ("Wanfang Construction")**	廣東萬方工程有限公司
Wanfang Stone Co., Ltd. ("Wanfang Stone")**	廣東萬方石業有限公司

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## Notes to the Consolidated Financial Statements

## 41 Related party transactions (Continued)

## (a) Name and relationship with related parties (Continued)

## Associates

Li He	廣州利合房地產開發有限公司
Longjiang Country Garden Property Development Co., Ltd.	佛山市順德區龍江碧桂園房地產開發有限公司
Chengdu Jinniu Property Development Co., Ltd.	成都市金牛碧桂園房地產開發有限公司
Wuhan Liansong Property Development Co., Ltd.	武漢聯松房地產有限公司

## Joint ventures

Zhongshan Yahong	中山市雅鴻房地產開發有限公司
Qingyuan Country Garden Investment	清遠市碧桂園投資開發有限公司
Huanggang Country Garden Property Development Co., Ltd.	黃岡市碧桂園房地產開發有限公司
Wuhan Caidian Country Garden Property Development Co., Ltd.	武漢市蔡甸碧桂園房地產開發有限公司
Chengde Mila Property Development Co., Ltd.	承德米拉房地產開發有限公司
Hebei Zerui Property Development Co., Ltd.	河北澤瑞房地產開發有限公司
Sichuan Tonghui Property Development Co., Ltd.	四川省同匯房地產開發有限公司
Hubei Dinglong Taifu Science and Technology Industrial Park Co., Ltd.	湖北鼎龍泰富科技產業園有限公司

\* Foshan Shunde Jiangkou Water Plant Co., Ltd. has ceased to be a related party to the Group since it was liquidated in 2014.

\*\* Wanfang Construction and Wanfang Stone have ceased to be related parties to the Group since October 2014 after the change in their controlling shareholders.

The English names of certain of the companies referred to above in this note represent management's best efforts at translating the Chinese names of these companies as no English names have been registered or available.

**41 Related party transactions (Continued)****(b) Transactions with related parties**

Saved as disclosed in other notes above, the Group had the following significant transactions with related parties during the year:

	2015 RMB'000	2014 RMB'000
<b>(i) Construction and decoration service income:</b>		
清遠碧桂園物業發展有限公司 Qingyuan Country Garden	85,617	209,917
佛山市順德區龍江碧桂園房地產開發有限公司 Longjiang Country Garden Property Development Co., Ltd.	40,591	-
成都市金牛碧桂園房地產開發有限公司 Chengdu Jinniu Property Development Co., Ltd.	21,997	-
承德米拉房地產開發有限公司 Chengde Mila Property Development Co., Ltd.	23,304	-
黃岡市碧桂園房地產開發有限公司 Huanggang Country Garden Property Development Co., Ltd.	55,945	-
武漢聯松房地產有限公司 Wuhan Liansong Property Development Co., Ltd.	30,837	-
河北澤瑞房地產開發有限公司 Hebei Zerui Property Development Co., Ltd.	20,359	-
清遠市碧桂園投資開發有限公司 Qingyuan Country Garden Investment and Development Co., Ltd.	4,177	-
武漢市蔡甸碧桂園房地產開發有限公司 Wuhan Caidian Country Garden Property Development Co., Ltd.	115	-
	<b>282,942</b>	209,917
	2015 RMB'000	2014 RMB'000
<b>(ii) Purchase of design service:</b>		
廣東博意建築設計院有限公司 Guangdong Elite Architectural Co., Ltd.	915,751	1,126,836

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## Notes to the Consolidated Financial Statements

## 41 Related party transactions (Continued)

## (b) Transactions with related parties (Continued)

	2015 RMB'000	2014 RMB'000
<b>(iii) Purchases of construction service and construction materials and water:</b>		
廣東萬方工程有限公司 Wanfang Construction	-	241,614
佛山市順德區江口自來水有限公司 Foshan Shunde Jiangkou Water Plant Co., Ltd.	-	1,054
增城市清源自來水廠有限公司 Zengcheng Crystal Water Plant Co., Ltd.	4,323	7,051
廣東鴻業管樁有限公司 Grand Pipe	5,210	8,312
廣東萬方石業有限公司 Wanfang Stone	-	159,154
	<b>9,533</b>	<b>417,185</b>

The prices for the above service fees and purchases of construction materials and water were determined in accordance with the terms of the underlying agreements.

	2015 RMB'000	2014 RMB'000
<b>(iv) Providing guarantee in respect of borrowings:</b>		
廣州利合房地產開發有限公司 Li He (note 37)	1,781,900	2,233,980
中山市雅鴻房地產開發有限公司 Zhongshan Yahong (note 37)	-	65,000
	<b>1,781,900</b>	<b>2,298,980</b>

## (c) Key management compensation

	2015 RMB'000	2014 RMB'000
Salaries and other short-term employee benefits	69,181	71,929
Bonus	22,161	26,998
Retirement scheme contributions	692	620
Other benefits and share-based compensation expenses	4,910	1,870
	<b>96,944</b>	<b>101,417</b>

**41 Related party transactions (Continued)****(d) Balances with related parties**

As at 31 December 2015 and 2014, the Group had the following significant balances with related parties:

	2015 RMB'000	2014 RMB'000
<b>(i) Balances due from related parties</b>		
<b>– included in amounts due from customers for contract work:</b>		
清遠碧桂園物業發展有限公司 Qingyuan Country Garden	225,513	908,173
佛山市順德區龍江碧桂園房地產開發有限公司 Longjiang Country Garden Property Development Co., Ltd.	28,226	–
成都市金牛碧桂園房地產開發有限公司 Chengdu Jinniu Property Development Co., Ltd.	19,907	–
承德米拉房地產開發有限公司 Chengde Mila Property Development Co., Ltd.	4,514	–
黃岡市碧桂園房地產開發有限公司 Huanggang Country Garden Property Development Co., Ltd.	33,502	–
武漢聯松房地產有限公司 Wuhan Liansong Property Development Co., Ltd.	24,437	–
河北澤瑞房地產開發有限公司 Hebei Zerui Property Development Co., Ltd.	2,822	–
清遠市碧桂園投資開發有限公司 Qingyuan Country Garden Investment and Development Co., Ltd.	4,177	–
武漢市蔡甸碧桂園房地產開發有限公司 Wuhan Caidian Country Garden Property Development Co., Ltd.	115	–
	<b>343,213</b>	908,173

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## Notes to the Consolidated Financial Statements

## 41 Related party transactions (Continued)

## (d) Balances with related parties (Continued)

	2015 RMB'000	2014 RMB'000
<b>(i) Balances due from related parties (Continued)</b>		
<b>– included in other receivables and prepayments:</b>		
廣東博意建築設計院有限公司 Guangdong Elite Architectural Co., Ltd.	296,408	360,894
清遠碧桂園物業發展有限公司 Qingyuan Country Garden	964,104	315,323
廣州利合房地產開發有限公司 Li He	2,439,745	2,039,745
中山市雅鴻房地產開發有限公司 Zhongshan Yahong	212,118	304,612
佛山市順德區龍江碧桂園房地產開發有限公司 Longjiang Country Garden Property Development Co., Ltd.	163,693	–
成都市金牛碧桂園房地產開發有限公司 Chengdu Jinniu Property Development Co., Ltd.	93,676	–
承德米拉房地產開發有限公司 Chengde Mila Property Development Co., Ltd.	38,112	–
黃岡市碧桂園房地產開發有限公司 Huanggang Country Garden Property Development Co., Ltd.	4,884	–
武漢聯松房地產有限公司 Wuhan Liansong Property Development Co., Ltd.	226,338	–
河北澤瑞房地產開發有限公司 Hebei Zerui Property Development Co., Ltd.	104,477	–
清遠市碧桂園投資開發有限公司 Qingyuan Country Garden Investment and Development Co., Ltd.	53,520	–
武漢市蔡甸碧桂園房地產開發有限公司 Wuhan Caidian Country Garden Property Development Co., Ltd.	582	–
	<b>4,597,657</b>	<b>3,020,574</b>

#### 41 Related party transactions (Continued)

##### (d) Balances with related parties (Continued)

	2015 RMB'000	2014 RMB'000
<b>(ii) Balances due to related parties – included in trade and other payables:</b>		
廣東博意建築設計院有限公司 Guangdong Elite Architectural Co., Ltd.	2,021,815	1,038,237
增城市清源自來水廠有限公司 Zengcheng Crystal Water Plant Co., Ltd.	798	5,180
廣東鴻業管樁有限公司 Grand Pipe	6,689	392
清遠碧桂園物業發展有限公司 Qingyuan Country Garden Property Development Co., Ltd.	20,535	–
佛山市順德區龍江碧桂園房地產開發有限公司 Longjiang Country Garden Property Development Co., Ltd.	120,166	–
成都市金牛碧桂園房地產開發有限公司 Chengdu Jinniu Property Development Co., Ltd.	9,910	–
黃岡市碧桂園房地產開發有限公司 Huanggang Country Garden Property Development Co., Ltd.	26,900	–
武漢聯松房地產有限公司 Wuhan Liansong Property Development Co., Ltd.	90,000	–
河北澤瑞房地產開發有限公司 Hebei Zerui Property Development Co., Ltd.	94,656	–
清遠市碧桂園投資開發有限公司 Qingyuan Country Garden Investment and Development Co., Ltd.	45,498	–
武漢市蔡甸碧桂園房地產開發有限公司 Wuhan Caidian Country Garden Property Development Co., Ltd.	58,000	–
廣東萬方石業有限公司 Wanfang Stone	–	50,835
廣東萬方工程有限公司 Wanfang Construction	–	14,586
	<b>2,494,967</b>	<b>1,109,230</b>

Balances due from/to related parties are unsecured, interest-free and to be settled according to the contract terms.

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## Notes to the Consolidated Financial Statements

## 41 Related party transactions (Continued)

## (d) Balances with related parties (Continued)

	2015 RMB'000	2014 RMB'000
<b>(iii) Loans to joint ventures:</b>		
<b>At 1 January</b>	-	-
Loans advanced during the year	772,950	-
Interest charged	12,037	-
Interest received	(9,016)	-
<b>At 31 December</b>	<b>775,971</b>	-

The loans advanced during the year included:

- The long-term loans of RMB242,950,000, RMB257,050,000 and RMB142,950,000 to Sichuan Tonghui Property Development Co., Ltd. (四川省同匯房地產開發有限公司) which are due on 8 November, 23 November and 16 December 2018, respectively, and bear an interest rate at 14.25% per annum.
- The short-term loan of RMB130,000,000 to Hubei Dinglong Taifu Science and Technology Industrial Park Co., Ltd. (湖北鼎龍泰富科技產業園有限公司) which was due on 31 January 2016 and bore an interest rate at 12% per annum.

## 42 Subsequent events

- (a) On 2 March 2016, the Company issued the first tranche of non-public corporate bonds with a principal amount of RMB4,000,000,000 and a tenure of 5 years. The coupon rate of the bonds is 4.75% per annum. At the end of the third year, the Company can adjust the coupon rate and investors can exercise retractable option.
- (b) On 14 January 2016, Zengcheng Country Garden issued the asset-backed securities with a principal amount of RMB2,945,500,000 to qualified investors in the PRC. The securities have a coupon rate of 5.10% per annum and a tenure of 4 years and are backed by certain contract receivables rights of Zengcheng Country Garden.
- (c) Subsequent to 31 December 2015 and up to the date of these financial statements, the Company has bought back and cancelled 190,947,000 of the Company's shares.



**43 Statement of financial position and reserve movement of the Company**

	Note	As at 31 December	
		2015 RMB'000	2014 RMB'000
<b>Non-current assets</b>			
Investments in subsidiaries		36,553,247	29,309,298
<b>Current assets</b>			
Amounts due from subsidiaries		29,104,296	25,705,230
Other receivables		393,151	2,781
Cash and cash equivalents		441,122	1,319,441
		<b>29,938,569</b>	<b>27,027,452</b>
<b>Current liabilities</b>			
Amounts due to subsidiaries		1,936,983	–
Other payables		344,997	1,171
Senior notes		–	2,538,757
Bank and other borrowings		883,964	1,439,277
		<b>3,165,944</b>	<b>3,979,205</b>
<b>Net current assets</b>		<b>26,772,625</b>	<b>23,048,247</b>
<b>Total assets less current liabilities</b>		<b>63,325,872</b>	<b>52,357,545</b>
<b>Non-current liabilities</b>			
Senior notes		20,878,179	19,735,005
Bank and other borrowings		10,007,668	4,477,510
Debenture		985,449	–
		<b>31,871,296</b>	<b>24,212,515</b>
<b>Equity</b>			
Share capital and premium		29,619,181	24,642,283
Other reserves	(a)	86,446	56,335
Retained earnings	(a)	1,748,949	3,446,412
<b>Total equity</b>		<b>31,454,576</b>	<b>28,145,030</b>
<b>Total equity and non-current liabilities</b>		<b>63,325,872</b>	<b>52,357,545</b>

The statement of financial position of the Company was approved by the Board of Directors on 15 March 2016 and were signed on its behalf.

MO Bin  
Director

WU Jianbin  
Director

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## Notes to the Consolidated Financial Statements

43 Statement of financial position and reserve movement of the Company  
(Continued)

Note (a) Reserve movement of the Company

	Retained earnings RMB'000	Other reserves RMB'000	Total RMB'000
<b>At 1 January 2014</b>	3,205,941	18,167	3,224,108
Profit for the year	3,339,282	–	3,339,282
Dividends paid relating to 2013	(3,098,811)	–	(3,098,811)
Employee share schemes – value of employee services	–	38,168	38,168
<b>At 31 December 2014</b>	3,446,412	56,335	3,502,747
<b>At 1 January 2015</b>	<b>3,446,412</b>	<b>56,335</b>	<b>3,502,747</b>
Profit for the year	3,076,112	–	3,076,112
Dividends relating to 2014 and 2015	(4,773,575)	–	(4,773,575)
Employee share schemes – value of employee services	–	30,111	30,111
<b>At 31 December 2015</b>	<b>1,748,949</b>	<b>86,446</b>	<b>1,835,395</b>

## 44 Particulars of principal subsidiaries

The following is a list of principal subsidiaries at 31 December 2015, all of these are limited liability companies:

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/paid-in capital	Proportion of equity interest held by the Group	Proportion of ordinary shares held by non-controlling interests	Principal activities
<b>Directly held by the Company:</b>					
<b>Incorporated in the BVI and operates in the PRC:</b>					
Smart World Development Holdings Ltd	28 March 2006	USD300	100%	–	Investment holding
<b>Indirectly held by the Company:</b>					
<b>Incorporated in Hong Kong and operates in Hong Kong:</b>					
Country Garden (Hong Kong) Development Company Limited	21 September 2005	HKD1	100%	–	Investment holding
<b>Incorporated in the BVI and operate in Hong Kong:</b>					
Estonia Development Ltd	21 March 2006	USD200	100%	–	Investment holding and rendering of property related sales services
Angel View International Limited	7 April 2006	USD200	100%	–	Investment holding and rendering of property related sales services
<b>Incorporated in the BVI and operate in the PRC:</b>					
Falcon Investments Development Ltd	21 March 2006	USD300	100%	–	Investment holding
United Gain Group Ltd	28 March 2006	USD200	100%	–	Investment holding

## 44 Particulars of principal subsidiaries (Continued)

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/paid-in capital	Proportion of equity interest held by the Group	Proportion of ordinary shares held by non-controlling interests	Principal activities
Wise Fame Group Ltd	28 March 2006	USD300	100%	–	Investment holding
Boavista Investments Limited	7 April 2006	USD200	100%	–	Investment holding
Impreza Group Limited	7 April 2006	USD300	100%	–	Investment holding
Infiniti Holdings Development Limited	7 April 2006	USD300	100%	–	Investment holding
Bright Start Group Limited	19 July 2011	USD1	100%	–	Investment holding
Pure Smart Enterprises Limited	19 July 2011	USD1	100%	–	Investment holding
Top Favor Holding Limited	19 July 2011	USD1	100%	–	Investment holding
Golden Favor Investments Limited	19 July 2011	USD1	100%	–	Investment holding
Power Great Enterprises Limited	10 December 2007	USD1	100%	–	Investment holding
Great Favor Investments Limited	16 July 2013	USD1	100%	–	Investment holding
Silver Dawn Holding Limited	23 January 2014	USD1	100%	–	Investment holding
Tin Spring Limited	15 June 2015	USD1	100%	–	Investment holding
Scenic Reserve Limited	2 October 2015	USD1	100%	–	Investment holding
<b>Established and operate in the PRC:</b>					
Guangdong Giant Leap Construction Co., Ltd. 廣東騰越建築工程有限公司	25 March 1997	RMB900,000,000	100%	–	Construction
Foshan Shunde Country Garden Property Development Co., Ltd. 佛山市順德區碧桂園物業發展有限公司	2 April 1997	RMB1,387,500,000	100%	–	Property development
Guangzhou Country Garden Property Development Co., Ltd. 廣州碧桂園物業發展有限公司	30 July 1998	RMB506,000,000	100%	–	Property development
Foshan Shunde Finest Decoration & Design Enterprise 佛山市順德區雅駿裝飾設計工程有限公司	9 August 1999	RMB300,000,000	100%	–	Decoration and design
Zengcheng Country Garden Property Development Co., Ltd. 增城市碧桂園物業發展有限公司	22 September 2000	RMB1,448,200,000	100%	–	Property development
Guangzhou Nansha Economic and Technological Development Zone Country Garden Property Development Co., Ltd. 廣州南沙經濟技術開發區碧桂園物業發展有限公司	2 August 2001	RMB1,764,473,626	100%	–	Property development
Guangzhou Huadou Country Garden Property Development Co., Ltd. 廣州市花都碧桂園物業發展有限公司	24 January 2002	RMB462,500,000	100%	–	Property development
Heshan Country Garden Property Development Co., Ltd. 鶴山市碧桂園物業發展有限公司	9 July 2003	RMB963,000,000	100%	–	Property development
Changsha Venice Palace Property Development Co., Ltd. 長沙威尼斯城房地產開發有限公司	1 August 2003	RMB233,000,000	100%	–	Property development

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## Notes to the Consolidated Financial Statements

## 44 Particulars of principal subsidiaries (Continued)

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/paid-in capital	Proportion of equity interest held by the Group	Proportion of ordinary shares held by non-controlling interests	Principal activities
Jiangmen East Coast Country Garden Property Development Co., Ltd. 江門市東岸房地產發展有限公司	13 August 2003	RMB650,000,000	100%	–	Property development
Jiangmen Xinhui Country Garden Phoenix Hotel Co., Ltd. 江門新會碧桂園鳳凰酒店有限公司	13 August 2003	RMB130,100,000	100%	–	Hotel operation
Jiangmen Wuyi Country Garden Property Development Co., Ltd. 江門市五邑碧桂園房地產開發有限公司	28 September 2003	RMB863,000,000	100%	–	Property development
Heshan Country Garden Phoenix City Hotel Co., Ltd. 鶴山市碧桂園鳳凰酒店有限公司	29 September 2003	RMB116,300,000	100%	–	Hotel operation
Foshan Gaoming Country Garden Property Development Co., Ltd. 佛山市高明區碧桂園房地產開發有限公司	13 January 2004	RMB1,162,500,000	100%	–	Property development
Zengcheng Country Garden Phoenix City Hotel Co., Ltd. 增城市碧桂園鳳凰城酒店有限公司	13 January 2004	RMB500,700,000	100%	–	Hotel operation
Shenyang Hua Rui Real Estate Co., Ltd. 瀋陽華銳置業有限公司	25 March 2004	RMB580,000,000	100%	–	Property development
Qingyuan Country Garden Holiday Islands Hotel Co., Ltd. 清遠市碧桂園假日半島酒店有限公司	5 April 2004	RMB131,300,000	100%	–	Hotel operation
Changsha Economic and Technological Development Area Venice Palace Hotel Co., Ltd. 長沙經濟技術開發區威尼斯酒店有限公司	6 December 2004	RMB110,800,000	100%	–	Hotel operation
Foshan Nanhai Country Garden Property Development Co., Ltd. 佛山市南海區碧桂園房地產開發有限公司	24 December 2004	RMB365,200,000	100%	–	Property development
Jiangmen Wuyi Country Garden Phoenix Hotel Co., Ltd. 江門市五邑碧桂園鳳凰酒店有限公司	14 January 2005	RMB103,800,000	100%	–	Hotel operation
Yangjiang Country Garden Phoenix Hotel Co., Ltd. 陽江市碧桂園鳳凰酒店有限公司	2 February 2005	RMB130,750,624	100%	–	Hotel operation
Yangdong Country Garden Property Development Co., Ltd. 陽東縣碧桂園房地產開發有限公司	2 February 2005	RMB197,351,958	100%	–	Property development
Taishan Country Garden Property Development Co., Ltd. 台山市碧桂園房地產開發有限公司	21 March 2005	RMB322,228,631	100%	–	Property development
Foshan Gaoming Country Garden Phoenix Hotel Co., Ltd. 佛山市高明區碧桂園鳳凰酒店有限公司	30 September 2005	RMB163,100,000	100%	–	Hotel operation
Shaoguan Shunhong Property Development Co., Ltd. 韶關市順宏房地產開發有限公司	12 July 2006	RMB747,800,000	100%	–	Property development

## 44 Particulars of principal subsidiaries (Continued)

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/paid-in capital	Proportion of equity interest held by the Group	Proportion of ordinary shares held by non-controlling interests	Principal activities
Manzhouli Country Garden Property Development Co., Ltd. 滿洲里碧桂園房地產開發有限公司	12 December 2006	RMB357,900,000	100%	–	Property development
Chaoahu Country Garden Property Development Co., Ltd. 巢湖市碧桂園房地產開發有限公司	18 December 2006	RMB1,115,200,000	100%	–	Property development
Taizhou Country Garden Property Development Co., Ltd. 泰州市碧桂園房地產開發有限公司	5 January 2007	RMB548,300,000	100%	–	Property development
Shenyang Country Garden Property Development Co., Ltd. 瀋陽市碧桂園房地產開發有限公司	11 January 2007	RMB1,350,000,000	100%	–	Property development
Lechang Country Garden Property Development Co., Ltd. 樂昌市碧桂園房地產開發有限公司	15 February 2007	RMB124,800,000	100%	–	Property development
Shenyang Hunnan Xincheng Country Garden Property Development Co., Ltd. 瀋陽渾南新城碧桂園房地產開發有限公司	25 April 2007	RMB1,540,000,000	100%	–	Property development
Shenyang Yidong Real Estate Co., Ltd. 瀋陽伊東置業有限公司	25 April 2007	RMB460,512,978	100%	–	Property development
Enging Country Garden Property Development Co., Ltd. 恩平市碧桂園房地產開發有限公司	28 April 2007	RMB220,000,000	100%	–	Property development
Zhangjiajie Country Garden Property Development Co., Ltd. 張家界碧桂園置業有限公司	8 May 2007	RMB330,000,000	100%	–	Property development
Anhui Hexian Country Garden Property Development Co., Ltd. 安徽和縣碧桂園房地產開發有限公司	15 May 2007	RMB750,000,000	100%	–	Property development
Anhui Hexian Huarui Real Estate Co., Ltd. 安徽和縣華瑞置業有限公司	15 May 2007	RMB218,842,923	100%	–	Property development
Shenyang Shenbei Xincheng Yidong Real Estate Co., Ltd. 瀋陽瀋北新城伊東置業有限公司	18 May 2007	RMB750,000,000	100%	–	Property development
Tianjin Xinbi Investment Development Co., Ltd. 天津新碧投資發展有限公司	25 May 2007	RMB460,000,000	100%	–	Investment holding
Shaoguan Country Garden Property Development Co., Ltd. 韶關市碧桂園房地產開發有限公司	5 June 2007	RMB750,000,000	100%	–	Property development
Changsha Ningxiang Country Garden Property Development Co., Ltd. 長沙市寧鄉碧桂園房地產開發有限公司	5 June 2007	RMB230,000,000	100%	–	Property development
Anhui Zhongmiao Country Garden Property Development Co., Ltd. 安徽中廟碧桂園房地產開發有限公司	8 June 2007	RMB420,000,000	100%	–	Property development
Anhui Hexian Country Garden Phoenix Hotel Co., Ltd. 安徽和縣碧桂園鳳凰酒店有限公司	8 June 2007	RMB200,000,000	100%	–	Hotel operation

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## 44 Particulars of principal subsidiaries (Continued)

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/paid-in capital	Proportion of equity interest held by the Group	Proportion of ordinary shares held by non-controlling interests	Principal activities
Shanwei Country Garden Property Development Co., Ltd. 汕尾市碧桂園房地產開發有限公司	12 June 2007	RMB100,000,000	100%	–	Property development
Zhaoqing Sihui Huaping Real Estate Co., Ltd 肇慶四會華平置業有限公司	21 June 2007	RMB216,167,341	100%	–	Property development
Sihui Country Garden Property Development Co., Ltd. 四會市碧桂園房地產開發有限公司	22 June 2007	RMB320,000,000	100%	–	Property development
Keyou Qianqi Country Garden Property Development Co., Ltd. 科右前旗碧桂園房地產開發有限公司	29 July 2007	RMB180,000,000	100%	–	Property development
Chizhou Country Garden Property Development Co., Ltd. 池州市碧桂園房地產開發有限公司	30 July 2007	RMB251,000,000	100%	–	Property development
Chongqing Country Garden Property Development Co., Ltd. 重慶市碧桂園房地產開發有限公司	3 August 2007	RMB310,000,000	100%	–	Property development
Chongqing Country Garden Phoenix Hotel Co., Ltd 重慶市碧桂園鳳城酒店有限公司	3 August 2007	RMB100,000,000	100%	–	Hotel operation
Xianning Country Garden Property Development Co., Ltd. 咸寧碧桂園房地產開發有限公司	8 August 2007	RMB250,000,000	100%	–	Property development
Yiyang Country Garden Property Development Co., Ltd. 益陽市碧桂園房地產開發有限公司	10 August 2007	RMB150,000,000	100%	–	Property development
Haicheng Country Garden Property Development Co., Ltd. 海城市碧桂園房地產開發有限公司	30 August 2007	RMB350,000,000	100%	–	Property development
Lufeng Country Garden Property Development Co., Ltd. 陸豐碧桂園房地產開發有限公司	30 August 2007	RMB100,000,000	100%	–	Property development
Maoming Country Garden Property Development Co., Ltd. 茂名市碧桂園房地產開發有限公司	31 August 2007	RMB350,000,000	100%	–	Property development
Suizhou Country Garden Property Development Co., Ltd. 隨州碧桂園房地產開發有限公司	31 August 2007	RMB580,000,000	100%	–	Property development
Yangshan Country Garden Property Development Co., Ltd. 陽山碧桂園房地產開發有限公司	5 September 2007	RMB130,000,000	100%	–	Property development
Anqing Country Garden Property Development Co., Ltd. 安慶碧桂園房地產開發有限公司	27 September 2007	RMB740,000,000	100%	–	Property development

## 44 Particulars of principal subsidiaries (Continued)

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/paid-in capital	Proportion of equity interest held by the Group	Proportion of ordinary shares held by non-controlling interests	Principal activities
Anqing Country Garden Phoenix Hotel Co., Ltd 安慶碧桂園鳳凰酒店有限公司	29 September 2007	RMB150,000,000	100%	–	Hotel operation
Huangshan Country Garden Property Development Co., Ltd. 黃山碧桂園房地產開發有限公司	30 September 2007	RMB180,000,000	100%	–	Property development
Shenyang Huiying Real Estate Co., Ltd 瀋陽匯盈置業有限公司	9 October 2007	RMB358,416,054	100%	–	Property development
Shenyang Dedi Real Estate Co., Ltd 瀋陽德地置業有限公司	9 October 2007	RMB369,851,683	100%	–	Property development
Tongliao Country Garden Property Development Co., Ltd. 通遼碧桂園房地產開發有限公司	15 October 2007	RMB500,000,000	100%	–	Property development
Wuhu Country Garden Property Development Co., Ltd. 蕪湖晉晉房地產開發有限公司	5 November 2007	RMB800,000,000	100%	–	Property development
Liuyang Country Garden Property Development Co., Ltd. 瀏陽碧桂園房地產開發有限公司	4 December 2007	RMB168,000,000	100%	–	Property development
Zhaoqing Country Garden Furniture Co., Ltd 肇慶市碧桂園現代家居有限公司	12 December 2007	RMB210,376,103	100%	–	Manufacturing of furniture
Huidong Country Garden Property Development Co., Ltd. 惠東碧桂園房地產開發有限公司	23 January 2008	RMB450,000,000	100%	–	Property development
Suihua Country Garden Property Development Co., Ltd. 綏化碧桂園房地產開發有限公司	17 July 2008	RMB100,000,000	100%	–	Property development
Jingmen Country Garden Property Development Co., Ltd. 荊門碧桂園房地產開發有限公司	10 September 2008	RMB130,000,000	100%	–	Property development
Tianjin Balizhou Country Garden Property Development Co., Ltd. 天津八里洲碧桂園房地產開發有限公司	25 September 2008	RMB183,000,000	100%	–	Property development
Qingyuan Zhuoyue Hongjian Real Estate Investment Co., Ltd 清遠市卓越弘建置業投資有限公司	27 October 2009	RMB130,000,000	100%	–	Property development
Shenyang Giant Leap Construction Co., Ltd 瀋陽騰越建築工程有限公司	10 December 2009	RMB130,000,000	100%	–	Construction
Jiangmen Xinhui Country Garden Property Development Co., Ltd 江門市新會區碧桂園房地產開發有限公司	12 January 2010	RMB180,000,000	100%	–	Property development
Maoming Shuidongwan Country Garden Property Development Co., Ltd 茂名市水東灣碧桂園房地產開發有限公司	20 January 2010	RMB200,000,000	100%	–	Property development
Jiangmen Jianghai Country Garden Property Development Co., Ltd 江門市江海區碧桂園房地產開發有限公司	13 January 2010	RMB120,000,000	100%	–	Property development

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## 44 Particulars of principal subsidiaries (Continued)

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/paid-in capital	Proportion of equity interest held by the Group	Proportion of ordinary shares held by non-controlling interests	Principal activities
Wuhan Country Garden Lianfa Investment Co., Ltd 武漢碧桂園聯發投資有限公司	21 January 2010	RMB200,000,000	52%	48%	Property development
Jurong Country Garden Property Development Co., Ltd 句容碧桂園房地產開發有限公司	12 August 2010	RMB3,138,861,637	100%	–	Property development
Chuzhou Country Garden Property Development Co., Ltd 滁州碧桂園房地產開發有限公司	17 August 2010	RMB250,000,000	100%	–	Property development
Haifeng Country Garden Property Development Co., Ltd 海豐碧桂園房地產開發有限公司	26 October 2010	RMB105,000,000	100%	–	Property development
Heshan Zhishan Country Garden Property Development Co., Ltd 鶴山市址山碧桂園房地產開發有限公司	23 November 2010	RMB250,000,000	80%	20%	Property development
Heyuan Country Garden Property Development Co., Ltd 河源市碧桂園房地產開發有限公司	7 December 2010	RMB300,000,000	100%	–	Property development
Dongguan Country Garden Property Development Co., Ltd. 東莞市碧桂園房地產開發有限公司	25 September 2010	RMB600,000,000	100%	–	Property development
Foshan Chancheng Country Garden Property Development Co., Ltd. 佛山市禪城區碧桂園房地產開發有限公司	13 November 2010	RMB1,000,000,000	90%	10%	Property development
Shenyang Qipanshan Country Garden Property Development Co., Ltd. 瀋陽市棋盤山碧桂園房地產開發有限公司	28 September 2010	RMB176,134,163	100%	–	Property development
Wuhan Eco-city Country Garden Investment Co., Ltd. 武漢生態城碧桂園投資有限公司	4 December 2010	RMB500,000,000	55%	45%	Property development
Laian Country Garden Property Development Co., Ltd 來安碧桂園房地產開發有限公司	15 December 2010	RMB450,000,000	100%	–	Property development
Foshan Shunde Longjiang Country Garden Phoenix Hotel Co., Ltd 佛山市順德區龍江鎮碧桂園鳳凰酒店有限公司	11 November 2010	RMB100,000,000	100%	–	Hotel operation
Qingyuan Holiday Islands Country Garden Property Development Co., Ltd. 清遠假日半島碧桂園置業發展有限公司	7 July 2010	RMB120,000,000	100%	–	Property development
Hubei Lianzhi Country Garden Zishanhu Property Development Co., Ltd. 湖北聯置碧桂園梓山湖房地產開發有限公司	29 December 2011	RMB500,000,000	51%	49%	Property development
Jiangmen Xinhui Daze Country Garden Property Development Co., Ltd. 江門市新會區大澤碧桂園房地產開發有限公司	2 December 2011	RMB310,000,000	100%	–	Property development



## 44 Particulars of principal subsidiaries (Continued)

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/paid-in capital	Proportion of equity interest held by the Group	Proportion of ordinary shares held by non-controlling interests	Principal activities
Hubei Liantou Country Garden Investment Co., Ltd. 湖北聯投碧桂園投資有限公司	23 November 2011	RMB141,630,000	51%	49%	Property development
Xiangtan Country Garden Property Development Co., Ltd. 湘潭碧桂園房地產開發有限公司	12 January 2011	RMB200,000,000	100%	–	Property development
Meizhou Country Garden Property Development Co., Ltd 梅州市碧桂園房地產開發有限公司	4 January 2011	RMB200,000,000	100%	–	Property development
Qingyuan Country Garden Xinya Property Development Co., Ltd 清遠碧桂園新亞房地產開發有限公司	25 January 2011	RMB300,000,000	100%	–	Property development
Wuxi Country Garden Property Development Co., Ltd 無錫市碧桂園房地產開發有限公司	14 January 2011	RMB398,000,000	100%	–	Property development
Guangzhou Shilou Country Garden Property Development Co., Ltd 廣州市石樓碧桂園物業發展有限公司	2 April 2011	RMB350,000,000	100%	–	Property development
Hangzhou Country Garden Property Development Co., Ltd 杭州碧桂園房地產開發有限公司	1 April 2011	RMB862,576,465	100%	–	Property development
Dongguan Dexia Country Garden Property Development Co., Ltd 東莞市德廈碧桂園房地產開發有限公司	13 April 2011	RMB250,000,000	100%	–	Property development
Kaiping Country Garden Property Development Co., Ltd 開平市碧桂園房地產開發有限公司	9 June 2011	RMB300,000,000	100%	–	Property development
Chenzhou Country Garden Property Development Co., Ltd 郴州碧桂園房地產開發有限公司	7 July 2011	RMB190,000,000	100%	–	Property development
Hainan Wenchang Country Garden Property Development Co., Ltd 海南文昌碧桂園房地產開發有限公司	17 January 1994	RMB100,000,000	100%	–	Property development
Zhangjiu Country Garden Phoenix Hotel Co., Ltd 章丘市碧桂園房地產開發有限公司	17 August 2011	RMB100,000,000	100%	–	Property development
Chongqing Qianjiang Country Garden Property Development Co., Ltd 重慶市黔江碧桂園房地產開發有限公司	9 May 2012	RMB180,000,000	100%	–	Property development
Jiaoling Country Garden Property Development Co., Ltd 蕉嶺碧桂園房地產開發有限公司	8 June 2012	RMB120,000,000	100%	–	Property development
Hainan Lingao Country Garden Fangyuan Property Development Co., Ltd 海南臨高碧桂園方園房地產開發有限公司	22 August 2012	RMB408,163,300	51%	49%	Property development
Rudong Country Garden Property Development Co., Ltd 如東碧桂園房地產開發有限公司	7 September 2012	RMB180,000,000	100%	–	Property development
Yixing Country Garden Property Development Co., Ltd 宜興市碧桂園房地產開發有限公司	25 September 2012	RMB315,265,000	100%	–	Property development

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## 44 Particulars of principal subsidiaries (Continued)

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/paid-in capital	Proportion of equity interest held by the Group	Proportion of ordinary shares held by non-controlling interests	Principal activities
Danyang Country Garden Property Development Co., Ltd 丹陽碧桂園房地產開發有限公司	23 October 2012	RMB437,649,768	100%	–	Property development
Jingjiang Country Garden Property Development Co., Ltd 靖江市碧桂園房地產開發有限公司	30 January 2013	RMB100,000,000	100%	–	Property development
Xuancheng Country Garden Property Development Co., Ltd 宣城碧桂園房地產開發有限公司	30 January 2013	RMB150,000,000	100%	–	Property development
Rugao Country Garden Property Development Co., Ltd 如皋市碧桂園房地產開發有限公司	19 February 2013	RMB150,000,000	100%	–	Property development
Yongchun Country Garden Property Development Co., Ltd 永春碧桂園房地產開發有限公司	21 February 2013	RMB200,000,000	100%	–	Property development
Lanzhou Country Garden Property Development Co., Ltd 蘭州碧桂園房地產開發有限公司	1 February 2013	RMB450,000,000	100%	–	Property development
Yunfu Xijiang new city Country Garden Property Development Co., Ltd 雲浮市西江新城碧桂園房地產開發有限公司	1 April 2013	RMB100,000,000	100%	–	Property development
Haiyang Honghui Property Development Co., Ltd 海陽鴻輝發展有限公司	19 March 2010	RMB107,700,000	90%	10%	Property development
Guangzhou Anhua logistics Co., Ltd 廣州安華物流有限公司	13 August 2003	RMB140,000,000	100%	–	Logistics
Heshan Gonghe Country Garden Property Development Co., Ltd 鶴山市共和碧桂園房地產開發有限公司	8 April 2013	RMB260,000,000	100%	–	Property development
Quzhou Country Garden Property Development Co., Ltd 衢州碧桂園房地產開發有限公司	7 April 2013	RMB200,000,000	100%	–	Property development
Guangyuan Country Garden Property Development Co., Ltd 廣元碧桂園投資有限公司	15 April 2013	RMB200,000,000	100%	–	Property development
Gaozhou Country Garden Property Development Co., Ltd 高州市碧桂園房地產開發有限公司	15 April 2013	RMB120,000,000	100%	–	Property development
Nan'an Country Garden Property Development Co., Ltd 南安碧桂園房地產開發有限公司	5 June 2013	RMB150,000,000	80%	20%	Property development
Zibo Country Garden Property Development Co., Ltd 淄博市碧桂園房地產開發有限公司	17 June 2013	RMB100,000,000	100%	–	Property development
Pingxiang Country Garden Property Development Co., Ltd 萍鄉市碧桂園物業發展有限公司	3 July 2013	RMB100,000,000	100%	–	Property development
Zhuji Country Garden Property Development Co., Ltd 諸暨碧桂園房地產開發有限公司	5 July 2013	RMB100,000,000	100%	–	Property development

## 44 Particulars of principal subsidiaries (Continued)

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/paid-in capital	Proportion of equity interest held by the Group	Proportion of ordinary shares held by non-controlling interests	Principal activities
Chongqing Bishan Country Garden Property Development Co., Ltd 重慶市璧山碧桂園房地產開發有限公司	2 August 2013	RMB300,000,000	100%	–	Property development
Lu'an Country Garden Property Development Co., Ltd 六安碧桂園房地產開發有限公司	6 August 2013	RMB210,000,000	100%	–	Property development
Sanming Country Garden Property Development Co., Ltd 三明市碧桂園房地產開發有限公司	26 August 2013	RMB100,000,000	100%	–	Property development
Nantong Country Garden Property Development Co., Ltd 南通市碧桂園房地產開發有限公司	4 September 2013	RMB300,000,000	100%	–	Property development
Cixi Country Garden Property Development Co., Ltd 慈溪市碧桂園房地產開發有限公司	27 September 2013	RMB200,000,000	100%	–	Property development
Zoucheng Country Garden Property Development Co., Ltd 鄒城市碧桂園房地產開發有限公司	22 September 2013	RMB100,000,000	100%	–	Property development
Wuzhou Hefu Country Garden Property Development Co., Ltd 梧州市合富房地產開發有限公司	8 July 2011	RMB100,000,000	80%	20%	Property development
Wuyishan Country Garden Property Development Co., Ltd 武夷山市碧桂園房地產開發有限公司	28 October 2013	RMB100,000,000	80%	20%	Property development
Haining Country Garden Property Development Co., Ltd 海寧碧桂園房地產開發有限公司	29 October 2013	RMB100,000,000	100%	–	Property development
Nantong Tongzhou Country Garden Property Development Co., Ltd 南通市通州區碧桂園房地產開發有限公司	8 November 2013	RMB200,000,000	100%	–	Property development
Pinghu Country Garden Property Development Co., Ltd 平湖碧桂園深商投商用置業有限公司	6 November 2013	RMB200,000,000	70%	30%	Property development
Qingdao Chengyang Country Garden Property Development Co., Ltd 青島城陽碧桂園房地產開發有限公司	11 December 2013	USD50,000,000	100%	–	Property development
Dongguan river bank garden Property Development Co., Ltd 東莞江畔花園建造有限公司	23 December 1992	RMB100,000,000	99.9%	0.1%	Property development
Wuxi Xinbi Country Garden Property Development Co., Ltd 無錫市新碧房地產開發有限公司	20 August 2013	USD98,000,000	100%	–	Property development
Haiyang Bihang Development Co., Ltd 海陽碧航發展有限公司	29 September 2013	USD20,000,000	100%	–	Houseboat
Zhangjiagang Country Garden Property Development Co., Ltd. 張家港碧桂園房地產開發有限公司	16 December 2013	USD60,000,000	100%	–	Property development
Zhengzhou Hanfeng Property Development Co., Ltd. 鄭州翰鋒置業有限公司	9 January 2014	RMB220,464,000	51%	49%	Property development

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Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/paid-in capital	Proportion of equity interest held by the Group	Proportion of ordinary shares held by non-controlling interests	Principal activities
Fuding Country Garden Property Development Co., Ltd. 福鼎碧桂園房地產開發有限公司	13 January 2014	RMB100,000,000	100%	–	Property development
Haiyan Country Garden Property Development Co., Ltd. 海鹽碧桂園房地產開發有限公司	12 February 2014	RMB150,000,000	100%	–	Property development
Jiangyin Gaoxing District Country Garden Property Development Co., Ltd. 江陰高新區碧桂園置業有限公司	13 February 2014	RMB100,000,000	100%	–	Property development
Putian Country Garden Property Development Co., Ltd. 莆田市碧桂園房地產開發有限公司	20 February 2014	RMB100,000,000	100%	–	Property development
Hainan Lingshui Country Garden Runda Property & Investment Co., Ltd. 海南陵水碧桂園潤達投資置業有限公司	11 April 2014	RMB200,000,000	55%	45%	Property development
Foshan Shunde Daliang Country Garden Property Development Co., Ltd. 佛山市順德區大良碧桂園房地產開發有限公司	11 April 2014	USD40,000,000	100%	–	Property development
Ningde Tianmao Country Garden Property Development Co., Ltd. 甯德市碧桂園天茂房地產開發有限公司	3 July 2013	RMB150,000,000	55%	45%	Property development
Jiujiang Country Garden Property Development Co., Ltd. 九江碧桂園房地產開發有限公司	11 July 2013	RMB122,000,000	100%	–	Property development
Wenzhou Xinghan Country Garden Property Development Co., Ltd. 溫州星漢置業有限公司	22 April 2013	RMB100,000,000	70%	30%	Property development
Dongtai Country Garden Property Development Co., Ltd. 東台市碧桂園房地產開發有限公司	7 November 2013	RMB100,000,000	100%	–	Property development
Yueyang Country Garden Property Development Co., Ltd. 岳陽市碧桂園房地產開發有限公司	11 April 2014	RMB100,000,000	100%	–	Property development
Zhuzi Datang Country Garden Property Development Co., Ltd. 諸暨大唐碧桂園房地產開發有限公司	29 November 2013	RMB160,000,000	51%	49%	Property development
Guangdong Yaokang Investment Co., Ltd. 廣東耀康投資有限公司	20 April 2015	USD30,000,000	100%	–	Investment
Foshan Shunde Country Garden Property Co., Ltd. 佛山市順德區碧桂園地產有限公司	20 April 2015	RMB71,080,020,339	100%	–	Property development
Hubei Country Garden Property Development Co., Ltd. 湖北省碧桂園房地產開發有限公司	13 August 2015	RMB1,000,000,000	100%	–	Property development
Shenzhen Country Garden Property Investment Co., Ltd. 深圳市碧桂園房地產投資有限公司	25 August 2015	RMB1,000,000,000	100%	–	Property development

## 44 Particulars of principal subsidiaries (Continued)

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/paid-in capital	Proportion of equity interest held by the Group	Proportion of ordinary shares held by non-controlling interests	Principal activities
Suigang Baiyun Property Development Co., Ltd. 瀋陽德港白雲房地產投資開發有限公司	15 October 2002	RMB809,007,920	100%	–	Property development
Taicang Country Garden Property Development Co., Ltd. 太倉碧桂園房地產開發有限公司	5 May 2015	RMB700,000,000	100%	–	Property development
Taicang Xincheng Country Garden Real Estate Co., Ltd. 太倉新城碧桂園置業有限公司	1 July 2015	RMB300,000,000	100%	–	Property development
Bozhou Runyu Property Development Co., Ltd. 亳州潤宇房地產開發有限公司	9 April 2015	RMB277,409,697	100%	–	Property development
Hunan Dongchen Zhidi Property Development Co., Ltd.* 湖南東宸智地房地產開發有限公司	18 May 2009	RMB463,840,100	43%	57%	Property development
Hangzhou Country Garden Fugao Real Estate Co., Ltd. 杭州碧桂園富高置業有限公司	2 September 2015	RMB100,000,000	100%	–	Property development
Luijiang Country Garden Property Development Co., Ltd. 廬江碧桂園房地產開發有限公司	7 September 2015	RMB100,000,000	100%	–	Property development
Changshu Yushan Country Garden Property Development Co., Ltd. 常熟市虞山碧桂園房地產開發有限公司	21 September 2015	RMB100,000,000	100%	–	Property development
Anhui Country Garden Property Development Co., Ltd. 安徽碧桂園房地產開發有限公司	28 August 2015	RMB100,000,000	100%	–	Property development
Xiangyang Country Garden Real Estate Co., Ltd.* 襄陽碧桂園置業有限公司	2 September 2015	RMB100,000,000	44%	56%	Property development
Foshan Shunde Guoying Property Co., Ltd.* 佛山順德國瀛房地產有限公司	1 September 2014	RMB196,078,431	46%	54%	Property development
Huidong Country Garden Huacheng Property Development Co., Ltd.* 惠東縣碧桂園華成房地產開發有限公司	13 March 2015	RMB110,860,000	46%	54%	Property development
Foshan Sanshui Country Garden Property Development Co., Ltd. 佛山市三水區碧桂園房地產開發有限公司	28 May 2015	RMB100,000,000	94%	6%	Property development
Tongcheng Country Garden Property Development Co., Ltd. 桐城碧桂園房地產開發有限公司	14 August 2015	RMB100,000,000	85%	15%	Property development
Fuyang Country Garden Property Development Co., Ltd. 阜陽碧桂園房地產開發有限公司	21 December 2015	RMB100,000,000	60%	40%	Property development
Fuzhou Shenbi Property Development Co., Ltd. 福州市深碧房地產開發有限公司	24 July 2015	RMB100,000,000	51%	49%	Property development

## FINANCIAL STATEMENTS

## Notes to the Consolidated Financial Statements

## 44 Particulars of principal subsidiaries (Continued)

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/paid-in capital	Proportion of equity interest held by the Group	Proportion of ordinary shares held by non-controlling interests	Principal activities
Jiangmen Pengjiang Country Garden Property Development Co., Ltd.* 江門市蓬江區碧桂園房地產開發有限公司	29 July 2015	RMB100,000,000	47%	53%	Property development
Zhengzhou Country Garden Hailong Real Estate Co., Ltd. 鄭州碧桂園海龍置業有限公司	15 December 2015	RMB100,000,000	51%	49%	Property development
Huizhou Dayawan Haiyada Property Development Co., Ltd. 惠州大亞灣海亞達房地產有限公司	19 August 2010	RMB201,000,000	54%	46%	Property development
Nanjing Jin Mengdu Property Development Co., Ltd. 南京金夢都房地產開發有限責任公司	27 September 2005	RMB134,090,000	85%	15%	Property development
Liupanshui Shidi Property Development Co., Ltd. 六盤水實地房地產開發有限公司	19 November 2012	RMB100,000,000	74%	26%	Property development
Ningbo Jinhong Property Development Co., Ltd.* 寧波金鴻房地產發展有限公司	11 September 2015	RMB100,000,000	34%	66%	Property development
Huizhou Junfeng Pengfeng Property Development Co., Ltd. 惠州市俊峰鵬峰房地產開發有限公司	17 December 2009	RMB60,000,000	63%	37%	Property development
Guangdong Yehe Property Development Co., Ltd. 廣東業和房地產開發有限公司	10 March 2008	RMB40,000,000	75%	25%	Property development
Foshan City Nanhai District Huaxing Property Development and Investment Co., Ltd. 佛山市南海區華星置業投資有限公司	26 December 2012	RMB30,000,000	51%	49%	Property development
Dongguan City Junxuan Real Estate Co., Ltd. 東莞市駿軒置業有限公司	25 July 1995	RMB15,150,000	94%	6%	Property development
Dongguan City Tianhui Property Investment Co., Ltd.* 東莞市天匯物業投資有限公司	27 July 2012	RMB81,632,653	48%	52%	Property development
Dongguan City Yizhan Hengtai Property Development Co., Ltd. 東莞市益展恆泰房地產開發有限公司	22 August 2011	RMB30,000,000	90%	10%	Property development
Huizhou City Huiyang Jingsheng Real Estate Co., Ltd.* 惠州市惠陽瑞生實業有限公司	16 November 2006	RMB10,000,000	46%	54%	Property development
Hainan Baolian City (Bo'ao) Real Estate Co., Ltd.* 海南寶蓮城(博鰲)實業有限公司	26 May 2003	RMB61,224,500	43%	57%	Property development
Foshan City Shunde District Dongyiwan Property Development Co., Ltd. 佛山市順德區東逸灣房產開發策劃有限公司	13 August 2007	RMB10,000,000	51%	49%	Property development

#### 44 Particulars of principal subsidiaries (Continued)

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/paid-in capital	Proportion of equity interest held by the Group	Proportion of ordinary shares held by non-controlling interests	Principal activities
Guangdong Longyue Construction Co., Ltd. 廣東龍越建築工程有限公司	14 April 2011	RMB5,730,000	100%	–	Construction
<b>Established and operate in the Malaysia:</b>					
Vibrant Corridor Sdn. Bhd.	6 November 2012	RM2,500,000	55%	45%	Property development
Mayland Venue Sdn. Bhd.	23 November 2012	RM2,500,000	55%	45%	Property development
Country Garden Danga Bay Sdn Bhd	16 October 2012	RM150,000,000	100%	–	Property development
Country Garden Landscape S/B	25 November 2013	RM1,000,000	100%	–	Property development
Giant Leap Construction Sdn. Bhd.	6 March 2014	RM2,500,000	100%	–	Property Construction
Teng Yue Overseas Construction Sdn. Bhd	21 May 2014	RM2,500,000	100%	–	Property Construction
Giant Light M&E Engineering Sdn. Bhd.	12 May 2014	RM1,000,000	100%	–	Property Construction
Transcend Commercial Management Sdn.Bhd	20 October 2015	RM2	100%	–	Lease and property management
Country Garden Pacificview Sdn Bhd.	15 April 2013	RM900	60%	40%	Property development
Country Garden Properties (Malaysia) Sdn. Bhd.	22 February 2012	RMB400,000	55%	45%	Property development
Country Garden Real Estate Sdn. Bhd.	16 December 2013	RMB500,000	100%	–	Property development

\* As the Group has the rights to variable returns from its involvement with these companies, and has the ability to affect those returns through its majority vote position in the board of directors of these companies and the right to determine the budget, pricing and promotion strategies of these companies, the Group has control over these companies and these companies are thus accounted for as subsidiaries of the Group.

The English names of the PRC companies referred to above in this note represent management's best efforts in translating the Chinese names of those companies as no English names haven been registered or available.

## FINANCIAL STATEMENTS

## Notes to the Consolidated Financial Statements

## 45 Benefits and interests of directors

## (a) Directors' emoluments

The remuneration of every director and chief executive is set out below:

For the year ended 31 December 2015:

Name of director	Fees RMB'000	Salary RMB'000	Discretionary bonuses RMB'000	Other benefits and share-based compensation expenses RMB'000	Employer's contribution to retirement benefit scheme RMB'000	Total RMB'000
Mr. YEUNG Kwok Keung	-	10,000	-	-	-	10,000
Ms. YANG Huiyan	-	6,000	-	-	35	6,035
Mr. MO Bin**	-	6,000	-	-	54	6,054
Mr. ZHU Rongbin	-	5,500	-	-	36	5,536
Mr. WU Jianbin	-	5,000	-	944	251	6,195
Ms. Yang Ziyang	-	4,000	-	-	35	4,035
Mr. YANG Erzhu (retired on 19 August 2015)	-	2,505	-	-	21	2,526
Mr. SU Rubo	-	4,000	-	190	28	4,218
Mr. OU Xueming	-	4,000	-	729	28	4,757
Mr. YANG Zhicheng	-	4,000	7,418	2,302	22	13,742
Mr. XIE Shutai	-	4,000	5,799	-	70	9,869
Mr. Song Jun	-	4,000	8,154	745	69	12,968
Mr. LIANG Guokun	-	4,000	728	-	36	4,764
Mr. SU Baiyuan	-	4,000	62	-	7	4,069
Mr. LAI Ming, Joseph*	330	-	-	-	-	330
Mr. SHEK Lai Him, Abraham*	330	-	-	-	-	330
Mr. TONG Wui Tung, Ronald*	330	-	-	-	-	330
Mr. HUANG Hongyan*	240	-	-	-	-	240
Ms. HUANG Xiao*	240	-	-	-	-	240
Mr. LIU Hongyu* (resigned on 9 December 2015)	226	-	-	-	-	226
Mr. MEI Wenjue*	240	-	-	-	-	240
Mr. YEUNG Kwork On*	240	-	-	-	-	240
	2,176	67,005	22,161	4,910	692	96,944

\* Independent non-executive directors.

\*\* Chief executive of the Company.

Mr. Liu Hongyu resigned on 9 December 2015 as independent non-executive director of the Company.



**45 Benefits and interests of directors (Continued)****(a) Directors' emoluments (Continued)**

For the year ended 31 December 2014:

Name of director	Fees RMB'000	Salary RMB'000	Discretionary bonuses RMB'000	Other benefits and share-based compensation expenses RMB'000	Employer's contribution to retirement benefit scheme RMB'000	Total RMB'000
Mr. YEUNG Kwok Keung	-	10,000	-	-	11	10,011
Ms. YANG Huiyan	-	6,000	-	-	36	6,036
Mr. MO Bin**	-	6,000	-	-	49	6,049
Mr. ZHU Rongbin	-	5,500	-	-	33	5,533
Mr. WU Jianbin (appointed on 1 April 2014)	-	3,767	-	-	185	3,952
Ms. Yang Ziyang	-	4,000	-	-	26	4,026
Mr. YANG Erzhu	-	4,000	-	-	26	4,026
Mr. SU Rubo	-	4,000	-	-	35	4,035
Mr. OU Xueming	-	4,000	-	729	26	4,755
Mr. YANG Zhicheng	-	4,000	1,983	1,141	10	7,134
Mr. YANG Yongchao (resigned on 19 August 2014)	-	2,532	-	-	38	2,570
Mr. XIE Shutai	-	4,000	3,489	-	38	7,527
Mr. Song Jun	-	4,000	21,440	-	68	25,508
Mr. LIANG Guokun	-	4,000	-	-	32	4,032
Mr. SU Baiyuan	-	4,000	86	-	7	4,093
Mr. LAI Ming, Joseph*	330	-	-	-	-	330
Mr. SHEK Lai Him, Abraham*	330	-	-	-	-	330
Mr. TONG Wui Tung, Ronald*	330	-	-	-	-	330
Mr. HUANG Hongyan*	240	-	-	-	-	240
Ms. HUANG Xiao*	240	-	-	-	-	240
Mr. LIU Hongyu*	240	-	-	-	-	240
Mr. MEI Wenjue*	240	-	-	-	-	240
Mr. YEUNG Kwork On* (appointed on 1 April 2014)	180	-	-	-	-	180
	2,130	69,799	26,998	1,870	620	101,417

\* Independent non-executive directors.

\*\* Chief executive of the Company.

During 2015 and 2014, no directors waived or have agreed to waive any emoluments.

**FINANCIAL STATEMENTS****Notes to the Consolidated Financial Statements****45 Benefits and interests of directors (Continued)****(b) Directors' retirement benefits**

During the year ended 31 December 2015, no retirement benefits paid to the directors of the Company by a defined benefit pension plan operated by the Group in respect of the director's services as a director of the Company and its subsidiaries or other services in connection with the management of the affairs of the Company or its subsidiary undertaking (2014: nil).

**(c) Directors' termination benefits**

During the year ended 31 December 2015, no payments to the directors of the Company as compensation for the early termination of the appointment (2014: nil).

**(d) Consideration provided to third parties for making available directors' services**

During the year ended 31 December 2015, the Company didn't provide to any third party for making available directors' services (2014: nil).

**(e) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors**

During the year ended 31 December 2015, there were no loans, quasi-loans or other dealings in favour of directors of the Company, controlled bodies corporate and connected entities with such directors (2014: nil).

**(f) Directors' material interests in transactions, arrangements or contracts**

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2014 nil).



羅兵咸永道

## TO THE SHAREHOLDERS OF COUNTRY GARDEN HOLDINGS COMPANY LIMITED

*(Incorporated in the Cayman Islands with limited liability)*

We have audited the consolidated financial statements of Country Garden Holdings Company Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 120 to 225, which comprise the consolidated and company statements of financial position as at 31 December 2014, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

## DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

## AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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*PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong*  
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com



羅兵咸永道

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

**PricewaterhouseCoopers**

Certified Public Accountants

Hong Kong, 11 March 2015

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 December	
		2014	2013
		RMB'000	RMB'000
	Note		
<b>Non-current assets</b>			
Property, plant and equipment	6	18,642,518	15,828,290
Investment properties	7	7,035,579	112,340
Intangible assets	8	29,247	43,477
Land use rights	9	2,034,522	1,865,068
Properties under development	10	44,638,652	40,080,095
Investments in associates	11	34,492	56,791
Investment in a joint venture	12	21,374	33,333
Available-for-sale financial assets	13	208,667	206,329
Deferred income tax assets	27	2,770,111	1,800,022
		<b>75,415,162</b>	<b>60,025,745</b>
<b>Current assets</b>			
Properties under development	10	105,993,980	67,473,799
Completed properties held for sale	15	23,203,236	18,919,822
Inventories	16	2,095,143	572,863
Trade and other receivables	17	25,370,902	26,378,400
Prepaid taxes		8,739,706	6,189,210
Restricted cash	18	8,453,490	7,769,870
Cash and cash equivalents	19	18,760,590	18,909,719
		<b>192,617,047</b>	<b>146,213,683</b>
<b>Current liabilities</b>			
Advanced proceeds received from customers		91,792,491	63,417,952
Trade and other payables	20	40,924,965	30,914,620
Income taxes payable		8,976,132	8,137,481
Senior notes	21	2,538,757	2,348,003
Bank and other borrowings	22	12,390,679	10,086,227
		<b>156,623,024</b>	<b>114,904,283</b>
<b>Net current assets</b>		<b>35,994,023</b>	<b>31,309,400</b>
<b>Total assets less current liabilities</b>		<b>111,409,185</b>	<b>91,335,145</b>

		<b>As at 31 December</b>	
		<b>2014</b>	2013
		<b>RMB'000</b>	RMB'000
	Note		
<b>Non-current liabilities</b>			
Senior notes	21	<b>19,735,005</b>	20,711,542
Bank and other borrowings	22	<b>26,404,258</b>	23,103,006
Deferred government grants		<b>239,520</b>	239,520
Deferred income tax liabilities	27	<b>2,587,976</b>	1,269,910
		<b>48,966,759</b>	45,323,978
<b>Equity attributable to owners of the Company</b>			
Share capital and premium	23	<b>24,262,047</b>	20,169,019
Other reserves	25	<b>4,243,448</b>	2,194,083
Retained earnings			
— Proposed final dividend	33	<b>3,001,893</b>	3,105,759
— Others	25	<b>25,178,817</b>	18,484,759
		<b>56,686,205</b>	43,953,620
<b>Non-controlling interests</b>		<b>5,756,221</b>	2,057,547
<b>Total equity</b>		<b>62,442,426</b>	46,011,167
<b>Total equity and non-current liabilities</b>		<b>111,409,185</b>	91,335,145

The notes on pages 129 to 225 are an integral part of these consolidated financial statements.

The financial statements on pages 120 to 225 were approved by the Board of Directors on 11 March 2015 and were signed on its behalf.

**MO Bin**  
Director

**WU Jianbin**  
Director

# COMPANY STATEMENT OF FINANCIAL POSITION

		As at 31 December	
		2014	2013
		RMB'000	RMB'000
	Note		
<b>Non-current assets</b>			
Investments in subsidiaries	14	29,309,298	27,772,865
<b>Current assets</b>			
Amounts due from subsidiaries		25,705,230	21,884,166
Other receivables		2,781	—
Cash and cash equivalents	19	1,319,441	762,588
		<b>27,027,452</b>	<b>22,646,754</b>
<b>Current liabilities</b>			
Amounts due to subsidiaries		—	788,239
Other payables		1,171	792
Senior notes	21	2,538,757	2,348,003
Bank and other borrowings	22	1,439,277	1,146,157
		<b>3,979,205</b>	<b>4,283,191</b>
<b>Net current assets</b>		<b>23,048,247</b>	<b>18,363,563</b>
<b>Total assets less current liabilities</b>		<b>52,357,545</b>	<b>46,136,428</b>

		<b>As at 31 December</b>	
		<b>2014</b>	2013
		<b>RMB'000</b>	RMB'000
	Note		
<b>Non-current liabilities</b>			
Senior notes	21	<b>19,735,005</b>	20,711,542
Bank and other borrowings	22	<b>4,477,510</b>	1,651,523
		<b>24,212,515</b>	22,363,065
<b>Equity</b>			
Share capital and premium	23	<b>24,642,283</b>	20,549,255
Other reserves	25	<b>56,335</b>	18,167
Retained earnings			
— Proposed final dividend	33	<b>3,001,893</b>	3,105,759
— Others	25	<b>444,519</b>	100,182
<b>Total equity</b>		<b>28,145,030</b>	23,773,363
<b>Total equity and non-current liabilities</b>		<b>52,357,545</b>	46,136,428

The notes on pages 129 to 225 are an integral part of these consolidated financial statements.

The financial statements on pages 120 to 225 were approved by the Board of Directors on 11 March 2015 and were signed on its behalf.

**MO Bin**  
Director

**WU Jianbin**  
Director



# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 December	
		2014 RMB'000	2013 RMB'000
<b>Revenue</b>	5	<b>84,548,803</b>	62,724,729
Cost of sales	29	<b>(62,493,670)</b>	(43,713,256)
<b>Gross profit</b>		<b>22,055,133</b>	19,011,473
Other income and gains — net	28	<b>185,996</b>	21,480
Gains arising from changes in fair value of and transfer to investment properties	7	<b>1,880,036</b>	—
Selling and marketing costs	29	<b>(4,356,272)</b>	(4,303,823)
Administrative expenses	29	<b>(3,159,928)</b>	(2,033,277)
<b>Operating profit</b>		<b>16,604,965</b>	12,695,853
Finance income	31	<b>254,747</b>	803,249
Finance costs	31	<b>(450,329)</b>	—
Finance (costs)/income — net	31	<b>(195,582)</b>	803,249
Share of results of associates and a joint venture	11,12	<b>(40,258)</b>	(25,949)
<b>Profit before income tax</b>		<b>16,369,125</b>	13,473,153
Income tax expenses	32	<b>(5,757,225)</b>	(4,625,173)
<b>Profit for the year</b>		<b>10,611,900</b>	8,847,980
<b>Profit attributable to:</b>			
— Owners of the Company		<b>10,229,159</b>	8,514,104
— Non-controlling interests		<b>382,741</b>	333,876
		<b>10,611,900</b>	8,847,980
<b>Other comprehensive income</b>			
Items that will not be reclassified subsequently to profit or loss:			
— Revaluation gains on properties upon transfer from property, plant and equipment and land use rights to investment properties, net of tax	25	<b>1,464,237</b>	—
Items that may be reclassified to profit or loss:			
— Change in fair value of available-for-sale financial assets, net of tax		<b>2,338</b>	6,329
— Currency translation differences		<b>6,452</b>	(78,927)
<b>Other comprehensive income/(loss) for the year, net of tax</b>		<b>1,473,027</b>	(72,598)
<b>Total comprehensive income for the year</b>		<b>12,084,927</b>	8,775,382

		Year ended 31 December	
		2014	2013
		RMB'000	RMB'000
<hr/>			
<b>Total comprehensive income attributable to:</b>			
— Owners of the Company		11,700,200	8,476,627
— Non-controlling interests		384,727	298,755
		<b>12,084,927</b>	<b>8,775,382</b>
<hr/>			
<b>Earnings per share attributable to owners of the Company (expressed in RMB cents per share)</b>			
Basic	36	53.45	45.97
Diluted	36	53.45	45.93

The notes on pages 129 to 225 are an integral part of these consolidated financial statements.

		2014	2013
		RMB'000	RMB'000
<hr/>			
Dividends	33	3,001,893	3,105,759

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company				Non-controlling interests			Total Equity RMB'000
	Share capital and premium RMB'000 (note 23)	Other reserves RMB'000 (note 25)	Retained earnings RMB'000 (note 25)	Total RMB'000	Perpetual capital securities RMB'000 (note 26)	Others RMB'000	Total RMB'000	
<b>Balance at 1 January 2014</b>	20,169,019	2,194,083	21,590,518	43,953,620	–	2,057,547	2,057,547	46,011,167
<b>Comprehensive income</b>								
Profit for the year	–	–	10,229,159	10,229,159	207,169	175,572	382,741	10,611,900
Other comprehensive income								
– Revaluation gains on properties upon transfer from property, plant and equipment and land use rights to investment properties, net of tax	–	1,464,237	–	1,464,237	–	–	–	1,464,237
– Change in fair value of available-for-sale financial assets, net of tax	–	2,338	–	2,338	–	–	–	2,338
– Currency translation differences	–	4,466	–	4,466	–	1,986	1,986	6,452
<b>Total comprehensive income for the year</b>	–	1,471,041	10,229,159	11,700,200	207,169	177,558	384,727	12,084,927
<b>Transactions with owners in their capacity as owners:</b>								
Capital injections	–	–	–	–	3,090,000	431,116	3,521,116	3,521,116
Transfer to statutory reserves	–	540,156	(540,156)	–	–	–	–	–
2013 final dividends (note 33)	–	–	(3,098,811)	(3,098,811)	–	–	–	(3,098,811)
Dividends paid to non-controlling interests	–	–	–	–	(207,169)	–	(207,169)	(207,169)
Issue of shares as a result of scrip dividend scheme (note 23(a))	1,591,601	–	–	1,591,601	–	–	–	1,591,601
Issue of shares as a result of Rights Issue (note 23(b))	2,501,427	–	–	2,501,427	–	–	–	2,501,427
Employee share option scheme:								
– Value of employee services (note 30)	–	38,168	–	38,168	–	–	–	38,168
<b>Total transactions with owners</b>	4,093,028	578,324	(3,638,967)	1,032,385	2,882,831	431,116	3,313,947	4,346,332
<b>Balance at 31 December 2014</b>	24,262,047	4,243,448	28,180,710	56,686,205	3,090,000	2,666,221	5,756,221	62,442,426

The notes on pages 129 to 225 are an integral part of these consolidated financial statements.

	Attributable to owners of the Company				Non-controlling interests	Total equity
	Share capital and premium	Other reserves	Retained earnings	Total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(note 23)	(note 25)	(note 25)			
<b>Balance at 1 January 2013</b>	19,368,755	1,901,964	16,306,430	37,577,149	1,307,259	38,884,408
<b>Comprehensive income</b>						
Profit for the year	—	—	8,514,104	8,514,104	333,876	8,847,980
Other comprehensive income						
— Change in fair value of available-for-sale financial assets, net of tax	—	6,329	—	6,329	—	6,329
— Currency translation differences	—	(43,806)	—	(43,806)	(35,121)	(78,927)
<b>Total comprehensive income for the year</b>	—	(37,477)	8,514,104	8,476,627	298,755	8,775,382
<b>Transactions with owners in their capacity as owners:</b>						
Capital injections	—	—	—	—	562,009	562,009
Transfer to statutory reserves	—	749,706	(749,706)	—	—	—
Effect of redemption of convertible bond upon maturity	—	(29,801)	29,801	—	—	—
2012 final dividends	—	—	(2,510,111)	(2,510,111)	—	(2,510,111)
Dividends paid to non-controlling interests	—	—	—	—	(83,400)	(83,400)
Issue of shares as a result of scrip dividend scheme	800,264	—	—	800,264	—	800,264
Employee share option scheme:						
— Value of employee services (note 30)	—	15,167	—	15,167	—	15,167
Non-controlling interests arising from business combination	—	—	—	—	166,009	166,009
Changes in ownership interests in subsidiaries without change of control	—	(405,476)	—	(405,476)	(193,085)	(598,561)
<b>Total transactions with owners</b>	800,264	329,596	(3,230,016)	(2,100,156)	451,533	(1,648,623)
<b>Balance at 31 December 2013</b>	20,169,019	2,194,083	21,590,518	43,953,620	2,057,547	46,011,167

The notes on pages 129 to 225 are an integral part of these consolidated financial statements.

# CONSOLIDATED CASH FLOW STATEMENT

	Note	Year ended 31 December	
		2014 RMB'000	2013 RMB'000
<b>Cash flows from operating activities</b>			
Cash generated from operations	34	6,543,405	2,822,408
Income tax paid		(5,997,773)	(4,817,435)
Interest paid		(4,877,497)	(3,814,356)
<b>Net cash used in operating activities</b>		<b>(4,331,865)</b>	<b>(5,809,383)</b>
<b>Cash flows from investing activities</b>			
Acquisition of subsidiaries, net of cash acquired		—	(13,163)
Purchases of property, plant and equipment		(4,768,710)	(4,777,165)
Purchases of intangible assets		(10,875)	(37,776)
Purchases of land use rights		(337,450)	(531,768)
Payments for investment properties		—	(1,645)
Investment in an associate	11	(6,000)	—
Dividend income from available-for-sale financial assets	28	6,100	—
Proceeds from disposal of property, plant and equipment	34	174,911	27,647
Government grants received		—	50,000
Interest received	31	254,747	290,708
<b>Net cash used in investing activities</b>		<b>(4,687,277)</b>	<b>(4,993,162)</b>
<b>Cash flows from financing activities</b>			
Capital injections from non-controlling interests		3,521,116	562,009
Acquisition of non-controlling interests in a subsidiary		—	(247,000)
Net proceeds from the issuance of shares as a result of the Rights Issue	23	2,501,427	—
Redemption of convertible bond		—	(957,163)
Redemption and repayment of senior notes	21	(5,875,596)	—
Net proceeds from the issuance of senior notes	21	4,849,502	9,136,339
Proceeds from bank and other borrowings		17,974,590	24,552,236
Repayments of bank and other borrowings		(12,368,886)	(13,268,573)
Dividends paid to owners of the Company		(1,507,210)	(1,709,847)
Dividends paid to non-controlling interests		(182,296)	(83,400)
<b>Net cash generated from financing activities</b>		<b>8,912,647</b>	<b>17,984,601</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(106,495)</b>	<b>7,182,056</b>
Cash and cash equivalents at the beginning of the year		18,909,719	11,809,031
Exchange losses on cash and cash equivalents		(42,634)	(81,368)
<b>Cash and cash equivalents at the end of the year</b>	19	<b>18,760,590</b>	<b>18,909,719</b>

The notes on pages 129 to 225 are an integral part of these consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1 GENERAL INFORMATION

Country Garden Holdings Company Limited (the “Company”) was incorporated in the Cayman Islands on 10 November 2006 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

The address of the Company’s registered office is Cricket Square, Hutchins Drive, P.O. Box 2681 Grand Cayman, KY1-1111 Cayman Islands. The Company is engaged in investment holding and its subsidiaries (collectively the “Group”) are principally engaged in the property development, construction, fitting and decoration, property investment, property management and hotel operation.

The shares of the Company are listed on The Stock Exchange of Hong Kong Limited.

These financial statements are presented in Renminbi (“RMB”), unless otherwise stated. These financial statements have been approved for issue by the Board of Directors on 11 March 2015.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### 2.1 Basis of Preparation

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and investment properties, which are carried at fair value.

The consolidated financial statements are prepared in accordance with the applicable requirements of the predecessor Companies Ordinance (Cap. 32) for this financial year and the comparative period.

The preparation of financial statements in conformity with the HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.1 Basis of Preparation (Continued)

#### 2.1.1 Changes in accounting policy and disclosures

- (i) **The new or revised standards, amendments and interpretations to existing standards, which are mandatory for the financial year beginning on 1 January 2014, are either currently not relevant to the Group or had no material impact on the Group's consolidated financial statements.**
- (ii) **New and revised standards and amendments to existing standards that have been issued and are relevant to the Group, but are not effective for the financial year beginning on 1 January 2014 and have not been early adopted**
- Annual improvements 2012, which include changes from the 2010-2012 cycle of the annual improvements project, that affect the below standards: HKFRS8, 'Operating segments', Hong Kong Accounting Standards ("HKAS"), HKAS16, 'Property, plant and equipment' and HKAS38, 'Intangible assets' and HKAS 24, 'Related Party Disclosures'. The above amendments will be effective for annual periods beginning on or after 1 July 2014.
  - Annual improvements 2013, which include changes from the 2011-2013 cycle of the annual improvements project that affect the below standards: HKFRS3, 'Business combinations', HKFRS13, 'Fair value measurement', and HKAS40, 'Investment property'. The above amendments will be effective for annual periods beginning on or after 1 July 2014.
  - Annual improvements 2014, which include changes from the 2012-2014 cycle of the annual improvements project that affect 4 standards: HKFRS 5, 'Non-current assets held for sale and discontinued operations', HKFRS 7, 'Financial instruments: Disclosures', HKAS 19, 'Employee benefits' and HKAS 34, 'Interim financial reporting'. These amendments will be effective for annual periods beginning on or after 1 January 2016.
  - Amendment to HKFRS 11 on accounting for acquisitions of interests in joint operations. The amendment requires an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a 'business' (as defined in HKFRS 3, Business combinations). The amendment is applicable to both the acquisition of the initial interest and a further interest in a joint operation. The previously held interest is not remeasured when the acquisition of an additional interest in the same joint operation with joint control maintained. This amendment will be effective for annual periods beginning on or after 1 January 2016.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.1 Basis of Preparation (Continued)

#### 2.1.1 Changes in accounting policy and disclosures (Continued)

(ii) **New and revised standards and amendments to existing standards that have been issued and are relevant to the Group, but are not effective for the financial year beginning on 1 January 2014 and have not been early adopted (Continued)**

- Amendments to HKFRS 10 and HKAS 28 on the sale or contribution of assets between an investor and its associate or joint venture. The amendments address an inconsistency between HKFRS 10 and HKAS 28 in the sale and contribution of assets between an investor and its associate or joint venture. A full gain or loss is recognized when a transaction involves a business. A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if those assets are in a subsidiary. These amendments will be effective for annual periods beginning on or after 1 January 2016.
- Amendment to HKAS 27 on the equity method in separate financial statements. The amendment allows entities to use equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. This amendment will be effective for annual periods beginning on or after 1 January 2016.
- HKFRS 15 “Revenue from Contracts with Customers”. HKFRS 15 establishes a comprehensive framework for determining when to recognize revenue and how much revenue to recognize through a 5-step approach: (1) Identify the contract(s) with customer; (2) Identify separate performance obligations in a contract (3) Determine the transaction price (4) Allocate transaction price to performance obligations and (5) recognize revenue when performance obligation is satisfied. The core principle is that a company should recognize revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. It moves away from a revenue recognition model based on an ‘earnings processes to an ‘asset-liability’ approach based on transfer of control. HKFRS 15 provides specific guidance on capitalization of contract cost and license arrangements. It also includes a cohesive set of disclosure requirements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity’s contracts with customers. HKFRS 15 replaces the previous revenue standards: HKAS 18 Revenue and HKAS 11 Construction Contracts, and the related Interpretations on revenue recognition: HKFRIC 13 Customer Loyalty Programmes, HKFRIC 15 Agreements for the Construction of Real Estate, HKFRIC 18 Transfers of Assets from Customers and SIC-31 Revenue — Barter Transactions Involving Advertising Services. This amendment will be effective for annual periods beginning on or after 1 January 2017.



## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.1 Basis of Preparation (Continued)

#### 2.1.1 Changes in accounting policy and disclosures (Continued)

(ii) **New and revised standards and amendments to existing standards that have been issued and are relevant to the Group, but are not effective for the financial year beginning on 1 January 2014 and have not been early adopted (Continued)**

- HKFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of HKFRS 9 was issued in July 2014. It replaces the guidance in HKAS 39 that relates to the classification and measurement of financial instruments. HKFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in HKAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. HKFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under HKAS 39. This new standard will be effective for annual periods beginning on or after 1 January 2018.

The Group is in the process of assessing the impact of the above new standards and amendments to existing standards on the Group's consolidated financial statements.

(iii) **New Hong Kong Companies Ordinance (Cap.622)**

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation as from the Company's first financial year commencing on or after 3 March 2014 in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9 of the new Hong Kong Companies Ordinance (Cap. 622). So far it has concluded that the impact is unlikely to be significant and only the presentation and the disclosure of information in the consolidated financial statements will be affected.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.1 Basis of Preparation (Continued)

#### 2.1.1 Changes in accounting policy and disclosures (Continued)

##### (iv) Change in accounting policy on investment properties

On 30 June 2014, the Group changed its accounting policy on investment properties. Prior to 30 June 2014, the Group's investment properties were stated at historical cost less accumulated depreciation and impairment loss. They were depreciated using the straight line method over estimated useful life of 20 years. Subsequent to the change in accounting policy, investment properties are carried at fair value.

Management believes that the new accounting policy for investment properties results in a more relevant presentation of the Group's financial position and also results in a presentation that is more consistent with the industry practices.

The above change in accounting policy should have been accounted for retrospectively in accordance with HKAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"; however, as the impact to the Group was immaterial, no retrospective adjustments have been made. The cumulative impact was recorded as follows:

	31 December 2014 RMB'000
Increase in investment properties	94,477
Increase in deferred income tax liabilities	23,619
Increase in retained earnings	70,858

	Year ended 31 December 2014 RMB'000
Fair value gains on investment properties	94,477
Increase in income tax expenses	23,619
Increase in profit attributable to owners of the Company	70,858

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.2 Subsidiaries

#### 2.2.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

#### (i) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.2 Subsidiaries (Continued)

#### 2.2.1 Consolidation (Continued)

##### (i) Business combinations (Continued)

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

##### (ii) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions — that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

##### (iii) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

#### 2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.3 Associates

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of results of an associate' in profit or loss.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gain or losses on dilution of equity interest in associates are recognised in profit or loss.

### 2.4 Joint Arrangements

Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

## **2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **2.4 Joint Arrangements (Continued)**

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

### **2.5 Segment Reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of the Company (the "ED") that makes strategic decisions.

### **2.6 Foreign Currency Translation**

#### **(i) Functional and presentation currency**

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in RMB which is the Company's functional currency and the Group's presentation currency.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.6 Foreign Currency Translation (Continued)

#### (ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when defined in equity as qualifying cash flow hedges or qualifying net investment hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated statement of comprehensive income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the consolidated statement of comprehensive income within 'other income and gains — net'.

Translation differences on non-monetary financial assets and liabilities are recognised in profit or loss as part of the fair value gain or loss.

#### (iii) Group companies

The results and financial positions of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- Income and expenses for each consolidated statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- All resulting exchange differences are recognised in other comprehensive income.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.7 Property, Plant and Equipment

Property, plant and equipment are stated at historical cost less depreciation and any impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated income statement during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Buildings	20 — 40 years
Transportation equipment	5 — 10 years
Machinery	5 — 10 years
Furniture, fitting and equipment	5 — 8 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.10).

Construction in progress represents the direct costs of construction incurred of property, plant and equipment less any impairment losses. No provision for depreciation is made on construction in progress until such time the relevant assets are completed and put into use. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised within 'other income and gains-net' in the consolidated statement of comprehensive income.



## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.8 Investment Properties

Investment property, principally comprising leasehold land and buildings, is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group. It also includes properties that are being constructed or developed for future use as investment properties. Land held under operating leases are accounted for as investment properties when the rest of the definition of an investment property is met. In such cases, the operating leases concerned are accounted for as if they were finance leases. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment properties are carried at fair value, representing open market value determined at each reporting date by external valuers.

Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets. Changes in fair values are recorded in profit or loss as part of a valuation gain or loss.

If an item of property, plant and equipment or land use rights becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in equity as a revaluation gain or loss. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in profit or loss to the extent the impairment provision previous made. For a transfer from completed properties held for sale or properties under development to investment properties that will be carried at fair value, any difference between the fair value of the property at that date and its previous carrying amount shall be recognised in profit or loss.

### 2.9 Intangible Assets

Acquired computer software programmes are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over the estimated useful lives of 5 to 10 years on a straight-line basis.

Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

### 2.10 Impairment of Non-Financial Assets

Assets that have an indefinite useful life — for example, goodwill or intangible assets not ready to use — are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

## **2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **2.11 Financial Assets**

#### **(i) Classification**

The Group classifies its financial assets as loans and receivables and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables' (note 2.17), 'amounts due from subsidiaries' and cash and cash equivalents (note 2.18) in the statement of financial position.

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

#### **(ii) Recognition and measurement**

Regular way purchases and sales of financial assets are recognised on trade-date — the date on which the Group commits to purchase or sell the asset. Financial assets are initially recognised at fair value plus transaction costs. Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the consolidated statement of comprehensive income as 'gains and losses from investment securities'.

Dividends on available-for-sale equity instruments are recognised in the consolidated statement of comprehensive income as part of other income when the Group's right to receive payments is established.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.12 Impairment of Financial Assets

#### (i) Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced and the amount of the loss is recognised in profit or loss. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated statement of comprehensive income.

#### (ii) Assets classified as available for sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a Group of financial assets is impaired. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss — is removed from equity and recognised in profit or loss. Impairment losses recognised in profit or loss on equity instruments are not reversed through profit or loss.

## **2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **2.13 Properties under Development**

Properties under development are stated at the lower of cost and net realisable value. Net realisable value is determined by reference to the sale proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses and the anticipated costs to completion, or by management estimates based on prevailing marketing conditions.

Development cost of property comprises cost of land use rights, construction costs, depreciation of machinery and equipment, borrowing costs capitalised for qualifying assets and professional fees incurred during the development period. On completion, the properties are transferred to completed properties held for sale.

Properties under development are classified as current assets when the construction of the relevant properties commences unless the construction period of the relevant property development project is expected to complete beyond normal operating cycle.

### **2.14 Completed Properties Held for Sale**

Completed properties remaining unsold at year ended are stated at the lower of cost and net realisable value.

Cost comprises development costs attributable to the unsold properties.

Net realisable value is determined by reference to the sale proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses, or by management estimates based on prevailing marketing conditions.

### **2.15 Inventories**

Inventories are stated at the lower of cost or net realisable value. Cost is determined using the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.16 Construction Contracts

A construction contract is defined by HKAS 11 as a contract specifically negotiated for the construction of an asset.

When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract by reference to the stage of completion. Contract costs are recognised as expenses by reference to the stage of completion of the contract activity at the end of the reporting period. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable.

When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Variations in contract work, claims and incentive payments are included in contract revenue to the extent that may have been agreed with the customer and are capable of being reliably measured.

The Group uses the "percentage of completion method" to determine the appropriate amount to recognise in a given period. The stage of completion is measured by reference to the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion.

The Group presents as an asset the gross amount due from customers for contract work for all contracts in progress for which costs incurred plus recognised profits (less recognised losses) exceed progress billings. Progress billings not yet paid by customers and retention are included within "trade and other receivables".

The Group presents as a liability the gross amount due to customers for contract work for all contracts in progress for which progress billings exceed costs incurred plus recognised profits (less recognised losses).

### 2.17 Trade and Other Receivables

Trade receivables are amounts due from customers for properties sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

## **2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **2.18 Cash and Cash Equivalents**

Cash and cash equivalents includes cash in hand and at banks, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

### **2.19 Share Capital**

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the Company's owners until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effect is included in equity attributable to the Company's owners.

### **2.20 Perpetual Capital Securities**

Perpetual capital securities with no contractual obligation to repay its principal or to pay any distribution are classified as part of equity.

### **2.21 Government Grants**

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the group will comply with all attached conditions.

Government grants relating to construction of hotel properties are included in non-current liabilities as deferred government grants and are credited to profit or loss on a straight-line basis over the expected lives of the related assets when they are completed and ready for use.

### **2.22 Trade Payables**

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.23 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

### 2.24 Borrowing Costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

### 2.25 Senior Notes

Senior notes issued by the Company that contain both liability and early redemption option (which is not closely related to the host contract) are classified separately into respective items on initial recognition. At the date of issue, both the liability and early redemption option components are recognised at fair value.

In subsequent periods, the liability component of the senior notes is carried at amortised cost using the effective interest method. The early redemption option is measured at fair value with changes in fair value recognised in profit or loss.

Transaction costs that relate to the issue of the senior notes are allocated to the liability and early redemption option components in proportion to their relative fair values. Transaction costs relating to the early redemption option are charged to profit or loss immediately. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the senior notes using the effective interest method.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.26 Current and Deferred Income Tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated statement of comprehensive income.

#### (i) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the date of statement of financial position in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

#### (ii) Deferred income tax

##### Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using the tax rates (and laws) that have been enacted or substantially enacted by the date of statement of financial position and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

##### Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only when there is an agreement in place that gives the group the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the associate's undistributed profits is not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.



## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.26 Current and Deferred Income Tax (Continued)

#### (iii) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

### 2.27 Employee Benefits

#### (i) Pension obligations

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The Group contributes on a monthly basis to various defined contribution benefit plans organised by the relevant governmental authorities. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Assets of the plans are held and managed by government authorities and are separated from those of the Group.

#### (ii) Profit-sharing and bonus plans

The Group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

### 2.28 Share-Based Payments

The Group operates an equity-settled, share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions.

Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

## **2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **2.28 Share-Based Payments (Continued)**

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

The grant by the Company of options over its equity instruments to the employees of subsidiaries in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investments in subsidiaries, with a corresponding credit to equity in the parent entity accounts.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

### **2.29 Provisions and Contingent Liabilities**

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.30 Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable for the sales of properties and services in the ordinary course of the Group's activities. Revenue is shown, net of discounts and after eliminating sales with the Group companies. Revenue is recognised as follows:

(i) **Sales of properties**

Revenue from sales of properties is recognised when the risks and rewards of properties are transferred to the purchasers, which is when the construction of relevant properties has been completed and the properties have been delivered to the purchasers and collectability of related receivables is reasonably assured. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the consolidated statement of financial position as advanced proceeds received from customers under current liabilities.

(ii) **Construction services**

Revenue arising from construction services is recognised in the accounting period in which the services is rendered, by reference to completion of the specific transaction assessed on the basis of the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract (note 2.16).

(iii) **Hotel operation**

Revenue from hotel operation is recognised in the accounting period in which the services are rendered.

(iv) **Property management**

Revenue arising from property management is recognised in the accounting period in which the services are rendered.

(v) **Decoration services**

Revenue from decoration services is recognised in the accounting period in which the services are rendered.

(vi) **Property investment**

Rental income from properties leasing under operating leases is recognised on a straight line basis over the lease terms.

### 2.31 Interest Income

Interest income is recognised on a time-proportion basis using the effective interest method.

### 2.32 Dividend Income

Dividend income is recognised when the right to receive payment is established.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.33 Leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

#### (i) The Group is the lessee

- (a) The Group is the lessee under operating lease other than land use rights

Payments made under operating leases (net of any incentives received from the lessor) are charged to the profit or loss on a straight-line basis over the period of the lease.

- (b) The Group is the lessee under operating lease of land use rights

The Group made upfront payments to obtain operating leases of land use rights. The upfront payments of the land use rights are recorded as assets. The amortisation of land use rights is recognised as an expense on a straight-line basis over the unexpired period of the land use rights.

#### (ii) The Group is the lessor

Assets leased out under operating leases are included in investment properties in the consolidated statement of financial position. Rental income from operating lease is recognised over the term of the lease on a straight-line basis.

### 2.34 Dividend Distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

### 2.35 Insurance Contracts

An insurance contract is a contract under which one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. Insurance risk is a pre-existing risk transferred from the policyholder to the insurer, and is significant only if an insured event could cause an insurer to pay significant additional benefits in any scenario, excluding scenarios that lack commercial substance (i.e. have no discernible effect on the economics of the transaction).

The Group assesses at each reporting date whether its recognised insurance liabilities are adequate, using current estimates of future cash flows under its insurance contracts. If that assessment shows that the carrying amount of its insurance liabilities is inadequate in the light of the estimated future cash flows, the entire deficiency is recognised in the consolidated statement of comprehensive income.

The Group regards its financial guarantee contracts provided in respect of mortgage facilities for certain property purchasers and financial guarantee contracts provided to its related parties as insurance contracts.

### 3 FINANCIAL RISK MANAGEMENT

The Group conducts its operations mainly in the PRC and accordingly is subject to special considerations and significant risks. These include risks associated with, among others, the political, economic and legal environment, influence of national authorities over pricing regulation and competition in the industry.

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow interest rate risk and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The property industry is highly sensitive to the economic environment in the PRC, which will affect the volumes of property transactions and selling prices. The Group mainly relies on sales of properties and borrowings to fund its operations. All borrowings due for repayment in 2015 are anticipated to be repaid according to the terms of the loan agreements as the Group considers no renewal is necessary given its sufficient cash to finance its obligation. The Group has alternative plans (refer to note 3(a)(iv)) to monitor liquidity risk should there be significant adverse changes on the Group's cash flow projections.

#### (a) Financial Risk Factors

##### (i) Foreign exchange risk

The Group's businesses are principally conducted in RMB. The majority of assets is denominated in RMB. The majority of non-RMB assets and liabilities are bank deposits and borrowings denominated in Hong Kong Dollar ("HKD"), United States Dollar ("USD") and Ringgit Malaysia ("RM"). The Group is subject to foreign exchange rate risk arising from future commercial transactions and recognised assets and liabilities which are denominated in non-RMB. The Group manages its foreign exchange risk by closely monitoring the movement of the foreign currency rates. The Group is considering to adopt foreign currency hedging policy to better manage its foreign exchange risk.

The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities at the respective dates of statement of financial position are as follows:

	Group		Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Assets				
HKD	1,259,806	170,083	1,058,527	26,703
USD	491,159	1,034,314	233,125	735,768
RM	748,615	840,188	—	—
Other currencies	18,976	—	—	—
	<b>2,518,556</b>	<b>2,044,585</b>	<b>1,291,652</b>	<b>762,471</b>
Liabilities				
HKD	4,945,702	1,077,094	4,945,702	1,077,094
USD	23,244,847	24,780,131	23,244,847	24,780,131
RM	2,510,809	1,798,579	—	—
	<b>30,701,358</b>	<b>27,655,804</b>	<b>28,190,549</b>	<b>25,857,225</b>

### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### (a) Financial Risk Factors (Continued)

##### (i) Foreign exchange risk (Continued)

The following table shows the sensitivity analysis of a 5% change in RMB against the relevant foreign currencies. The sensitivity analysis includes only foreign currency denominated monetary items and adjusts their translation at the year-end for a 5% change in foreign currency rates. Should RMB strengthened/weakened by 5% against the relevant currencies, the effect on the post-tax profit for the year would be as follows:

	Change of post-tax profit — increase/(decrease)			
	Group		Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
RMB against HKD:				
Strengthened by 5%	184,295	45,351	194,359	52,520
Weakened by 5%	(184,295)	(45,351)	(194,359)	(52,520)
RMB against USD:				
Strengthened by 5%	1,137,684	1,187,291	1,150,586	1,202,218
Weakened by 5%	(1,137,684)	(1,187,291)	(1,150,586)	(1,202,218)
RMB against RM:				
Strengthened by 5%	66,082	35,940	—	—
Weakened by 5%	(66,082)	(35,940)	—	—

##### (ii) Cash flow and fair value interest rate risk

###### The Group

The Group's interest rate risk arises from interest-bearing bank deposits, senior notes and bank and other borrowings. Bank deposits and bank and other borrowings issued at variable rates expose the Group to cash flow interest-rate risk. Senior notes issued at fixed rates expose the Group to fair value interest rate risk.

The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing. Based on these scenarios, the Group calculates the impact on profit or loss of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies. The scenarios are run only for liabilities that represent the major interest-bearing positions.

The Group currently does not use any interest rate swaps to hedge its exposure to interest rate risk. However, the Group will consider hedging significant interest rate exposure should the need arise.

### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### (a) Financial Risk Factors (Continued)

##### (ii) Cash flow and fair value interest rate risk (Continued)

###### The Group (Continued)

As at 31 December 2014, borrowings of the Group which were bearing floating rates amounted to approximately RMB38,794,937,000 (2013: RMB33,189,233,000). As at 31 December 2014, should the interest rate be increased/decreased by 50 basis points with all other factors remain unchanged and without taking into account interest capitalisation, the finance costs of the Group would be increased/decreased by approximately RMB193,975,000 (2013: RMB165,946,000).

###### The Company

The Company's interest rate risk arises from senior notes and bank borrowings. Bank borrowings bearing floating rates expose the Company to cash flow interest rate risk. Senior notes issued at fixed rates expose the Company to fair value interest rate risk.

As at 31 December 2014, borrowings of the Company which were issued at floating rates amounted to approximately RMB5,916,787,000 (2013: RMB2,797,680,000). As at 31 December 2014, should the interest rate be increased/decreased by 50 basis points with all other factors remain unchanged, the finance costs of the Company would be increased/decreased by approximately RMB29,584,000 (2013: RMB13,988,000).

The Company's balances with subsidiaries are interest-free.

##### (iii) Credit risk

The Group is exposed to credit risk in relation to its trade and other receivables, and cash deposits with banks.

The carrying amounts of trade and other receivables, restricted cash, cash and cash equivalents represent the Group's maximum exposure to credit risk in relation to financial assets.

To manage this risk, bank deposits are mainly placed with state-owned financial institutions and reputable banks which are all high-credit-quality financial institutions. The Group has policies in place to ensure that sales are made to purchasers with an appropriate financial strength and appropriate percentage of down payments. It also has other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews regularly the recoverable amount of each individual trade receivables to ensure that adequate impairment losses are made for irrecoverable amounts. The Group has no significant concentrations of credit risk, with exposure spread over a large number of counterparties and customers. For other receivables, management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience. The directors of the Company believe that there is no material credit risk inherent in the Group's outstanding balance of other receivables. The credit risk on available-for-sale financial assets is limited because the counterparty is a state-owned financial institution.

### **3 FINANCIAL RISK MANAGEMENT (Continued)**

#### **(a) Financial Risk Factors (Continued)**

##### **(iii) Credit risk (Continued)**

For prepayments in respect of acquisition of land use rights, the Group considers the risk is minimal as these prepayments were paid to the PRC government and will transfer to land use rights upon obtaining certificates from the PRC government. The Group has policies in place to monitor the issuance status of land use rights certificates.

For properties that are still under construction, the Group typically provides guarantees to banks in connection with the customers' borrowing of mortgage loans to finance their purchase of the properties for an amount up to 70% of the total purchase price of the property. If a purchaser defaults on the payment of its mortgage during the term of the guarantee, the bank holding the mortgage may demand the Group to repay the outstanding amount under the loan and any accrued interest thereon. Under such circumstances, the Group is able to retain the customer's deposits and sell the property to recover any amounts paid by the Group to the bank. Unless the selling price would drop by no less than 30%, which is remote, the Group would not be in a loss position in selling those properties out. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced (refer to note 4(b) for more information).

The Group has arranged bank financing for certain purchasers of property units and provided guarantees to secure obligations of such purchasers for repayments. Detailed disclosure of these guarantees is made in note 37.

No credit limits were exceeded during the year, and management does not expect any losses from non-performance by these counterparties.

##### **(iv) Liquidity risk**

Management aims to maintain sufficient cash to meet funding requirement for operations and monitors rolling forecasts of the Group's cash on the basis of expected cash flow. The directors of the Company have prepared cash flow projections for the year ending 31 December 2015. Key assumptions used in the preparation of the cash flow projections for the year ending 31 December 2015 include: (1) proceeds from pre-sales in 2015 is expected to be higher than that of 2014; (2) construction payments match receipt of the relevant proceeds from pre-sales; (3) available project loan facility is expected to be no less than that of 2014 and (4) no breach of debt covenants is anticipated in 2015.

The Group has a number of alternative plans to mitigate the potential impacts on anticipated cash flows should there be significant adverse changes in economic environment. These include adjusting and further slowing down the construction progress as appropriate to ensure available resources for the development of properties for sale, implementing cost control measures and accelerating sales with more flexible pricing. The Group, will base on its assessment of the relevant future costs and benefits, pursue such options as are appropriate. The directors consider that the Group will be able to maintain sufficient financial resources to meet its operation needs.



### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### (a) Financial Risk Factors (Continued)

##### (iv) Liquidity risk (Continued)

The table below analyses the Group's and the Company's non-derivative financial liabilities into relevant maturity grouping based on the remaining period at the date of statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

##### Group

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
At 31 December 2014					
Senior notes (principal amount plus interest)	4,373,938	1,926,338	14,914,106	10,882,259	32,096,641
Bank and other borrowings (principal amount plus interest)	14,724,811	16,010,340	12,104,758	547,681	43,387,590
Trade and other payables (excluding other taxes payable and salaries payable)	35,209,185	—	—	—	35,209,185
Total	54,307,934	17,936,678	27,018,864	11,429,940	110,693,416

##### Company

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
At 31 December 2014					
Senior notes (principal amount plus interest)	4,373,938	1,926,338	14,914,106	10,882,259	32,096,641
Bank borrowings (principal amount plus interest)	1,670,984	927,479	3,550,082	—	6,148,545
Total	6,044,922	2,853,817	18,464,188	10,882,259	38,245,186

### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### (a) Financial Risk Factors (Continued)

##### (iv) Liquidity risk (Continued)

###### Group

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
At 31 December 2013					
Senior notes (principal amount plus interest)	4,473,219	4,356,997	12,955,913	11,517,425	33,303,554
Bank and other borrowings (principal amount plus interest)	12,143,708	11,955,518	13,214,840	694,786	38,008,852
Trade and other payables (excluding other taxes payable and salaries payable)	27,716,392	—	—	—	27,716,392
<b>Total</b>	<b>44,333,319</b>	<b>16,312,515</b>	<b>26,170,753</b>	<b>12,212,211</b>	<b>99,028,798</b>

###### Company

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
At 31 December 2013					
Senior notes (principal amount plus interest)	4,473,219	4,356,997	12,955,913	11,517,425	33,303,554
Bank borrowings (principal amount plus interest)	1,250,541	1,064,972	626,884	—	2,942,397
<b>Total</b>	<b>5,723,760</b>	<b>5,421,969</b>	<b>13,582,797</b>	<b>11,517,425</b>	<b>36,245,951</b>

### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### (b) Capital Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to optimise the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets.

Consistent with other companies in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings (including senior notes, as shown in the consolidated statement of financial position) less cash and cash equivalents and the guarantee deposits for construction of pre-sale properties.

The gearing ratios at 31 December 2014 and 2013 were as follows:

	Group	
	2014 RMB'000	2013 RMB'000
Total borrowings (notes 21 and 22)	61,068,699	56,248,778
Less: cash and cash equivalents (note 19)	(18,760,590)	(18,909,719)
guarantee deposits for construction of pre-sale properties (note 18)	(8,453,490)	(7,769,870)
Net debt	33,854,619	29,569,189
Total equity (excluding non-controlling interests)	56,686,205	43,953,620
Gearing ratio	59.7%	67.3%

The directors of the Company consider the Group's gearing ratio is within the healthy range.

#### (c) Fair Value Estimation

The different levels are defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

At 31 December 2014 and 2013, the Group had no level 1 or level 2 financial instruments, the only level 3 financial instrument represented the available-for-sale financial assets (note 13).

### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### (c) Fair Value Estimation (Continued)

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

The following table presents the changes in level 3 instruments for the year ended 31 December 2014.

	2014 RMB'000	2013 RMB'000
Opening balance	206,329	—
Transfers from other non-current assets	—	200,000
Fair value change	2,338	6,329
Closing balance	208,667	206,329

#### (d) Financial Instruments by Category

##### Group:

	2014			2013		
	Available- for-sale RMB'000	Loans and receivables RMB'000	Total RMB'000	Available- for-sale RMB'000	Loans and receivables RMB'000	Total RMB'000
<b>Assets as per consolidated statement of financial position</b>						
Available-for-sale financial assets	208,667	—	208,667	206,329	—	206,329
Trade and other receivables excluding prepayments	—	19,327,039	19,327,039	—	15,581,035	15,581,035
Restricted cash	—	8,453,490	8,453,490	—	7,769,870	7,769,870
Cash and cash equivalents	—	18,760,590	18,760,590	—	18,909,719	18,909,719
Total	208,667	46,541,119	46,749,786	206,329	42,260,624	42,466,953

##### Financial liabilities at amortised cost

	2014 RMB'000	2013 RMB'000
<b>Liabilities as per consolidated statement of financial position</b>		
Senior notes	22,273,762	23,059,545
Bank and other borrowings	38,794,937	33,189,233
Trade and other payables (excluding other taxes payable and salaries payable)	35,209,185	27,716,392
Total	96,277,884	83,965,170

**3 FINANCIAL RISK MANAGEMENT** (Continued)

**(d) Financial Instruments by Category** (Continued)

Company:

**Assets as per statement of financial position**

	<b>Loans and receivables</b>	
	<b>2014</b>	2013
	<b>RMB'000</b>	RMB'000
<b>At 31 December</b>		
Amounts due from subsidiaries	<b>25,705,230</b>	21,884,166
Other receivables	<b>2,781</b>	—
Cash and cash equivalents	<b>1,319,441</b>	762,588
<b>Total</b>	<b>27,027,452</b>	22,646,754

**Liabilities as per statement of financial position**

	<b>Financial liabilities at amortised cost</b>	
	<b>2014</b>	2013
	<b>RMB'000</b>	RMB'000
<b>At 31 December</b>		
Senior notes	<b>22,273,762</b>	23,059,545
Bank borrowings	<b>5,916,787</b>	2,797,680
Amounts due to subsidiaries	—	788,239
<b>Total</b>	<b>28,190,549</b>	26,645,464

## 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements used in preparing the consolidated financial statements are evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that may have a significant effect on the carrying amounts of assets and liabilities within the next financial year are discussed below.

### (a) Income Taxes and Deferred Taxation

Significant judgement is required in determining the provision for income tax. There are many transactions and calculations for which the ultimate determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the income tax and deferred tax provision in the period in which such determination is made.

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

### (b) Revenue Recognition

The Group has recognised revenue from the sale of properties held for sale as disclosed in note 5. The assessment of when an entity has transferred the significant risks and rewards of ownership to buyers requires the examination of the circumstances of the transaction. In most cases, the transfer of risks and rewards of ownership coincides with the date when the equitable interest in the property vests with the buyer upon release of the respective property to the buyer.

As disclosed in note 37, the Group provides guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. These guarantees will normally be discharged upon issuance of the real estate ownership certificate which are generally be available within three months after the purchasers take possession of the relevant properties. In order to obtain mortgages, the purchasers would have settled no less than 30% of the total contract amount in accordance with related PRC regulations upon signing the sales contract. The directors of the Company are of the opinion that such settlements provide sufficient evidence of the purchasers' commitment to honour contractual obligation of the bank loans. In addition, based on the past experiences, defaults of mortgage facilities by the purchasers which resulted in the bank guarantees being called upon were rare and the financial impact was immaterial. Further, as disclosed in note 3(a)(iii), the credit risk of the Group under the circumstance that a purchaser defaults on the payment of its mortgage during the term of the guarantee is very low. Accordingly, the directors believe that significant risks and rewards associated to the ownership of the properties have been transferred to the purchasers upon the delivery of the properties to them.

#### 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

##### (c) Estimates for Net Realisable Value of Properties under Development and Properties Held for Sale

The Group assesses the carrying amounts of properties under development and properties held for sale according to their net realisable value based on the realisability of these properties. Net realisable value for properties under development is determined by reference to management's estimates of the selling price based on prevailing market conditions, less applicable variable selling expenses and the anticipated costs to completion (including land costs). Net realisable value for properties held for sale is determined by reference to management's estimates of the selling price based on prevailing market conditions, less applicable variable selling expenses. Based on management's best estimates, RMB147,284,000 of impairment provision was made as at 31 December 2014 (2013: nil), and there was no material unprovided impairment provision for properties under development and properties held for sale at 31 December 2014 and 2013.

##### (d) Estimates for Impairment of Hotel Assets

Management performs review for impairment of the hotel assets whenever events or changes in circumstances indicate that the carrying amounts of the hotel assets may not be recoverable. In such case, the recoverable amounts of hotel assets have been determined based on value-in-use method. The value-in-use calculations require the use of significant estimates and assumptions on the projections of cash flows from the continuous use of the hotel assets. The key assumptions used in determining the value-in-use of hotel assets mainly include:

- Discount rate of 12%;
- 4% growth rate after start-up period; and
- Occupancy rates of 60% to 65% after start-up period.

Based on management's best estimates, there was no material impairment for hotel assets at 31 December 2014 and 2013.

##### (e) Estimates for Fair Value of Investment Properties

The Group assesses the fair value of its investment properties based on valuations determined by independent and professional qualified valuer. Significant judgement and assumptions are required in assessing the fair value of the investment properties. Details of the judgement and assumptions are disclosed in Note 7.

## 5 SEGMENT INFORMATION – GROUP

The ED reviews the Group's internal reporting in order to assess performance and allocate resources. The ED has determined the operating segments based on these reports.

The ED considers the business from product perspective. From a product perspective, ED assesses the performance of:

- Property development;
- Construction, fitting and decoration;
- Property investment (new segment identified in the current year);
- Property management; and
- Hotel operation.

The ED assesses the performance of the operating segments based on a measure of operating profit.

Segment assets consist primarily of property, plant and equipment, intangible assets, land use rights, investment properties, properties under development, completed properties held for sale, inventories, receivables and operating cash. They exclude deferred income tax assets and available-for-sale financial assets. Segment liabilities consist primarily of operating liabilities. They exclude senior notes, bank and other borrowings, deferred income tax liabilities and income taxes payable.

Capital expenditure comprises additions to property, plant and equipment (note 6), investment properties (note 7), intangible assets (note 8) and land use rights (note 9).

Revenue consists of the following:

	<b>2014</b> <b>RMB'000</b>	2013 RMB'000 Restated
Sales of properties	<b>81,897,856</b>	60,043,348
Rendering of construction, fitting and decoration services	<b>467,872</b>	866,871
Rental income	<b>86,714</b>	42,854
Rendering of property management services	<b>964,066</b>	777,129
Rendering of hotel services	<b>1,132,295</b>	994,527
	<b>84,548,803</b>	62,724,729

Sales between segments are carried out according to the terms and condition agreed by the respective segments' management.



## 5 SEGMENT INFORMATION — GROUP (Continued)

The Group's entire revenue is attributable to the market in Mainland China and over 90% of the Group's non-current assets are located in Mainland China. No geographical information is therefore presented.

The Group has a large number of customers, none of whom contributed 5% or more of the Group's revenue.

Following the change of business plan of the Group during the year (note 7), property investment is identified as a separate operating segment in the year. In addition, rental income included in 'other income and gains — net' in the year ended 31 December 2013 has been reclassified to revenue to conform to current year presentation. The segment revenue and results of the property investment segment for the prior year were included in the property development segment.

The segment information provided to the ED for the reportable segments for the year ended 31 December 2014 is as follows:

	Property development RMB'000	Construction, fitting and decoration RMB'000	Property investment RMB'000	Property management RMB'000	Hotel operation RMB'000	Total Group RMB'000
Segment revenue	81,897,856	21,449,077	86,714	964,066	1,213,636	105,611,349
Inter-segment revenue	—	(20,981,205)	—	—	(81,341)	(21,062,546)
Revenue (from external customers)	81,897,856	467,872	86,714	964,066	1,132,295	84,548,803
Depreciation and amortisation	424,158	30,312	3,817	11,352	319,673	789,312
Operating profit/(loss)	15,027,422	(3,300)	1,906,185	(89,492)	(235,850)	16,604,965
<b>At 31 December 2014</b>						
Total segment assets	235,028,152	8,607,178	7,035,579	1,499,951	12,882,571	265,053,431
Capital expenditure	1,926,777	27,023	—	17,660	3,172,700	5,144,160
Total segment liabilities	124,665,546	6,616,117	—	1,029,748	645,565	132,956,976

## 5 SEGMENT INFORMATION — GROUP (Continued)

The segment information provided to the ED for the reportable segments for the year ended 31 December 2013 is as follows:

	Property development RMB'000	Construction, fitting and decoration RMB'000	Property management RMB'000	Hotel operation RMB'000	Total Group RMB'000
Segment revenue	60,086,202	14,144,254	777,129	1,129,982	76,137,567
Inter-segment revenue	—	(13,277,383)	—	(135,455)	(13,412,838)
Revenue (from external customers)	60,086,202	866,871	777,129	994,527	62,724,729
Depreciation and amortisation	263,425	19,062	7,884	300,398	590,769
Operating profit/(loss)	12,571,925	203,911	18,166	(98,149)	12,695,853
<b>At 31 December 2013</b>					
Total segment assets	184,926,936	5,834,901	1,243,197	12,228,043	204,233,077
Capital expenditure	1,927,732	195,278	22,659	3,174,540	5,320,209
Total segment liabilities	88,453,509	4,589,530	985,474	543,579	94,572,092

As at 31 December 2014, segment assets of the property development segment included the amounts of investments in associates and a joint venture accounted for using the equity method totalling approximately RMB55,866,000 (2013: RMB90,124,000).

## 5 SEGMENT INFORMATION — GROUP (Continued)

Reportable operating profits are reconciled to net profit as follows:

	2014	2013
	RMB'000	RMB'000
Total operating profit	16,604,965	12,695,853
Finance (costs)/income — net	(195,582)	803,249
Share of results of associates and a joint venture	(40,258)	(25,949)
<b>Profit before income tax</b>	<b>16,369,125</b>	<b>13,473,153</b>
Income tax expenses	(5,757,225)	(4,625,173)
<b>Profit for the year</b>	<b>10,611,900</b>	<b>8,847,980</b>

Reportable segments' assets and liabilities are reconciled to total assets and total liabilities as follows:

	2014	2013
	RMB'000	RMB'000
Total segment assets	265,053,431	204,233,077
Deferred income tax assets	2,770,111	1,800,022
Available-for-sale financial assets	208,667	206,329
<b>Total assets</b>	<b>268,032,209</b>	<b>206,239,428</b>
Total segment liabilities	132,956,976	94,572,092
Deferred income tax liabilities	2,587,976	1,269,910
Income taxes payable	8,976,132	8,137,481
Senior notes	22,273,762	23,059,545
Bank and other borrowings	38,794,937	33,189,233
<b>Total liabilities</b>	<b>205,589,783</b>	<b>160,228,261</b>

## 6 PROPERTY, PLANT AND EQUIPMENT – GROUP

	Buildings RMB'000	Machinery RMB'000	Transportation equipment RMB'000	Furniture, fitting and equipment RMB'000	Construction in progress RMB'000	Total RMB'000
<b>At 1 January 2013</b>						
Cost	6,927,907	383,105	580,992	807,084	4,594,622	13,293,710
Accumulated depreciation	(757,956)	(178,366)	(382,232)	(358,236)	—	(1,676,790)
Accumulated impairment	(3,007)	—	—	—	—	(3,007)
Net book amount	6,166,944	204,739	198,760	448,848	4,594,622	11,613,913
<b>Year ended 31 December 2013</b>						
Opening net book amount	6,166,944	204,739	198,760	448,848	4,594,622	11,613,913
Acquisition of subsidiaries	—	676	1,225	982	—	2,883
Additions	541,832	164,565	632,077	243,215	3,167,331	4,749,020
Transfer from construction in progress to buildings	897,059	—	—	—	(897,059)	—
Disposals	(11,512)	(1,939)	(13,173)	(1,562)	—	(28,186)
Depreciation	(248,118)	(36,791)	(79,144)	(145,233)	—	(509,286)
Exchange differences	—	—	(137)	83	—	(54)
Closing net book amount	7,346,205	331,250	739,608	546,333	6,864,894	15,828,290
<b>At 31 December 2013</b>						
Cost	8,350,085	530,095	1,193,519	1,047,493	6,864,894	17,986,086
Accumulated depreciation	(1,003,880)	(198,845)	(453,911)	(501,160)	—	(2,157,796)
Net book amount	7,346,205	331,250	739,608	546,333	6,864,894	15,828,290
<b>Year ended 31 December 2014</b>						
Opening net book amount	7,346,205	331,250	739,608	546,333	6,864,894	15,828,290
Additions	1,086,881	72,514	228,364	407,716	3,025,391	4,820,866
Transfer to investment properties	(1,109,822)	—	—	—	—	(1,109,822)
Transfer from construction in progress to buildings	4,029,941	—	—	—	(4,029,941)	—
Disposals	(125,731)	(23,237)	(11,430)	(15,656)	—	(176,054)
Depreciation	(336,237)	(44,109)	(149,310)	(189,058)	—	(718,714)
Exchange differences	(357)	32	(1,001)	(722)	—	(2,048)
Closing net book amount	10,890,880	336,450	806,231	748,613	5,860,344	18,642,518
<b>At 31 December 2014</b>						
Cost	12,193,612	577,305	1,398,052	1,433,227	5,860,344	21,462,540
Accumulated depreciation	(1,302,732)	(240,855)	(591,821)	(684,614)	—	(2,820,022)
Net book amount	10,890,880	336,450	806,231	748,613	5,860,344	18,642,518

## 6 PROPERTY, PLANT AND EQUIPMENT – GROUP (Continued)

Depreciation charge was capitalised or expensed in the following categories in the consolidated statement of financial position or the consolidated statement of comprehensive income:

	2014 RMB'000	2013 RMB'000
Properties under development	213,339	70,463
Cost of sales	309,271	256,550
Selling and marketing costs	46,458	24,232
Administrative expenses	149,646	158,041
	<b>718,714</b>	509,286

As at 31 December 2014, buildings with net book value of RMB3,557,170,000 (2013: RMB2,547,510,000) were pledged as collateral for the Group's borrowings.

As at 31 December 2014, title certificates of buildings with net book value of RMB4,718,032,000 (2013: RMB1,199,121,000) were still in the progress of being obtained.

Also as at 31 December 2014, included in buildings and construction in progress were the hotels located in the PRC with net book value of RMB10,923,814,000 (2013: RMB9,057,213,000).

## 7 INVESTMENT PROPERTIES — GROUP

	2014 RMB'000	2013 RMB'000
<b>Year ended 31 December</b>		
Opening net book amount	112,340	118,329
Additions	—	1,645
Depreciation	(3,817)	(7,634)
Transfer from property, plant and equipment and land use rights (note 6 and 9)	1,211,111	—
Transfer from properties under development and properties held for sale	1,883,593	—
Revaluation gains upon transfers	3,333,443	—
— from property, plant and equipment and land use rights	1,952,316	—
— from properties under development and properties held for sale	1,381,127	—
Fair value change	498,909	—
Closing net book amount	7,035,579	112,340
Gains arising from changes in fair value of and transfer to investment properties represent:		
— Revaluation gains upon transfer of properties under development and properties held for sales	1,381,127	—
— Fair value change	498,909	—
	1,880,036	—

Pursuant to a business plan approved by management on 30 June 2014, the Group changed the use of certain properties from holding for sale or self-use to earning long-term rental. The costs of these properties were previously included in “Properties under development”, “Completed properties held for sale”, “Property, plant and equipment” and “Land use rights”. As a result of the above change in use, approximately RMB1,502,850,000 of “Properties under development”, RMB380,743,000 of “Completed properties held for sale”, RMB1,109,822,000 of “Property, plant and equipment” and RMB101,289,000 of “Land use rights” were transferred to “Investment properties” during the year.

These properties were re-measured at their respective fair values upon transfer. For the properties transferred from “Properties under development” and “Completed properties held for sale” to “Investment properties”, the differences between the fair values and carrying amounts upon transfer, amounting to RMB1,381,127,000, were recognised in profit or loss as “Gains arising from changes in fair value of and transfer to investment properties”. For those properties transferred from “Property, plant and equipment” and “Land use rights” to “Investment properties”, the differences between the fair values and carrying amounts upon transfer, amounting to RMB1,952,316,000, were recognised directly in equity with related deferred income tax of RMB488,079,000 (note 27).

The Group’s policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. At 31 December 2014, the Group had only level 3 investment properties.

## 7 INVESTMENT PROPERTIES — GROUP (Continued)

### Valuation Processes of the Group

The Group's investment properties were valued at 31 December 2014 by Vigers Appraisal and Consulting Limited, an independent and professionally qualified valuer who holds a recognised relevant professional qualification and has recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates the highest and best use.

Discussions of valuation processes and results are held between management and the valuer on a semi-annual basis, in line with the Group's interim and annual reporting dates.

At each half year-end, management:

- Verifies all major inputs to the independent valuation report;
- Assesses property valuations movements when compared to the prior year valuation report; and
- Holds discussions with the independent valuer.

### Valuation Techniques

Valuations are based on:

- (i) Direct comparison approach assuming sale of each of these properties in its existing state with the benefit of vacant possession. By making reference to sales transactions as available in the relevant market, comparable properties in close proximity have been selected and adjustments have been made to account for the difference in factors such as locations and property size, and/or
- (ii) Income approach taking into account the current rents of the property interests and the reversionary potentials of the tenancies, term yield and reversionary yield are then applied respectively to derive the market value of the property, or
- (iii) Residual method of valuation which is commonly used in valuing development sites by establishing the market value of the properties on an "as-if" completed basis with appropriate deduction on construction costs, professional fees, contingency, marketing and legal cost, and interest payments to be incurred, anticipated developer's profits, as well as land acquisition costs, interest payment and profit on land.

There were no changes to the valuation techniques during the year.

## 7 INVESTMENT PROPERTIES — GROUP (Continued)

### Valuation Techniques (Continued)

#### Information about fair value measurements using significant unobservable inputs (level 3)

	Fair value as at 31 December 2014	Valuation techniques	Unobservable inputs	Range of unobservable inputs
			The rate of return/capitalisation rate	4%-5.5%
Completed investment properties	4,213,399,000	Income capitalisation	Monthly rental (RMB/square meter/month)	20-75
		Direct comparison	Adjusted market price (RMB/square meter)	1,800-37,000
			Budgeted construction cost to be incurred (RMB/square meter)	240-1,900
Investment properties under construction	2,822,180,000		Remaining percentage to completion	10%-20%
		Residual method	Anticipated developer's profit margin	12%-15%

Relationships of unobservable inputs to fair value are as follows:

- The higher rate of return/capitalization rate, the lower fair value;
- The higher expected vacancy rate, the lower fair value;
- The higher monthly rental, the higher fair value;
- The higher market price, the higher fair value;
- The higher budgeted construction cost to be incurred, the lower fair value;
- The higher remaining percentage to completion, the lower fair value;
- The higher the anticipated developer's profit margin, the lower fair value;



## 7 INVESTMENT PROPERTIES – GROUP (Continued)

### Valuation Techniques (Continued)

#### Amounts recognised in profit or loss for investment properties

	2014 RMB'000	2013 RMB'000
Rental income	86,714	42,854

As at 31 December 2014, investment properties with fair value of RMB415,804,000 (2013: RMB270,000,000) were pledged as collateral for the Group's borrowings.

## 8 INTANGIBLE ASSETS – GROUP

	Computer software	
	2014 RMB'000	2013 RMB'000
<b>At 31 December</b>		
Cost	93,987	83,112
Accumulated amortisation	(45,907)	(39,635)
Disposal	(18,833)	–
Net book amount	29,247	43,477
<b>Year ended 31 December</b>		
Opening net book amount	43,477	22,632
Additions	10,875	37,776
Amortisation	(6,272)	(16,931)
Disposal	(18,833)	–
Closing net book amount	29,247	43,477

Amortisation expense has been charged in administrative expenses.

## 9 LAND USE RIGHTS – GROUP

	2014 RMB'000	2013 RMB'000
Opening net book amount	1,865,068	1,390,218
Additions	331,252	531,768
Transfer to investment properties	(101,289)	–
Amortisation	(60,509)	(56,918)
Closing net book amount	2,034,522	1,865,068

Amortisation expense has been charged in administrative expenses.

Land use rights are located in the PRC and for self-use, and held on leases of between 10 to 50 years.

As at 31 December 2014, land use rights with net book value of RMB1,333,941,000 (2013: RMB1,110,458,000) were pledged as collateral for the Group's borrowings.

## 10 PROPERTIES UNDER DEVELOPMENT – GROUP

	2014 RMB'000	2013 RMB'000
Properties under development expected to be completed:		
– Within the normal operating cycle included under current assets	105,993,980	67,473,799
– Beyond normal operating cycle included under non-current assets	44,638,652	40,080,095
	150,632,632	107,553,894
Amounts comprise:		
– Construction costs	86,023,485	58,166,423
– Land use rights	59,091,249	45,256,897
– Interest capitalised	5,517,898	4,130,574
	150,632,632	107,553,894

Properties under development expected to be completed within the normal operating cycle included under current assets did not have properties that were available for sale more than twelve months after the date of statement of financial position.

The capitalisation rate used to determine the amount of interest incurred eligible for capitalisation in 2014 was 8.16% (2013: 8.54%). Majority of the properties under development of the Group is located in the PRC.

As at 31 December 2014, land use rights included in properties under development with net book value of RMB15,247,795,000 (2013: RMB11,494,935,000) were pledged as collateral for the Group's borrowings.

**11 INVESTMENTS IN ASSOCIATES – GROUP**

	2014 RMB'000	2013 RMB'000
At 1 January	56,791	114,351
Addition	6,000	—
Share of loss	(28,299)	(57,560)
At 31 December	34,492	56,791

The directors of the Company consider that all associates, individually and collectively, as at 31 December 2014 and 2013 were insignificant to the Group and thus the individual financial information of these associates are not disclosed.

As of 31 December 2014, there were no significant contingent liabilities relating to the Group's interests in associates except for the contingent liability arising from the guarantee that the Group provided to Guangzhou Li He Property Development Company Limited (廣州利合房地產開發有限公司, "Li He"), in which the Group held 20% equity interest, for its borrowings (note 37).

**12 INVESTMENT IN A JOINT VENTURE – GROUP**

	2014 RMB'000	2013 RMB'000
At 1 January	33,333	1,722
Share of (loss)/profit	(11,959)	31,611
At 31 December	21,374	33,333

The directors of the Company consider that the joint venture as at 31 December 2014 and 2013 was insignificant to the Group and thus the individual financial information of the joint venture is not disclosed.

As of 31 December 2014, there were no significant contingent liabilities and commitments relating to the Group's interest in the joint venture except for the contingent liability arising from the guarantee that the Group provided for its borrowings (note 37).

### 13 AVAILABLE-FOR-SALE FINANCIAL ASSETS – GROUP

	2014 RMB'000	2013 RMB'000
Unlisted equity investment at fair value:		
<b>At 1 January</b>	<b>206,329</b>	—
Transferred from other non-current assets	—	200,000
Fair value change (note 25)	<b>2,338</b>	6,329
<b>At 31 December</b>	<b>208,667</b>	206,329

The Group's available-for-sale financial assets represent a 3.95% equity interest in an unlisted investment fund company which was established in March 2013 in the PRC. The available-for-sale financial assets are denominated in RMB.

The fair value of the available-for-sale investment at 31 December 2014 was determined with reference to the Group's share of the net asset value of the investment fund company. The fair value measurement of the available-for-sale investment is categorised within level 3 of the fair value hierarchy.

### 14 INVESTMENTS IN SUBSIDIARIES – COMPANY

	2014 RMB'000	2013 RMB'000
Non-current asset		
– Unlisted investments at cost	<b>29,252,963</b>	27,757,698
– Deemed contribution arising from share-based compensation (note (i))	<b>56,335</b>	15,167
	<b>29,309,298</b>	27,772,865

- (i) The amount represents share-based compensation expenses arising from the grant of share options of the Company to employees (note 25) in exchange for their services provided to certain subsidiaries of the Group, which were deemed to be capital contribution made by the Company to these subsidiaries.
- (ii) Amounts due from/(to) subsidiaries are interest free, unsecured and repayable on demand.
- (iii) Details of the principal subsidiaries as at 31 December 2014 are set out in note 41. The directors of the Company consider that the non-controlling interests of the Company's non-wholly owned subsidiaries (excluding perpetual capital securities (note 26)) were insignificant to the Group and thus the individual financial information of these subsidiaries are not disclosed.

## 15 COMPLETED PROPERTIES HELD FOR SALE – GROUP

	2014	2013
	RMB'000	RMB'000
Completed properties held for sale	23,203,236	18,919,822

The completed properties held for sale are located in the PRC.

## 16 INVENTORIES – GROUP

	2014	2013
	RMB'000	RMB'000
Construction materials and spare parts	2,095,143	572,863

## 17 TRADE AND OTHER RECEIVABLES – GROUP

	2014	2013
	RMB'000	RMB'000
Trade receivables (note (a))	8,690,063	6,274,434
Land auction deposits	2,600,236	2,310,096
Other receivables (notes (a) and (b))	4,422,791	3,760,664
Amounts due from customers for contract work (note (c))	1,269,592	891,484
Prepayments for land use rights (note (d))	3,280,822	7,570,306
Amount due from an associate (note 39(d))	2,039,745	2,039,745
Amount due from a joint venture (note 39(d))	304,612	304,612
Other prepayments (note (e))	2,763,041	3,227,059
	25,370,902	26,378,400

As at 31 December 2014, the fair value of trade and other receivables approximates their carrying amounts.

## 17 TRADE AND OTHER RECEIVABLES – GROUP (Continued)

- (a) Trade receivables mainly arise from sales of properties. Property buyers are generally granted credit terms of 1 to 6 months. The ageing analysis of trade receivables based on revenue recognition date is as follows:

	2014 RMB'000	2013 RMB'000
Within 90 days	7,399,889	5,283,477
Over 90 days and within 180 days	640,911	398,542
Over 180 days and within 365 days	436,609	338,579
Over 365 days	212,654	253,836
	<b>8,690,063</b>	6,274,434

At 31 December 2014 and 2013, trade receivables were denominated in RMB.

Trade receivables are analysed as follows:

	2014 RMB'000	2013 RMB'000
Fully performing under credit terms	8,451,516	6,081,471
Past due but not impaired	238,547	192,963
	<b>8,690,063</b>	6,274,434

Past due but not impaired receivables mainly represent receivables from sales of properties. The directors consider that these receivables would be recovered and no provision was therefore made against past due receivables as at 31 December 2014 (2013: nil). The ageing analysis of these trade receivables is as follows:

	2014 RMB'000	2013 RMB'000
Over 90 days and within 180 days	97,515	80,813
Over 180 days and within 365 days	95,164	84,512
Over 365 days	45,868	27,638
	<b>238,547</b>	192,963

## 17 TRADE AND OTHER RECEIVABLES – GROUP (Continued)

(a) (Continued)

The other classes within trade and other receivables did not contain impaired assets and there had been no material default history for these receivables.

There is no concentration of credit risk with respect to trade receivables as the Group has a large number of customers. Trade receivables were collateralised by the properties sold.

(b) Other receivables mainly represent advances made to outsourced construction and design vendors, which are interest-free, unsecured and repayable on demand.

(c) Amounts due from customers for contract work at the date of statement of financial position are as follows:

	Group	
	2014 RMB'000	2013 RMB'000
Cost incurred	4,252,364	4,916,387
Recognised profits (less recognised losses)	1,079,993	2,090,478
	5,332,357	7,006,865
Less: progress billings	(4,062,765)	(6,115,381)
	1,269,592	891,484
Represented by:		
Amounts due from customers	1,269,592	891,484
Including: Related parties (note 39(d))	908,173	700,197
Third parties	361,419	191,287

(d) Prepayments for land use rights are related to acquisition of land use rights upon successfully bidding at the land auctions conducted by the PRC government. The relevant land use right certificates have not been obtained at 31 December 2014.

(e) Other prepayments mainly represent prepayments for purchases of construction materials and services.

## 18 RESTRICTED CASH – GROUP

The amount represented guarantee deposits for construction of pre-sale properties denominated in RMB.

In accordance with relevant documents issued by the PRC State-Owned Land and Resource Bureau, certain property development companies of the Group are required to place in designated bank accounts certain amount of presale proceeds of properties as guarantee deposits for the constructions of the related properties. The deposits can only be used for payments for construction costs of the relevant properties when approval from PRC State-Owned Land and Resource Bureau is obtained. Such guarantee deposits will only be released after the completion certificates have been obtained or the issuance of the real estate ownership certificates, whichever is earlier.

## 19 CASH AND CASH EQUIVALENTS

	Group		Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Cash at bank and in hand:				
Denominated in RMB	24,695,524	24,605,140	27,757	117
Denominated in HKD	1,259,806	170,083	1,058,553	26,703
Denominated in USD	491,159	1,034,314	233,131	735,768
Denominated in RM	748,615	840,188	—	—
Denominated in other currencies	18,976	29,864	—	—
Less: restricted cash (note 18)	(8,453,490)	(7,769,870)	—	—
	18,760,590	18,909,719	1,319,441	762,588

The conversion of RMB and RM denominated balances into foreign currencies and the remittance of these foreign currencies denominated bank balances and cash out of the PRC and Malaysia are subject to relevant rules and regulations of foreign exchange control promulgated by the PRC and Malaysia governments.



## 20 TRADE AND OTHER PAYABLES – GROUP

	2014 RMB'000	2013 RMB'000
Trade payables (note)	26,875,334	18,045,410
Other payables	7,813,785	9,153,619
Other taxes payable	2,223,947	1,663,780
Salaries payable	3,491,833	1,534,448
Accrued expenses	520,066	517,363
	<b>40,924,965</b>	<b>30,914,620</b>

As at 31 December 2014, the carrying amounts of trade and other payables approximate their fair values.

Note:

The ageing analysis of trade payables was as follows:

	2014 RMB'000	2013 RMB'000
Within 90 days	25,106,015	16,696,591
Over 90 days and within 180 days	740,388	745,092
Over 180 days and within 365 days	510,070	309,170
Over 365 days	518,861	294,557
	<b>26,875,334</b>	<b>18,045,410</b>

## 21 SENIOR NOTES

The Group has issued the following senior notes:

- (a) On 10 September 2009, the Company issued senior notes in an aggregate principal amount of USD300,000,000. On 23 September 2009, the Company made an additional issue of senior notes in an aggregated principal amount of USD75,000,000 (collectively the "2014 Notes"). The 2014 Notes carried interest at the rate of 11.75% per annum, payable semi-annually on 10 March and 10 September in arrears, and were repaid upon maturity on 10 September 2014.

## 21 SENIOR NOTES (Continued)

- (b) On 22 April 2010, the Company issued senior notes in an aggregate principal amount of USD550,000,000 (the “2017 Notes”). The 2017 Notes carry interest at the rate of 11.25% per annum, payable semi-annually on 22 April and 22 October in arrears, and will mature on 22 April 2017, unless redeemed earlier. On 15 June 2014, all the outstanding 2017 Notes were early redeemed at a redemption price equal to 105.625% of the principal amount plus accrued and unpaid interest of USD9,281,000 to the redemption date. The total redemption price paid by the Company on the redemption date was USD590,219,000. The difference between the redemption price and the carrying amount of the 2017 Notes on the redemption date, amounting to USD30,938,000 (equivalent to approximately RMB189,493,000), was recognised in consolidated statement of comprehensive income under ‘finance costs’ (note 31)
- (c) On 11 August 2010, the Company issued senior notes in an aggregate principal amount of USD400,000,000 (the “2015 Notes”). The 2015 Notes carry interest at the rate of 10.50% per annum, payable semi-annually on 11 August and 11 February in arrears, and will mature on 11 August 2015, unless redeemed earlier.
- (d) On 23 February 2011, the Company issued senior notes in an aggregate principal amount of USD900,000,000 (the “2018 Notes”). The 2018 Notes carry interest at the rate of 11.125% per annum, payable semi-annually on 23 February and 23 August in arrears, and will mature on 23 February 2018, unless redeemed earlier.
- (e) On 10 January 2013, the Company issued senior notes in an aggregate principal amount of USD750,000,000 (the “2023 Notes”). The 2023 Notes carry interest at the rate of 7.5% per annum, payable semi-annually on 10 January and 10 July in arrears, and will mature on 10 January 2023, unless redeemed earlier.
- (f) On 4 October 2013, the Company issued senior notes in an aggregate principal amount of USD750,000,000 (the “2021 Notes”). The 2021 Notes carry interest at the rate of 7.25% per annum, payable semi-annually on 4 October and 4 April in arrears, and will mature on 4 April 2021, unless redeemed earlier.
- (g) On 27 May 2014, the Company issued senior notes in an aggregate principal amount of USD550,000,000 (the “2019 Notes I”). The 2019 Notes I carry interest at the rate of 7.875% per annum, payable semi-annually on 17 May and 27 November in arrears, and will mature on 17 May 2019, unless redeemed earlier.
- (h) On 5 June 2014, the Company issued senior notes in an aggregate principal amount of USD250,000,000 (the “2019 Notes II”). The 2019 Notes II were issued by way of private placement and carry interest at the rate of 7.5% per annum, payable semi-annually on 5 June and 5 December in arrears, and will mature on 5 June 2019, unless redeemed earlier.

Except for the 2019 Notes II, all senior notes are listed on the Singapore Exchange Securities Trading Limited.

## 21 SENIOR NOTES (Continued)

All senior notes contain a liability component and the early redemption options:

Liability component represents the present value of the contractually determined stream of future cash flows discounted at the prevailing market interest rate at that time applicable to instruments of comparable credit status and providing substantially the same cash flows, on the same terms, but without the embedded derivatives.

The interest charged for the year is calculated by applying an effective interest rate of approximately 12.11%, 11.81%, 11.23%, 11.69%, 7.72%, 7.64%, 8.52% and 7.5% per annum to the liability component of the 2014 Notes, 2017 Notes, 2015 Notes, 2018 Notes, 2023 Notes, 2021 Notes, 2019 Notes I and 2019 Notes II respectively.

Early redemption options are regarded as embedded derivatives not closely related to the host contract. The directors consider that the fair value of the above early redemption options was insignificant on initial recognition and at 31 December 2014 and 2013.

The senior notes recognised in the statement of financial position were calculated as follows:

	Group and Company	
	2014 RMB'000	2013 RMB'000
As at 1 January	23,059,545	14,213,224
Additions	4,849,502	9,136,339
Early redemption and repayment on maturity	(5,686,103)	—
Exchange losses/(gains)	68,203	(593,909)
Interest expenses (note 31)	2,244,632	2,015,289
Coupon paid	(2,262,017)	(1,711,398)
As at 31 December	22,273,762	23,059,545
Less: current portion	(2,538,757)	(2,348,003)
Included in non-current liabilities	19,735,005	20,711,542

The fair value of the senior notes at 31 December 2014 was RMB21,593,997,000 (2013: RMB23,943,435,000). The fair value is calculated using the market price of the senior notes on the date of statement of financial position. The fair value measurement of the senior notes is categorised within the level 1 of fair value hierarchy.

At 31 December 2014, the aggregate amount of senior notes that were wholly repayable within 5 years and after 5 years was RMB13,024,928,000 (2013: RMB13,835,922,000) and RMB9,248,834,000 (2013: RMB9,223,623,000), respectively.

## 22 BANK AND OTHER BORROWINGS

	Group		Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Included in non-current liabilities:				
– secured	26,531,036	24,713,828	–	–
– unsecured	10,581,878	6,485,764	5,916,787	2,396,564
Less: current portion	(10,708,656)	(8,096,586)	(1,439,277)	(745,041)
	26,404,258	23,103,006	4,477,510	1,651,523
Included in current liabilities:				
– secured	725,000	200,579	–	–
– unsecured	957,023	1,789,062	–	401,116
Current portion of non-current liabilities	10,708,656	8,096,586	1,439,277	745,041
	12,390,679	10,086,227	1,439,277	1,146,157

The Group's borrowings of RMB26,316,236,000 as at 31 December 2014 (2013: RMB24,304,407,000), were jointly secured by certain properties, land use rights and equipment of the Group (notes 6, 7, 9 and 10) with total carrying values of RMB20,554,710,000 as at 31 December 2014 (2013: RMB15,234,825,000). The Group's borrowings of RMB939,800,000 as at 31 December 2014 (2013: RMB610,000,000) were guaranteed by the Company and secured by the Group's equity interest in certain subsidiaries.

Other borrowings represented RMB257,026,000 (2013: RMB301,748,000) of borrowings under a financing arrangement entered into by the Group with a third-party financing company in the form of a sale and leaseback transaction with a repurchase option. The subject sold and leased back under the financing arrangement is a transportation equipment of the Group. As the repurchase price is set at RMB1 which is minimal compared to the expected fair value and the Group is certain that it will exercise the repurchase option, the above financing arrangement has been accounted for as collateralised borrowings of the Group.

The exposure of the Group's and Company's bank and other borrowings to interest-rate changes and the contractual repricing dates or maturity date whichever is earlier are as follows:

	Group		Company	
	6 months or less	6-12 months	6 months or less	6-12 months
	RMB'000	RMB'000	RMB'000	RMB'000
Borrowings included in non-current liabilities:				
At 31 December 2014	26,147,232	257,026	4,477,510	–
At 31 December 2013	22,801,258	301,748	1,651,523	–
Borrowings included in current liabilities:				
At 31 December 2014	12,390,679	–	1,439,277	–
At 31 December 2013	10,086,227	–	1,146,157	–

## 22 BANK AND OTHER BORROWINGS (Continued)

At 31 December 2014, the Group's bank and other borrowings were repayable as follows:

	Group		Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Within 1 year	12,390,679	10,086,227	1,439,277	1,146,157
Between 1 and 2 years	14,644,053	10,656,172	1,282,465	1,041,792
Between 2 and 5 years	11,231,453	11,776,548	3,195,045	609,731
Over 5 years	528,752	670,286	—	—
	<b>38,794,937</b>	<b>33,189,233</b>	<b>5,916,787</b>	<b>2,797,680</b>

	Group		Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Wholly repayable within 5 years	37,092,409	31,538,735	5,916,787	2,797,680
Wholly repayable after 5 years	1,702,528	1,650,498	—	—
	<b>38,794,937</b>	<b>33,189,233</b>	<b>5,916,787</b>	<b>2,797,680</b>

The weighted average effective interest rates as at 31 December were as follows:

	Group		Company	
	2014	2013	2014	2013
— Bank and other borrowings	7.16%	7.34%	3.33%	4.19%

The carrying amounts of the bank and other borrowings approximate their fair values.

The carrying amounts of the bank and other borrowings are denominated in the following currencies:

	Group		Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
RMB	30,367,341	29,146,093	—	—
HKD	4,945,702	1,077,094	4,945,702	1,077,094
USD	971,085	1,720,586	971,085	1,720,586
RM	2,510,809	1,245,460	—	—
	<b>38,794,937</b>	<b>33,189,233</b>	<b>5,916,787</b>	<b>2,797,680</b>

## 23 SHARE CAPITAL AND PREMIUM

	Note	Company						Group total
		Number of ordinary shares	Nominal value of ordinary shares	Equivalent nominal value of ordinary shares	Share premium	Total	Treasury shares	
		HKD'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
<b>Authorised</b>								
At 1 January 2013, 31 December 2013 and 2014, HKD0.10 per share		100,000,000,000	10,000,000					
<b>Issued and fully paid</b>								
At 1 January 2013		18,229,660,154	1,822,966	1,771,631	17,977,360	19,748,991	(380,236)	19,368,755
Issue of shares as a result of the scrip dividend scheme		227,874,023	22,787	18,106	782,158	800,264	—	800,264
At 31 December 2013 and 1 January 2014		18,457,534,177	1,845,753	1,789,737	18,759,518	20,549,255	(380,236)	20,169,019
Issue of shares as a result of the scrip dividend scheme	(a)	622,296,869	62,230	49,398	1,542,203	1,591,601	—	1,591,601
Issue of shares as a result of the Rights Issue	(b)	1,271,988,736	127,199	100,869	2,400,558	2,501,427	—	2,501,427
At 31 December 2014		<b>20,351,819,782</b>	<b>2,035,182</b>	<b>1,940,004</b>	<b>22,702,279</b>	<b>24,642,283</b>	<b>(380,236)</b>	<b>24,262,047</b>

### Notes:

- (a) On 16 June 2014, a scrip dividend scheme was issued whereby shareholders may elect to receive cash dividend of RMB16.83 cents per share or an allotment of such number of new shares credited as fully paid and having an aggregate market value equal to, save for adjustment for fractions, the total amount of 2013 final dividend which such shareholder could receive in cash (the "Maximum Entitlement") or partly new shares not exceeding the Maximum Entitlement and the remainder in cash. On 11 July 2014, 622,296,869 new shares were issued as a result of the above scrip dividend scheme at a price of HKD3.22 per share (representing the average of the closing prices of the Company's ordinary shares for the five consecutive trading days up to and including 28 May 2014), for a total consideration of HKD2,003,796,000 (equivalent to approximately RMB1,591,601,000).
- (b) On 13 October 2014, the Group issued 1,271,988,736 rights shares at a subscription price of HKD2.50 each on the basis of one rights share for every fifteen shares held payable in full on acceptance (the "Rights Issue"). The net proceeds from the Rights Issue were approximately RMB2,501,427,000. As a result of the Rights Issue, adjustments were made to the exercise price and the number of shares falling to be issued upon the exercise of the share options in accordance with the terms of the Group's share option scheme (note 24). Additionally, the basic and diluted earnings per share figures for the year ended 31 December 2013 have also been restated (note 36).

## 24 SHARE OPTION SCHEME – GROUP

On 30 November 2012, the Group granted 3,000,000 share options (adjusted to 3,044,358 as a result of the Rights Issue) with an exercise price of HKD3.7 per share (adjusted to HKD3.646 per share as a result of the Rights Issue) to certain independent non-executive directors. The options were vested immediately after the grant date and have a contractual option term of 10 years. The Group has no legal or contractual obligation to repurchase or settle the options in cash.

On 13 December 2013, the Group granted 6,173,457 share options (adjusted to 6,264,738 as a result of the Rights Issue) with an exercise price of HKD4.844 per share (adjusted to HKD4.773 per share as a result of the Rights Issue) to certain directors and employees in connection with a profit sharing incentive scheme (the "Incentive Scheme") adopted by the Group. Pursuant to the Incentive Scheme, certain portion of the bonus calculated in accordance with the Incentive Scheme is settled in cash, while the remaining portion is settled in the Company's share options as the consideration for the costs to exercise the share options. The share options were exercisable commencing from 13 December 2018 to 12 December 2023 (both days inclusive). The vesting period of the above share options is 5 years from the grant date. The fair value of these share options at the grant date approximated the portion of bonus which is to be settled in the Company's share options.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2014		2013	
	Average exercise price (HKD per share)	Number of options	Average exercise price (HKD per share)	Number of options
At 1 January	4.404	9,309,096	3.646	3,044,358
Granted	—	—	4.773	6,264,738
Lapsed	4.773	(168,081)	—	—
At 31 December	4.397	9,141,015	4.404	9,309,096

None of the above share options were exercised during the years ended 31 December 2014 and 2013.

Share options outstanding at the end of the year have the following expiry dates and exercise prices:

Expiry date	Exercise price in HKD per share	Number of share options
29 November 2022	3.646	3,044,358
12 December 2023	4.773	6,096,657

The Group has to estimate the expected percentage of grantees that will stay within the Group at the end of vesting periods of the shares options (the "Expected Retention Rate") in order to determine the amount of share-based compensation expenses charged to profit or loss. As at 31 December 2014, the Expected Retention Rate was assessed to be 100% (2013: 100%).

## 25 OTHER RESERVES AND RETAINED EARNINGS

### Group

	Other reserves									
	Merger reserve RMB'000 (note (a))	Statutory reserves RMB'000 (note (b))	Conversion option reserve RMB'000	Share option reserve RMB'000 (note 24)	Available- for-sale reserve RMB'000 (note 13)	Translation reserve RMB'000	Others RMB'000	Sub-Total RMB'000	Retained earnings RMB'000	Total RMB'000
Balance at 1 January 2013	(149,801)	2,022,292	29,801	3,000	—	(3,328)	—	1,901,964	16,306,430	18,208,394
Profit for the year	—	—	—	—	—	—	—	—	8,514,104	8,514,104
Transfer to statutory reserves	—	749,706	—	—	—	—	—	749,706	(749,706)	—
Effect of redemption of convertible bond upon maturity	—	—	(29,801)	—	—	—	—	(29,801)	29,801	—
2012 final dividends	—	—	—	—	—	—	—	—	(2,510,111)	(2,510,111)
Currency translation differences	—	—	—	—	—	(43,806)	—	(43,806)	—	(43,806)
Employee share option scheme: — Value of employee service	—	—	—	15,167	—	—	—	15,167	—	15,167
Changes in ownership interests in subsidiaries without change of control	—	—	—	—	—	—	(405,476)	(405,476)	—	(405,476)
Change in the value of available-for-sale financial assets, net of tax	—	—	—	—	6,329	—	—	6,329	—	6,329
Balance at 31 December 2013	(149,801)	2,771,998	—	18,167	6,329	(47,134)	(405,476)	2,194,083	21,590,518	23,784,601
Representing:										
2013 proposed final dividend									3,105,759	
Others									18,484,759	
									21,590,518	



**25 OTHER RESERVES AND RETAINED EARNINGS (Continued)**

**Group**

	Other reserves									
	Merger reserve RMB'000 (note (a))	Statutory reserves RMB'000 (note (b))	Share option reserve RMB'000 (note 24)	Available- for-sale reserve RMB'000 (note 13)	Translation reserve RMB'000	Revaluation reserve RMB'000	Others RMB'000	Total RMB'000	Retained earnings RMB'000	Total RMB'000
Balance at 1 January 2014	(149,801)	2,771,998	18,167	6,329	(47,134)	-	(405,476)	2,194,083	21,590,518	23,784,601
Profit for the year	-	-	-	-	-	-	-	-	10,229,159	10,229,159
Transfer to statutory reserves	-	540,156	-	-	-	-	-	540,156	(540,156)	-
2013 final dividends	-	-	-	-	-	-	-	-	(3,098,811)	(3,098,811)
Currency translation differences	-	-	-	-	4,466	-	-	4,466	-	4,466
Employee share option scheme:										
– Value of employee service	-	-	38,168	-	-	-	-	38,168	-	38,168
– Revaluation gains on properties upon transfer from property, plant and equipment and land use rights to investment properties, net of tax (note 7)	-	-	-	-	-	1,464,237	-	1,464,237	-	1,464,237
Change in fair value of available-for-sale financial assets, net of tax	-	-	-	2,338	-	-	-	2,338	-	2,338
Balance at 31 December 2014	(149,801)	3,312,154	56,335	8,667	(42,668)	1,464,237	(405,476)	4,243,448	28,180,710	32,424,158
Representing:										
2014 proposed final dividend									3,001,893	
Others									25,178,817	
									28,180,710	

## 25 OTHER RESERVES AND RETAINED EARNINGS (Continued)

### Company

	Other reserves			Retained earnings	Total
	Conversion option reserve	Share option reserve	Total		
	RMB'000	RMB'000	RMB'000		
Balance at 1 January 2013	29,801	3,000	32,801	2,870,910	2,903,711
Profit for the year (note 35)	—	—	—	2,815,341	2,815,341
2012 final dividend	—	—	—	(2,510,111)	(2,510,111)
Employee share option scheme:					
— Value of employee service	—	15,167	15,167	—	15,167
Effect of redemption of convertible bond upon maturity	(29,801)	—	(29,801)	29,801	—
Balance at 31 December 2013	—	18,167	18,167	3,205,941	3,224,108
Representing:					
2013 proposed final dividend				3,105,759	
Others				100,182	
				3,205,941	
Balance at 1 January 2014	—	18,167	18,167	3,205,941	3,224,108
Profit for the year (note 35)	—	—	—	3,339,282	3,339,282
2013 final dividend	—	—	—	(3,098,811)	(3,098,811)
Employee share option scheme:					
— Value of employee service	—	38,168	38,168	—	38,168
Balance at 31 December 2014	—	56,335	56,335	3,446,412	3,502,747
Representing:					
2014 proposed final dividend				3,001,893	
Others				444,519	
				3,446,412	

#### Notes:

- Merger reserve of the Group represented the difference between the share capital of subsidiaries acquired pursuant to a group reorganisation undertaken for the listing of Company on the main board of the Stock Exchange in 2007 over the nominal value of shares of the Company issued in exchange thereof.
- Pursuant to the relevant rules and regulations governing foreign investment enterprise established in the PRC and the articles of association of certain PRC subsidiaries of the Group, the subsidiaries are required to transfer certain portion of their profit after taxation to the statutory reserve fund, until the accumulated total of the fund reaches 50% of their respective registered capital.

## 26 PERPETUAL CAPITAL SECURITIES – GROUP

In April and May 2014, certain subsidiaries (the "Issuing Subsidiaries") of the Group issued subordinated unlisted perpetual capital securities (the "Perpetual Capital Securities") with an aggregated principal amount of RMB3,090,000,000 to certain financial institutions in the PRC.

The Perpetual Capital Securities are jointly guaranteed by the Company and Issuing Subsidiaries and secured by pledges of the shares of Issuing Subsidiaries. They do not have maturity date and the distribution payments can be deferred at the discretion of the Issuing Subsidiaries. The Perpetual Capital Securities are classified as equity instruments and recorded in non-controlling interests in the consolidated statement of financial position.

During the year ended 31 December 2014, the Issuing Subsidiaries declared distributions of totalling RMB207,169,000 to the holders of the Perpetual Capital Securities, of which RMB24,873,000 has not been paid and recorded as dividend payable as at 31 December 2014.

## 27 DEFERRED INCOME TAX – GROUP

The analysis of deferred tax assets and liabilities is as follows:

	2014 RMB'000	2013 RMB'000
Deferred income tax assets:		
– to be realised after more than 12 months	1,627,377	1,186,838
– to be realised within 12 months	1,142,734	613,184
	2,770,111	1,800,022
Deferred income tax liabilities:		
– to be settled after more than 12 months	(2,587,976)	(1,269,910)
	182,135	530,112

The net movement on the deferred income tax account is as follows:

	2014 RMB'000	2013 RMB'000
Beginning of the year	530,112	524,946
Acquisition of subsidiaries	–	(93,489)
Charged to other comprehensive income	(488,079)	–
Recognised in profit or loss (note 32)	140,102	98,655
End of the year	182,135	530,112

## 27 DEFERRED INCOME TAX — GROUP (Continued)

Movement in deferred tax assets and liabilities without taking into consideration the offsetting of balances within the same tax jurisdiction is as follows:

Deferred income tax assets:

	Impairment of assets RMB'000	Recognition of expenses RMB'000	Elimination of unrealised profits RMB'000	Tax losses RMB'000	Total RMB'000
At 1 January 2013	536	134,431	830,179	484,181	1,449,327
(Charged)/Credited to profit or loss	(536)	(106,317)	241,731	215,817	350,695
At 31 December 2013	—	28,114	1,071,910	699,998	1,800,022
At 1 January 2014	—	<b>28,114</b>	<b>1,071,910</b>	<b>699,998</b>	<b>1,800,022</b>
Credited to profit or loss	—	<b>49,103</b>	<b>324,396</b>	<b>596,590</b>	<b>970,089</b>
At 31 December 2014	—	<b>77,217</b>	<b>1,396,306</b>	<b>1,296,588</b>	<b>2,770,111</b>

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets as at 31 December 2014 of RMB8,946,000 (2013: RMB10,620,000) in respect of accumulated tax losses amounting to RMB35,785,000 as at 31 December 2014 (2013: RMB42,481,000), of which RMB3,089,000, RMB12,629,000, RMB17,427,000, RMB2,374,000 and RMB266,000 as at 31 December 2014 will expire in 2015, 2016, 2017, 2018 and 2019 respectively.

## 27 DEFERRED INCOME TAX — GROUP (Continued)

Deferred income tax liabilities:

	Fair value gain on assets acquired RMB'000	Recognition of construction contract revenue and contract costs RMB'000	Withholding income tax on profit to be distributed in future RMB'000 (note)	Fair value gain on investment properties RMB'000	Total RMB'000
At 1 January 2013	(33,008)	(513,040)	(378,333)	—	(924,381)
Acquisition of subsidiaries	(93,489)	—	—	—	(93,489)
Credited/(charged) to profit or loss	6,225	(237,052)	(21,213)	—	(252,040)
At 31 December 2013	(120,272)	(750,092)	(399,546)	—	(1,269,910)
At 1 January 2014	(120,272)	(750,092)	(399,546)	—	(1,269,910)
Charged to other comprehensive income	—	—	—	(488,079)	(488,079)
Credited/(Charged) to profit or loss	21,002	(337,085)	(43,895)	(470,009)	(829,987)
At 31 December 2014	(99,270)	(1,087,177)	(443,441)	(958,088)	(2,587,976)

Note:

As at 31 December 2014, the retained earnings of the Group's PRC subsidiaries not yet remitted to holding companies incorporated outside PRC, for which no deferred income tax liability had been provided, were approximately RMB27,465,467,000 (2013: RMB17,266,308,000). Such earnings are expected to be retained by the PRC subsidiaries for reinvestment purposes and would not be remitted to a foreign investor in the foreseeable future based on management's estimation of overseas funding requirements.

## 28 OTHER INCOME AND GAINS — NET

	2014 RMB'000	2013 RMB'000 Restated
Refund of land usage tax and other government grants	68,470	3,914
Gain on disposal of properties under development	43,300	—
Forfeiture of advances received from customers	16,330	15,324
Loss on disposals of property, plant and equipment	(1,143)	(539)
Dividend income from available-for-sale financial assets	6,100	—
Others	52,939	2,781
	185,996	21,480

## 29 EXPENSES BY NATURE

	2014	2013
	RMB'000	RMB'000
Auditor's remuneration	6,900	6,900
Advertising costs	1,539,647	1,915,429
Amortisation of intangible assets (note 8)	6,272	16,931
Business taxes and other levies (note below)	5,383,350	4,004,793
Costs of completed properties sold	56,060,584	38,994,824
Donations	264,543	125,966
Depreciation (notes 6 and 7)	722,531	446,457
Employee benefit expenses (note 30)	4,466,080	3,243,706
Land use rights amortisation (note 9)	60,509	56,918
Rental expenses	150,255	132,325
Impairment loss on completed properties held for sale	147,284	—
Others	1,201,915	1,106,107
<b>Total cost of sales, selling and marketing costs and administrative expenses</b>	<b>70,009,870</b>	<b>50,050,356</b>

Note:

The PRC subsidiaries of the Group are subject to business taxes on their revenues at the following rates:

Category	Rate
Sale of properties	5%
Property construction, fitting and decoration	3%
Property investment	5%
Property management	5%
Hotel service	5%

**30 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS)**

	2014 RMB'000	2013 RMB'000
Wages and salaries	11,654,743	6,194,189
Contributions to pension plans (note a)	79,337	42,111
Staff welfare	181,347	96,257
Medical benefits	158,678	84,225
Share-based compensation expenses	38,168	15,167
Other allowances and benefits	45,335	24,063
	<b>12,157,608</b>	6,456,012
Less: captured in properties under development	<b>(7,691,528)</b>	(3,212,306)
	<b>4,466,080</b>	3,243,706

**(a) Contributions to Pension Plans**

Employees in the Group's PRC subsidiaries are required to participate in a defined contribution retirement scheme administrated and operated by the local municipal governments. The Group's PRC subsidiaries contribute funds which are calculated on certain percentage of the average employee salary as agreed by local municipal governments to the scheme to fund the retirement benefits of the employees.

### 30 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS) (Continued)

#### (b) Directors' and Chief Executive's Emoluments

The remuneration of every director and chief executive for the year ended 31 December 2014 is set out below:

Name of director	Fees RMB'000	Salary RMB'000	Discretionary bonuses RMB'000	Share-based compensation expenses RMB'000	Employer's contribution to pension scheme RMB'000	Total RMB'000
Mr. YEUNG Kwok Keung	—	10,000	—	—	11	10,011
Ms. YANG Huiyan	—	6,000	—	—	36	6,036
Mr. MO Bin**	—	6,000	—	—	49	6,049
Mr. ZHU Rongbin	—	5,500	—	—	33	5,533
Mr. WU Jianbin (appointed on 1 April 2014)	—	3,767	—	—	185	3,952
Ms. Yang Ziying	—	4,000	—	—	26	4,026
Mr. YANG Erzhu	—	4,000	—	—	26	4,026
Mr. SU Rubo	—	4,000	—	—	35	4,035
Mr. OU Xueming	—	4,000	—	729	26	4,755
Mr. YANG Zhicheng	—	4,000	1,983	1,141	10	7,134
Mr. Yang Yongchao (resigned on 19 August 2014)	—	2,532	—	—	38	2,570
Mr. XIE Shutai	—	4,000	3,489	—	38	7,527
Mr. Song Jun	—	4,000	21,440	—	68	25,508
Mr. LIANG Guokun	—	4,000	—	—	32	4,032
Mr. SU Baiyuan	—	4,000	86	—	7	4,093
Mr. LAI Ming, Joseph*	330	—	—	—	—	330
Mr. SHEK Lai Him, Abraham*	330	—	—	—	—	330
Mr. TONG Wui Tung, Ronald*	330	—	—	—	—	330
Mr. Huang Hongyan*	240	—	—	—	—	240
Ms. Huang Xiao*	240	—	—	—	—	240
Mr. Liu Hongyu*	240	—	—	—	—	240
Mr. Mei Wenjue*	240	—	—	—	—	240
Mr. Yeung Kwork On* (appointed on 1 April 2014)	180	—	—	—	—	180
	2,130	69,799	26,998	1,870	620	101,417

\* Independent non-executive directors.

\*\* Chief executive of the Company.



### 30 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS) (Continued)

#### (b) Directors' and Chief Executive's Emoluments (Continued)

The remuneration of every director and chief executive of the Company for the year ended 31 December 2013 is set out as below:

Name of director	Fees RMB'000	Salary RMB'000	Discretionary bonuses RMB'000	Share-based compensation expenses RMB'000	Employer's contribution to pension scheme RMB'000	Total RMB'000
Mr. YEUNG Kwok Keung	—	3,500	—	—	13	3,513
Ms. YANG Huiyan	—	1,700	—	—	33	1,733
Mr. MO Bin**	—	2,500	—	—	45	2,545
Mr. ZHU Rongbin (appointed on 29 May 2013)	—	1,400	—	—	17	1,417
Ms. Yang Ziying	—	1,300	—	—	24	1,324
Mr. YANG Erzhu	—	2,000	—	—	24	2,024
Mr. SU Rubo	—	2,000	—	—	37	2,037
Mr. OU Xueming	—	1,800	165	729	24	2,718
Mr. YANG Zhicheng	—	1,700	—	1,141	9	2,850
Mr. Yang Yongchao (resigned on 19 August 2014)	—	1,900	—	—	54	1,954
Mr. XIE Shutai (appointed on 29 May 2013)	—	992	2,673	—	37	3,702
Mr. Song Jun (appointed on 29 May 2013)	—	992	2,526	—	37	3,555
Mr. LIANG Guokun (appointed on 29 May 2013)	—	992	3,213	—	18	4,223
Mr. SU Baiyuan (appointed on 13 December 2013)	—	167	—	—	—	167
Mr. LAI Ming, Joseph*	318	—	—	—	—	318
Mr. SHEK Lai Him, Abraham*	318	—	—	—	—	318
Mr. TONG Wui Tung, Ronald*	318	—	—	—	—	318
Mr. Huang Hongyan*	215	—	—	—	—	215
Ms. Huang Xiao*	215	—	—	—	—	215
Mr. Liu Hongyu* (appointed on 13 December 2013)	140	—	—	—	—	140
Mr. Mei Wenjue* (appointed on 13 December 2013)	140	—	—	—	—	140
	1,664	22,943	8,577	1,870	372	35,426

\* Independent non-executive directors.

\*\* Chief executive of the Company.

### 30 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS) (Continued)

#### (b) Directors' and Chief Executive's Emoluments (Continued)

During 2014 and 2013, no directors received any emoluments from the Group as an inducement to join or leave the Group or compensation for loss of office; no directors waived or have agreed to waive any emoluments.

#### (c) Five Highest Paid Individuals

The five individuals whose emoluments were the highest in the Group for the year including three (2013: three) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2013: two) individuals during the year are as follows:

	2014 RMB'000	2013 RMB'000
Salaries and other benefits	9,167	9,149
Bonuses	7,510	—
Contributions to pension plans	42	419
	<b>16,719</b>	<b>9,568</b>

The emoluments fell within the following bands:

	Number of individuals	
	2014	2013
HKD5,000,001 to HKD5,500,000	—	1
HKD6,500,001 to HKD7,000,000	—	1
HKD9,500,001 to HKD10,000,000	1	—
HKD11,000,001 to HKD11,500,000	1	—

### 31 FINANCE (COSTS)/INCOME – NET

	2014 RMB'000	2013 RMB'000
Finance income:		
– Interest income on short-term bank deposits	254,747	290,708
– Net foreign exchange gains on financing activities	–	512,541
	<b>254,747</b>	<b>803,249</b>
Finance cost:		
– Interest expenses:		
– Senior notes wholly repayable within 5 years	(1,604,795)	(1,590,347)
– Senior notes wholly repayable after 5 years	(639,837)	(424,942)
– Convertible bond wholly repayable within 5 years	–	(13,297)
– Bank and other borrowings wholly repayable within 5 years	(2,510,640)	(2,005,232)
– Bank and other borrowings wholly repayable after 5 years	(124,172)	(85,655)
	<b>(4,879,444)</b>	<b>(4,119,473)</b>
Less: capitalised in qualifying assets	4,879,444	4,119,473
– Net foreign exchange losses on financing activities	(260,836)	–
– Loss on early redemption of senior notes (note 21)	(189,493)	–
Net finance costs	<b>(450,329)</b>	<b>–</b>
Finance (costs)/income – net	<b>(195,582)</b>	<b>803,249</b>

### 32 INCOME TAX EXPENSES

	2014 RMB'000	2013 RMB'000
Current income tax		
– PRC corporate income tax	4,252,464	3,089,030
– Land appreciation tax (note (c))	1,644,863	1,634,798
	<b>5,897,327</b>	<b>4,723,828</b>
Deferred income tax (note 27)		
– PRC corporate income tax	(183,997)	(119,868)
– Withholding income tax on profit to be distributed in future (note (d))	43,895	21,213
	<b>(140,102)</b>	<b>(98,655)</b>
	<b>5,757,225</b>	<b>4,625,173</b>

### 32 INCOME TAX EXPENSES (Continued)

The income tax on the Group's profit before income tax differs from the theoretical amount that would arise using the enacted tax rate of the home country of the group companies as follows:

	2014 RMB'000	2013 RMB'000
Profit before income tax	16,369,125	13,473,153
Tax calculated at PRC corporate income tax rate of 25% (2013: 25%)	4,092,281	3,368,288
Land appreciation tax deductible for calculation of income tax purpose	(411,216)	(408,700)
Utilisation of tax losses not recognised as deferred income tax assets	(1,674)	(8,750)
Income not subject to tax	(5,574)	(138,789)
Expenses not deductible for tax	394,650	157,113
	4,068,467	2,969,162
Withholding income tax on profit to be distributed in future (note (d))	43,895	21,213
Land appreciation tax	1,644,863	1,634,798
Income tax expenses	5,757,225	4,625,173

Notes:

- (a) Hong Kong profits tax has been provided at the rate of 16.5% (2013:16.5%) on the estimated assessable profits of the Group's subsidiaries in Hong Kong.
- (b) PRC corporate income tax has been provided at corporate income tax rate of 25%.
- (c) PRC land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including cost of land use rights and all property development expenditures.
- (d) Withholding income tax is provided on the dividends to be distributed by the PRC subsidiaries of the Group. The relevant overseas holding companies have successfully obtained endorsement from various PRC tax bureaus to enjoy the treaty benefit of 5% withholding income tax rate on dividends received from the PRC subsidiaries of the Group. Accordingly, withholding income tax has been provided at 5% of the dividends to be distributed by the PRC subsidiaries of the Group.

### 33 DIVIDENDS

	2014 RMB'000	2013 RMB'000
Proposed final dividend of RMB14.75 cents per share (2013: RMB16.83 cents) (note)	3,001,893	3,105,759

The 2013 final dividend was satisfied in the form of shares or cash dividend as a result of the scrip dividend scheme (note 23(a)). As a result of the above scrip dividend scheme, 622,296,869 new shares were issued at a price of HKD3.22 per share in July 2014 for totalling RMB1,591,601,000, and dividends totalling RMB1,507,210,000 (RMB16.83 cents per ordinary share) were paid in cash in July 2014.

### 33 DIVIDENDS (Continued)

The directors recommend the payment of a 2014 final dividend of RMB14.75 cents per share, totalling RMB3,001,893,000. Such dividend is to be approved by the shareholders at the forthcoming annual general meeting. These financial statements do not reflect this dividend payable.

### 34 CASH GENERATED FROM OPERATIONS

	2014 RMB'000	2013 RMB'000
Profit for the year	10,611,900	8,847,980
Adjustments for:		
Income tax expenses (note 32)	5,757,225	4,625,173
Interest income (note 31)	(254,747)	(290,708)
Loss on early redemption of senior notes (note 31)	189,493	—
Net foreign exchange losses/(gains) (note 31)	260,836	(512,541)
Depreciation (notes 6 and 7)	722,531	516,920
Amortisation of land use rights (note 9)	60,509	56,918
Amortisation of intangible assets (note 8)	6,272	16,931
Impairment loss on completed properties held for sale (note 29)	147,284	—
Loss on disposals of property, plant and equipment (note 28)	1,143	539
Share of results of associates and a joint venture (notes 11 and 12)	40,258	25,949
Gains arising from changes in fair value of and transfer to investment properties (note 7)	(1,880,036)	—
Share-based compensation expense (note 30)	38,168	15,167
Dividend income from available-for-sale financial assets (note 28)	(6,100)	—
	15,694,736	13,302,328
Changes in working capital (excluding the effects of acquisition of subsidiaries and currency exchange differences on consolidation):		
Property under development and completed properties held for sale	(48,005,703)	(40,195,415)
Inventories	(1,522,280)	(225,349)
Restricted cash	(683,620)	(2,718,935)
Trade and other receivables	985,042	(8,554,589)
Prepaid taxes	(1,611,398)	(1,258,275)
Trade and other payables	13,312,089	12,408,336
Advanced proceeds received from customers	28,374,539	30,064,307
Cash generated from operations	6,543,405	2,822,408

### 34 CASH GENERATED FROM OPERATIONS (Continued)

In the consolidated cash flow statement, proceeds from disposal of property, plant and equipment comprise:

	2014	2013
	RMB'000	RMB'000
Net book amount (note 6)	176,054	28,186
Losses on disposals (note 28)	(1,143)	(539)
Proceeds	174,911	27,647

### Non-Cash Transactions

The principal non-cash transactions in 2014 and 2013 represented the issue of shares to satisfy dividend pursuant to the scrip dividend scheme as disclosed in note 23.

### 35 PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The profit attributable to owners of the Company is dealt with in the financial statements of the Company to the extent of RMB3,339,282,000 (2013: RMB2,815,341,000).

### 36 EARNINGS PER SHARE

#### (a) Basic

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year, excluding ordinary shares purchased by the Group and held as treasury shares (note 23).

	2014	2013
		Restated
Profit attributable to owners of the Company (RMB'000)	10,229,159	8,514,104
Weighted average number of ordinary shares in issue (thousands)	19,138,531	18,522,543
Earnings per share — Basic (RMB cents per share)	53.45	45.97

### 36 EARNINGS PER SHARE (Continued)

#### (b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company had two categories of dilutive potential ordinary shares: convertible bond and share options. The convertible bond was assumed to have been converted into ordinary shares, and the net profit was adjusted to eliminate the interest expenses charged to profit or loss. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	2014	2013 Restated
Profit attributable to owners of the Company (RMB'000)	10,229,159	8,514,104
Weighted average number of ordinary shares in issue (thousands)	19,138,531	18,522,543
Adjustments — conversion of the convertible bond (thousands)	—	13,591
Adjustments — share options (thousands)	902	581
Weighted average number of ordinary shares for diluted earnings per share (thousands)	19,139,433	18,536,715
Earnings per share — Diluted (RMB cents per share)	53.45	45.93

Basic and diluted earnings per share for the year ended 31 December 2013 was restated as a result of the Rights Issue in October 2014 (note 23(b)).

### 37 CONTINGENCIES

The Group had the following contingent liabilities:

	2014 RMB'000	2013 RMB'000
Guarantees in respect of mortgage facilities for certain purchasers (note (a))	49,375,895	31,443,651
Guarantee to an associate and a joint venture in respect of borrowings (note (b))	2,298,980	1,184,209
	51,674,875	32,627,860

## 37 CONTINGENCIES (Continued)

Note:

- (a) It represented the guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to retain the legal title and take over the possession of the related properties. As at 31 December 2014, the amount of RMB113,392,000 (2013: RMB85,087,000) was to be discharged two years from the day the mortgaged loans become due; and RMB49,262,503,000 (2013: RMB31,358,564,000) was to be discharged upon the earlier of (i) issuance of the real estate ownership certificate which are generally available within three months after the purchasers take possession of the relevant properties; and (ii) the satisfaction of mortgaged loans by the purchasers of properties.

The directors consider that in case of default in payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interest and penalty (see note 4(b)) and therefore no provision has been made in the financial statements for the guarantees.

- (b) This represents the maximum exposure of the guarantees provided for Li He and Zhongshan Yahong Property Development Company Limited (中山市雅鴻房地產開發有限公司, "Zhongshan Yahong") for their borrowings.

## 38 COMMITMENTS – GROUP

### (a) Commitments for Capital and Property Development Expenditures

	2014 RMB'000	2013 RMB'000
Contracted but not provided for:		
– Property, plant and equipment	5,928	9,131
– Property development expenditure (including land premium)	72,646,326	49,047,432
	<b>72,652,254</b>	49,056,563

### (b) Operating Lease Commitments

The lease terms are between 1 and 10 years, and the majority of lease agreements are renewable at the end of the lease period at market rate. The future aggregate minimum lease payments under non-cancellable operating leases in respect of buildings are as follows:

	2014 RMB'000	2013 RMB'000
Not later than one year	15,568	22,640
Later than one year and not later than five years	34,326	20,046
Later than five years	1,749	21,516
	<b>51,643</b>	64,202



### 38 COMMITMENTS — GROUP (Continued)

#### (c) Operating Lease Rentals Receivable

The lease terms are between 1 and 10 years, and the majority of lease agreements are renewable at the end of the lease period at market rate. The future aggregate minimum lease rentals receivable under non-cancellable operating leases in respect of buildings are as follows:

	2014 RMB'000	2013 RMB'000
Not later than one year	82,839	70,907
Later than one year and not later than five years	346,069	290,463
Later than five years	314,948	52,456
	<b>743,856</b>	<b>413,826</b>

### 39 RELATED PARTY TRANSACTIONS

#### (a) Name and Relationship with Related Parties

##### Ultimate controlling shareholders

Mr. YANG Erzhu, Ms. YANG Huiyan, Mr. SU Rubo and Mr. OU Xueming.

##### Controlled by ultimate controlling shareholders

Guangdong Elite Architectural Co., Ltd.	廣東博意建築設計院有限公司
Qingyuan Country Garden Property Development Co., Ltd. ("Qingyuan Country Garden")	清遠碧桂園物業發展有限公司

##### Controlled by ultimate controlling shareholders and their close family members

Foshan Shunde Jiangkou Water Plant Co., Ltd.	佛山市順德區江口自來水有限公司
Zengcheng Crystal Water Plant Co., Ltd.	增城市清源自來水廠有限公司
Guangdong Grand Pipe Pile Co., Ltd. ("Grand Pipe")	廣東鴻業管樁有限公司
Guangdong Shenghui Electronics Holdings Limited ("Shenghui Electronics")*	廣東昇輝電子控股有限公司
Wanfang Construction Co., Ltd. ("Wanfang Construction")**	廣東萬方工程有限公司
Wanfang Stone Co., Ltd. ("Wanfang Stone")**	廣東萬方石業有限公司
Foshan Shunde Yayu Property Development Co., Ltd.	佛山市順德區雅宇房產開發有限公司

### 39 RELATED PARTY TRANSACTIONS (Continued)

#### (a) Name and Relationship with Related Parties (Continued)

##### Associate

Li He 廣州利合房地產開發有限公司

##### Joint venture

Zhongshan Yahong 中山市雅鴻房地產開發有限公司

\* Shenghui Electronics has ceased to be a related party to the Group since November 2013 after the change in its controlling shareholders.

\*\* Wanfang Construction and Wanfang Stone have ceased to be related parties to the Group since October 2014 after the change in their controlling shareholders.

The English names of certain of the companies referred to above in this note represent management's best efforts at translating the Chinese names of these companies as no English names have been registered or available.

#### (b) Transactions with Related Parties

Saved as disclosed in other notes above, the Group had the following significant transactions with related parties during the year:

	2014	2013
	RMB'000	RMB'000
<b>(i) Construction and decoration service income:</b>		
清遠碧桂園物業發展有限公司 Qingyuan Country Garden	209,917	253,107
<b>(ii) Purchase of design service:</b>		
廣東博意建築設計院有限公司 Guangdong Elite Architectural Co., Ltd.	1,126,836	638,913

**39 RELATED PARTY TRANSACTIONS (Continued)**

**(b) Transactions with Related Parties (Continued)**

	2014 RMB'000	2013 RMB'000
<b>(iii) Purchases of construction service and construction materials and water:</b>		
廣東萬方工程有限公司 Wanfang Construction	241,614	181,355
佛山市順德區江口自來水有限公司 Foshan Shunde Jiangkou Water Plant Co., Ltd.	1,054	3,486
增城市清源自來水廠有限公司 Zengcheng Crystal Water Plant Co., Ltd.	7,051	6,298
廣東鴻業管樁有限公司 Grand Pipe	8,312	8,664
廣東昇輝電子控股有限公司 Shenghui Electronics	—	271,434
廣東萬方石業有限公司 Wanfang Stone	159,154	46,166
	<b>417,185</b>	<b>517,403</b>

The prices for the above service fees and purchases of construction materials and water were determined in accordance with the terms of the underlying agreements.

	2014 RMB'000	2013 RMB'000
<b>(iv) Providing guarantee in respect of borrowings:</b>		
廣州利合房地產開發有限公司 Li He (note 37)	2,233,980	1,086,689
中山市雅鴻房地產開發有限公司 Zhongshan Yahong (note 37)	65,000	97,520
	<b>2,298,980</b>	<b>1,184,209</b>

### 39 RELATED PARTY TRANSACTIONS (Continued)

#### (c) Key Management Compensation

	2014 RMB'000	2013 RMB'000
Salaries and other short-term employee benefits	71,929	35,410
Bonus	26,998	—
Retirement scheme contributions	620	759
Share-based compensation expenses	1,870	1,870
	<b>101,417</b>	<b>38,039</b>

#### (d) Balances with Related Parties

As at 31 December 2014 and 2013, the Group had the following significant balances with related parties:

	2014 RMB'000	2013 RMB'000
<b>(i) Balances due from related parties</b>		
— included in amounts due from customers for contract work:		
清遠碧桂園物業發展有限公司 Qingyuan Country Garden	908,173	700,197
— included in other receivables and prepayments:		
廣東博意建築設計院有限公司 Guangdong Elite Architectural Co., Ltd.	360,894	516,307
清遠碧桂園物業發展有限公司 Qingyuan Country Garden	315,323	64,061
廣州利合房地產開發有限公司 Li He	2,039,745	2,039,745
中山市雅鴻房地產開發有限公司 Zhongshan Yahong	304,612	304,612
	<b>3,020,574</b>	<b>2,924,725</b>

**39 RELATED PARTY TRANSACTIONS (Continued)****(d) Balances with Related Parties (Continued)**

	2014 RMB'000	2013 RMB'000
<b>(ii) Balances due to related parties</b>		
<b>— included in trade and other payables:</b>		
廣東博意建築設計院有限公司 Guangdong Elite Architectural Co., Ltd.	1,038,237	235,463
增城市清源自來水廠有限公司 Zengcheng Crystal Water Plant Co., Ltd.	5,180	958
廣東鴻業管樁有限公司 Grand Pipe	392	392
廣東萬方石業有限公司 Wanfang Stone	50,835	6,182
廣東萬方工程有限公司 Wanfang Construction	14,586	92,829
	<b>1,109,230</b>	<b>335,824</b>

Balances due from/to related parties are unsecured, interest-free and to be settled according to the contract terms.

**40 SUBSEQUENT EVENTS**

On 9 March 2015, the Company issued senior notes in an aggregate principal amount of USD900,000,000 (the "2020 Notes"). The 2020 Notes are listed on the Singapore Exchange Securities Trading Limited. The 2020 Notes carry interest at the rate of 7.5% per annum, payable semi-annually on 9 March and 9 September in arrears, and will mature on 9 March 2020, unless redeemed earlier.

## 41 PARTICULARS OF PRINCIPAL SUBSIDIARIES

The following is a list of principal subsidiaries at 31 December 2014, all of these are limited liability companies:

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Proportion of equity interest held by the Group	Proportion of ordinary shares held by non-controlling interests	Principal activities
<b>Directly held by the Company:</b>					
<b>Incorporated in the BVI and operates in the PRC:</b>					
Smart World Development Holdings Ltd	28 March 2006	USD300	100%	–	Investment holding
<b>Indirectly held by the Company:</b>					
<b>Incorporated in Hong Kong and operates in Hong Kong:</b>					
Country Garden (Hong Kong) Development Company Limited	21 September 2005	HKD1	100%	–	Investment holding
<b>Incorporated in the BVI and operate in Hong Kong:</b>					
Estonia Development Ltd	21 March 2006	USD 200	100%	–	Investment holding and rendering of property related sales services.
Angel View International Limited	7 April 2006	USD 200	100%	–	Investment holding and rendering of property related sales services.
<b>Incorporated in the BVI and operate in the PRC:</b>					
Falcon Investments Development Ltd	21 March 2006	USD300	100%	–	Investment holding
United Gain Group Ltd	28 March 2006	USD200	100%	–	Investment holding
Wise Fame Group Ltd	28 March 2006	USD300	100%	–	Investment holding
Boavista Investments Limited	7 April 2006	USD200	100%	–	Investment holding
Impreza Group Limited	7 April 2006	USD300	100%	–	Investment holding
Infiniti Holdings Development Limited	7 April 2006	USD300	100%	–	Investment holding
Bright Start Group Limited	19 July 2011	USD1	100%	–	Investment holding
Pure Smart Enterprises Limited	19 July 2011	USD1	100%	–	Investment holding
Top Favor Holding Limited	19 July 2011	USD1	100%	–	Investment holding
Golden Favor Investments Limited	19 July 2011	USD1	100%	–	Investment holding
Power Great Enterprises Limited	10 December 2007	USD1	100%	–	Investment holding
Great Favor Investments Limited	16 July 2013	USD1	100%	–	Investment holding
Silver Dawn Holding Limited	23 January 2014	USD1	100%	–	Investment holding

## 41 PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Proportion of equity interest held by the Group	Proportion of ordinary shares held by non-controlling interests	Principal activities
<b>Established and operate in the PRC:</b>					
Guangdong Giant Leap Construction Co., Ltd. ("Giant Leap Construction Co.") 廣東騰越建築工程有限公司	25 March 1997	RMB900,000,000	100%	—	Construction
Foshan Shunde Country Garden Property Development Co., Ltd. 佛山市順德區碧桂園物業發展有限公司	2 April 1997	RMB1,387,500,000	100%	—	Property development
Guangzhou Country Garden Property Development Co., Ltd. 廣州碧桂園物業發展有限公司	30 July 1998	RMB506,000,000	100%	—	Property development
Foshan Shunde Finest Decoration & Design Enterprise 佛山市順德區雅駿裝飾設計工程有限公司	9 August 1999	RMB300,000,000	100%	—	Decoration and design
Zengcheng Country Garden Property Development Co., Ltd. 增城市碧桂園物業發展有限公司	22 September 2000	RMB1,448,200,000	100%	—	Property development
Guangzhou Nansha Economic and Technological Development Zone Country Garden Property Development Co., Ltd. 廣州南沙經濟技術開發區碧桂園物業發展有限公司	2 August 2001	RMB1,764,473,626	100%	—	Property development
Guangzhou Huadou Country Garden Property Development Co., Ltd. 廣州市花都碧桂園物業發展有限公司	24 January 2002	RMB462,500,000	100%	—	Property development
Heshan Country Garden Property Development Co., Ltd. 鶴山市碧桂園物業發展有限公司	9 July 2003	RMB963,000,000	100%	—	Property development
Changsha Venice Palace Property Development Co., Ltd. 長沙威尼斯城房地產開發有限公司	1 August 2003	RMB233,000,000	100%	—	Property development

## 41 PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Proportion of equity interest held by the Group	Proportion of ordinary shares held by non-controlling interests	Principal activities
<b>Established and operate in the PRC:</b>					
<b>(Continued)</b>					
Jiangmen East Coast Country Garden Property Development Co., Ltd. 江門市東岸房地產發展有限公司	13 August 2003	RMB650,000,000	100%	—	Property development
Jiangmen Xinhui Country Garden Phoenix Hotel Co., Ltd 江門新會碧桂園鳳凰酒店有限公司	13 August 2003	RMB130,100,000	100%	—	Hotel operation
Jiangmen Wuyi Country Garden Property Development Co., Ltd. 江門市五邑碧桂園房地產開發有限公司	28 September 2003	RMB863,000,000	100%	—	Property development
Heshan Country Garden Phoenix City Hotel Co., Ltd. 鶴山市碧桂園鳳凰酒店有限公司	29 September 2003	RMB116,300,000	100%	—	Hotel operation
Foshan Gaoming Country Garden Property Development Co., Ltd. 佛山市高明區碧桂園房地產開發有限公司	13 January 2004	RMB1,162,500,000	100%	—	Property development
Zengcheng Country Garden Phoenix City Hotel Co., Ltd. 增城市碧桂園鳳凰城酒店有限公司	13 January 2004	RMB500,700,000	100%	—	Hotel operation
Shenyang Hua Rui Real Estate Co., Ltd. 瀋陽華銳置業有限公司	25 March 2004	RMB580,000,000	100%	—	Property development
Qingyuan Country Garden Holiday Islands Hotel Co., Ltd. 清遠市碧桂園假日半島酒店有限公司	5 April 2004	RMB131,300,000	100%	—	Hotel operation
Changsha Economic and Technological Development Area Venice Palace Hotel Co., Ltd. 長沙經濟技術開發區威尼斯酒店有限公司	6 December 2004	RMB110,800,000	100%	—	Hotel operation
Foshan Nanhai Country Garden Property Development Co., Ltd. 佛山市南海區碧桂園房地產開發有限公司	24 December 2004	RMB365,200,000	100%	—	Property development



## 41 PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Proportion of equity interest held by the Group	Proportion of ordinary shares held by non-controlling interests	Principal activities
<b>Established and operate in the PRC:</b>					
<b>(Continued)</b>					
Jiangmen Wuyi Country Garden Phoenix Hotel Co., Ltd. 江門市五邑碧桂園鳳凰酒店有限公司	14 January 2005	RMB103,800,000	100%	—	Hotel operation
Yangjiang Country Garden Phoenix Hotel Co., Ltd. 陽江市碧桂園鳳凰酒店有限公司	2 February 2005	RMB130,750,624	100%	—	Hotel operation
Yangdong Country Garden Property Development Co., Ltd. 陽東縣碧桂園房地產開發有限公司	2 February 2005	RMB197,351,958	100%	—	Property development
Taishan Country Garden Property Development Co., Ltd. 台山市碧桂園房地產開發有限公司	21 March 2005	RMB322,228,631	100%	—	Property development
Foshan Gaoming Country Garden Phoenix Hotel Co., Ltd. 佛山市高明區碧桂園鳳凰酒店有限公司	30 September 2005	RMB163,100,000	100%	—	Hotel operation
Shaoguan Shunhong Property Development Co., Ltd. 韶關市順宏房地產開發有限公司	12 July 2006	RMB747,800,000	100%	—	Property development
Manzhouli Country Garden Property Development Co., Ltd. 滿洲里碧桂園房地產開發有限公司	12 December 2006	RMB357,900,000	100%	—	Property development
Chaochu Country Garden Property Development Co., Ltd. 巢湖市碧桂園房地產開發有限公司	18 December 2006	RMB1,115,200,000	100%	—	Property development
Taizhou Country Garden Property Development Co., Ltd. 泰州市碧桂園房地產開發有限公司	5 January 2007	RMB548,300,000	100%	—	Property development
Shenyang Country Garden Property Development Co., Ltd. 瀋陽市碧桂園房地產開發有限公司	11 January 2007	RMB1,350,000,000	100%	—	Property development

#### 41 PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Proportion of equity interest held by the Group	Proportion of ordinary shares held by non-controlling interests	Principal activities
<b>Established and operate in the PRC:</b>					
<b>(Continued)</b>					
Lechang Country Garden Property Development Co., Ltd. 樂昌市碧桂園房地產開發有限公司	15 February 2007	RMB124,800,000	100%	—	Property development
Shenyang Hunnan Xincheng Country Garden Property Development Co., Ltd. 瀋陽渾南新城碧桂園房地產開發有限公司	25 April 2007	RMB1,540,000,000	100%	—	Property development
Shenyang Yidong Real Estate Co., Ltd. 瀋陽伊東置業有限公司	25 April 2007	RMB460,512,978	100%	—	Property development
Enping Country Garden Property Development Co., Ltd. 恩平市碧桂園房地產開發有限公司	28 April 2007	RMB220,000,000	100%	—	Property development
Zhangjiajie Country Garden Property Development Co., Ltd. 張家界碧桂園置業有限公司	8 May 2007	RMB330,000,000	100%	—	Property development
Anhui Hexian Country Garden Property Development Co., Ltd. 安徽和縣碧桂園房地產開發有限公司	15 May 2007	RMB750,000,000	100%	—	Property development
Anhui Hexian Huarui Real Estate Co., Ltd. 安徽和縣華瑞置業有限公司	15 May 2007	RMB218,842,923	100%	—	Property development
Shenyang Shenbei Xincheng Yidong Real Estate Co., Ltd. 瀋陽瀋北新城伊東置業有限公司	18 May 2007	RMB750,000,000	100%	—	Property development
Tianjin Xinbi Investment Development Co., Ltd. 天津新碧投資發展有限公司	25 May 2007	RMB460,000,000	100%	—	Investment holding
Shaoguan Country Garden Property Development Co., Ltd. 韶關市碧桂園房地產開發有限公司	5 June 2007	RMB750,000,000	100%	—	Property development

**41 PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)**

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Proportion of equity interest held by the Group	Proportion of ordinary shares held by non-controlling interests	Principal activities
<b>Established and operate in the PRC:</b>					
<b>(Continued)</b>					
Changsha Ningxiang Country Garden Property Development Co., Ltd. 長沙市寧鄉碧桂園房地產開發有限公司	5 June 2007	RMB230,000,000	100%	—	Property development
Anhui Zhongmiao Country Garden Property Development Co., Ltd. 安徽中廟碧桂園房地產開發有限公司	8 June 2007	RMB420,000,000	100%	—	Property development
Anhui Hexian Country Garden Phoenix Hotel Co., Ltd 安徽和縣碧桂園鳳凰酒店有限公司	8 June 2007	RMB200,000,000	100%	—	Hotel operation
Shanwei Country Garden Property Development Co., Ltd. 汕尾市碧桂園房地產開發有限公司	12 June 2007	RMB100,000,000	100%	—	Property development
Zhaoqing Sihui Huaping Real Estate Co., Ltd 肇慶四會華平置業有限公司	21 June 2007	RMB216,167,341	100%	—	Property development
Sihui Country Garden Property Development Co., Ltd. 四會市碧桂園房地產開發有限公司	22 June 2007	RMB320,000,000	100%	—	Property development
Keyou Qianqi Country Garden Property Development Co., Ltd. 科右前旗碧桂園房地產開發有限公司	29 July 2007	RMB180,000,000	100%	—	Property development
Chizhou Country Garden Property Development Co., Ltd. 池州市碧桂園房地產開發有限公司	30 July 2007	RMB251,000,000	100%	—	Property development
Chongqing Country Garden Property Development Co., Ltd. 重慶市碧桂園房地產開發有限公司	3 August 2007	RMB310,000,000	100%	—	Property development
Chongqing Country Garden Phoenix Hotel Co., Ltd 重慶市碧桂園鳳城酒店有限公司	3 August 2007	RMB100,000,000	100%	—	Hotel operation

#### 41 PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Proportion of equity interest held by the Group	Proportion of ordinary shares held by non-controlling interests	Principal activities
<b>Established and operate in the PRC:</b>					
<b>(Continued)</b>					
Xianning Country Garden Property Development Co., Ltd. 咸寧碧桂園房地產開發有限公司	8 August 2007	RMB250,000,000	100%	—	Property development
Yiyang Country Garden Property Development Co., Ltd. 益陽市碧桂園房地產開發有限公司	10 August 2007	RMB150,000,000	100%	—	Property development
Haicheng Country Garden Property Development Co., Ltd. 海城市碧桂園房地產開發有限公司	30 August 2007	RMB350,000,000	100%	—	Property development
Lufeng Country Garden Property Development Co., Ltd. 陸豐碧桂園房地產開發有限公司	30 August 2007	RMB100,000,000	100%	—	Property development
Maoming Country Garden Property Development Co., Ltd. 茂名市碧桂園房地產開發有限公司	31 August 2007	RMB350,000,000	100%	—	Property development
Suizhou Country Garden Property Development Co., Ltd. 隨州碧桂園房地產開發有限公司	31 August 2007	RMB580,000,000	100%	—	Property development
Yangshan Country Garden Property Development Co., Ltd. 陽山碧桂園房地產開發有限公司	5 September 2007	RMB130,000,000	100%	—	Property development
Anqing Country Garden Property Development Co., Ltd. 安慶碧桂園房地產開發有限公司	27 September 2007	RMB740,000,000	100%	—	Property development
Anqing Country Garden Phoenix Hotel Co., Ltd 安慶碧桂園鳳凰酒店有限公司	29 September 2007	RMB150,000,000	100%	—	Hotel operation
Huangshan Country Garden Property Development Co., Ltd. 黃山碧桂園房地產開發有限公司	30 September 2007	RMB180,000,000	100%	—	Property development

**41 PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)**

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Proportion of equity interest held by the Group	Proportion of ordinary shares held by non-controlling interests	Principal activities
<b>Established and operate in the PRC:</b>					
<b>(Continued)</b>					
Shenyang Huiying Real Estate Co., Ltd 瀋陽匯盈置業有限公司	9 October 2007	RMB358,416,054	100%	—	Property development
Shenyang Dedi Real Estate Co., Ltd 瀋陽德地置業有限公司	9 October 2007	RMB369,851,683	100%	—	Property development
Tongliao Country Garden Property Development Co., Ltd. 通遼碧桂園房地產開發有限公司	15 October 2007	RMB500,000,000	100%	—	Property development
Wuhu Country Garden Property Development Co., Ltd. 無湖晉智房地產開發有限公司	5 November 2007	RMB800,000,000	100%	—	Property development
Liuyang Country Garden Property Development Co., Ltd. 瀏陽碧桂園房地產開發有限公司	4 December 2007	RMB168,000,000	100%	—	Property development
Zhaoqing Country Garden Furniture Co., Ltd 肇慶市碧桂園現代家居有限公司	12 December 2007	RMB210,376,103	100%	—	Manufacturing of furniture
Huidong Country Garden Property Development Co., Ltd. 惠東碧桂園房地產開發有限公司	23 January 2008	RMB450,000,000	100%	—	Property development
Suihua Country Garden Property Development Co., Ltd. 綏化碧桂園房地產開發有限公司	17 July 2008	RMB100,000,000	100%	—	Property development
Jingmen Country Garden Property Development Co., Ltd. 荊門碧桂園房地產開發有限公司	10 September 2008	RMB130,000,000	100%	—	Property development
Tianjin Balizhou Country Garden Property Development Co., Ltd. 天津八里洲碧桂園房地產開發有限公司	25 September 2008	RMB183,000,000	100%	—	Property development
Qingyuan Zhuoyue Hongjian Real Estate Investment Co., Ltd 清遠市卓越弘建置業投資有限公司	27 October 2009	RMB130,000,000	100%	—	Property development

#### 41 PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Proportion of equity interest held by the Group	Proportion of ordinary shares held by non-controlling interests	Principal activities
<b>Established and operate in the PRC:</b>					
<b>(Continued)</b>					
Shenyang Giant Leap Construction Co., Ltd 瀋陽騰越建築工程有限公司	10 December 2009	RMB130,000,000	100%	—	Construction
Jiangmen Xinhui Country Garden Property Development Co., Ltd 江門市新會區碧桂園房地產開發有限公司	12 January 2010	RMB180,000,000	100%	—	Property development
Maoming Shuidongwan Country Garden Property Development Co., Ltd 茂名市水東灣碧桂園房地產開發有限公司	20 January 2010	RMB200,000,000	100%	—	Property development
Jiangmen Jianghai Country Garden Property Development Co., Ltd 江門市江海區碧桂園房地產開發有限公司	13 January 2010	RMB120,000,000	100%	—	Property development
Wuhan Country Garden Lianfa Investment Co., Ltd 武漢碧桂園聯發投資有限公司	21 January 2010	RMB200,000,000	52%	48%	Property development
Jurong Country Garden Property Development Co., Ltd 句容碧桂園房地產開發有限公司	12 August 2010	RMB3,138,861,637	100%	—	Property development
Chuzhou Country Garden Property Development Co., Ltd 滁州碧桂園房地產開發有限公司	17 August 2010	RMB250,000,000	100%	—	Property development
Haifeng Country Garden Property Development Co., Ltd 海豐碧桂園房地產開發有限公司	26 October 2010	RMB105,000,000	100%	—	Property development
Heshan Zhishan Country Garden Property Development Co., Ltd 鶴山市址山碧桂園房地產開發有限公司	23 November 2010	RMB250,000,000	80%	20%	Property development
Heyuan Country Garden Property Development Co., Ltd 河源市碧桂園房地產開發有限公司	7 December 2010	RMB300,000,000	100%	—	Property development

**41 PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)**

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Proportion of equity interest held by the Group	Proportion of ordinary shares held by non-controlling interests	Principal activities
<b>Established and operate in the PRC:</b>					
<b>(Continued)</b>					
Dongguan Country Garden Property Development Co., Ltd. 東莞市碧桂園房地產開發有限公司	25 September 2010	RMB600,000,000	100%	—	Property development
Foshan Chancheng Country Garden Property Development Co., Ltd. 佛山市禪城區碧桂園房地產開發有限公司	13 November 2010	RMB1,000,000,000	90%	10%	Property development
Shenyang Qipanshan Country Garden Property Development Co., Ltd. 瀋陽市棋盤山碧桂園房地產開發有限公司	28 September 2010	RMB176,134,163	100%	—	Property development
Wuhan Eco-city Country Garden Investment Co., Ltd. 武漢生態城碧桂園投資有限公司	4 December 2010	RMB500,000,000	55%	45%	Property development
Lai'an Country Garden Property Development Co., Ltd. 來安碧桂園房地產開發有限公司	15 December 2010	RMB450,000,000	100%	—	Property development
Foshan Shunde Xinbi Trading Co., Ltd. 佛山市順德區新碧貿易有限公司	16 January 2010	RMB200,000,000	100%	—	Trading
Foshan Shunde Longjiang Country Garden Phoenix Hotel Co., Ltd. 佛山市順德區龍江鎮碧桂園鳳凰酒店有限公司	11 November 2010	RMB100,000,000	100%	—	Hotel operation
Qingyuan Holiday Islands Country Garden Property Development Co., Ltd. 清遠假日半島碧桂園置業發展有限公司	7 July 2010	RMB120,000,000	100%	—	Property development
Hubei Lianzhi Country Garden Zishanhu Property Development Co., Ltd. 湖北聯置碧桂園梓山湖房地產開發有限公司	29 December 2011	RMB500,000,000	51%	49%	Property development
Jiangmen Xinhui Daze Country Garden Property Development Co., Ltd. 江門市新會區大澤碧桂園房地產開發有限公司	2 December 2011	RMB310,000,000	100%	—	Property development

## 41 PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Proportion of equity interest held by the Group	Proportion of ordinary shares held by non-controlling interests	Principal activities
<b>Established and operate in the PRC:</b>					
<b>(Continued)</b>					
Hubei Liantou Country Garden Investment Co., Ltd. 湖北聯投碧桂園投資有限公司	23 November 2011	RMB141,630,000	51%	49%	Property development
Xiangtan Country Garden Property Development Co., Ltd. 湘潭碧桂園房地產開發有限公司	12 January 2011	RMB200,000,000	100%	—	Property development
Meizhou Country Garden Property Development Co., Ltd. 梅州市碧桂園房地產開發有限公司	4 January 2011	RMB200,000,000	100%	—	Property development
Qingyuan Country Garden Xinya Property Development Co., Ltd. 清遠碧桂園新亞房地產開發有限公司	25 January 2011	RMB300,000,000	100%	—	Property development
Wuxi Country Garden Property Development Co., Ltd. 無錫市碧桂園房地產開發有限公司	14 January 2011	RMB398,000,000	100%	—	Property development
Guangzhou Shilou Country Garden Property Development Co., Ltd. 廣州市石樓碧桂園物業發展有限公司	2 April 2011	RMB350,000,000	100%	—	Property development
Hangzhou Country Garden Property Development Co., Ltd. 杭州碧桂園房地產開發有限公司	1 April 2011	RMB862,576,465	100%	—	Property development
Dongguan Dexia Country Garden Property Development Co., Ltd. 東莞市德廈碧桂園房地產開發有限公司	13 April 2011	RMB250,000,000	100%	—	Property development
Kaiping Country Garden Property Development Co., Ltd. 開平市碧桂園房地產開發有限公司	9 June 2011	RMB300,000,000	100%	—	Property development
Chenzhou Country Garden Property Development Co., Ltd. 郴州碧桂園房地產開發有限公司	7 July 2011	RMB190,000,000	100%	—	Property development



41 PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Proportion of equity interest held by the Group	Proportion of ordinary shares held by non-controlling interests	Principal activities
<b>Established and operate in the PRC:</b>					
<b>(Continued)</b>					
Hainan Wenchang Country Garden Property Development Co., Ltd 海南文昌碧桂園房地產開發有限公司	17 January 1994	RMB100,000,000	100%	—	Property development
Zhangjiu Country Garden Phoenix Hotel Co., Ltd 章丘市碧桂園房地產開發有限公司	17 August 2011	RMB100,000,000	100%	—	Property development
Chongqing Qianjiang Country Garden Property Development Co., Ltd 重慶市黔江碧桂園房地產開發有限公司	9 May 2012	RMB180,000,000	100%	—	Property development
Jiaoling Country Garden Property Development Co., Ltd 蕉嶺碧桂園房地產開發有限公司	8 June 2012	RMB120,000,000	100%	—	Property development
Hainan Lingao Country Garden Fangyuan Property Development Co., Ltd 海南臨高碧桂園方園房地產開發有限公司	22 August 2012	RMB408,163,300	51%	49%	Property development
Rudong Country Garden Property Development Co., Ltd 如東碧桂園房地產開發有限公司	7 September 2012	RMB180,000,000	100%	—	Property development
Yixing Country Garden Property Development Co., Ltd 宜興市碧桂園房地產開發有限公司	25 September 2012	RMB315,265,000	100%	—	Property development
Danyang Country Garden Property Development Co., Ltd 丹陽碧桂園房地產開發有限公司	23 October 2012	RMB437,649,768	100%	—	Property development
Jingjiang Country Garden Property Development Co., Ltd 靖江市碧桂園房地產開發有限公司	30 January 2013	RMB100,000,000	100%	—	Property development
Xuancheng Country Garden Property Development Co., Ltd 宣城碧桂園房地產開發有限公司	30 January 2013	RMB150,000,000	100%	—	Property development

#### 41 PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Proportion of equity interest held by the Group	Proportion of ordinary shares held by non-controlling interests	Principal activities
<b>Established and operate in the PRC:</b>					
<b>(Continued)</b>					
Rugao Country Garden Property Development Co., Ltd 如皋市碧桂園房地產開發有限公司	19 February 2013	RMB150,000,000	100%	—	Property development
Yongchun Country Garden Property Development Co., Ltd 永春碧桂園房地產開發有限公司	21 February 2013	RMB200,000,000	70%	30%	Property development
Lanzhou Country Garden Property Development Co., Ltd 蘭州碧桂園房地產開發有限公司	1 February 2013	RMB450,000,000	100%	—	Property development
Yunfu Xijiang new city Country Garden Property Development Co., Ltd 雲浮市西江新城碧桂園房地產開發有限公司	1 April 2013	RMB100,000,000	100%	—	Property development
Haiyang Honghui Property Development Co., Ltd 海陽鴻輝發展有限公司	19 March 2010	RMB107,700,000	90%	10%	Property development
Guangzhou Anhua logistics Co., Ltd 廣州安華物流有限公司	13 August 2003	RMB140,000,000	100%	—	Logistics
Heshan Gonghe Country Garden Property Development Co., Ltd 鶴山市共和碧桂園房地產開發有限公司	8 April 2013	RMB260,000,000	100%	—	Property development
Quzhou Country Garden Property Development Co., Ltd 衢州碧桂園房地產開發有限公司	7 April 2013	RMB200,000,000	100%	—	Property development
Guangyuan Country Garden Property Development Co., Ltd 廣元碧桂園投資有限公司	15 April 2013	RMB200,000,000	100%	—	Property development
Gaozhou Country Garden Property Development Co., Ltd 高州市碧桂園房地產開發有限公司	15 April 2013	RMB120,000,000	100%	—	Property development

## 41 PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Proportion of equity interest held by the Group	Proportion of ordinary shares held by non-controlling interests	Principal activities
<b>Established and operate in the PRC:</b>					
<b>(Continued)</b>					
Nan'an Country Garden Property Development Co., Ltd 南安碧桂園房地產開發有限公司	5 June 2013	RMB150,000,000	80%	20%	Property development
Zibo Country Garden Property Development Co., Ltd 濰博市碧桂園房地產開發有限公司	17 June 2013	RMB100,000,000	100%	—	Property development
Pingxiang Country Garden Property Development Co., Ltd 萍鄉市碧桂園物業發展有限公司	3 July 2013	RMB100,000,000	100%	—	Property development
Zhuji Country Garden Property Development Co., Ltd 諸暨碧桂園房地產開發有限公司	5 July 2013	RMB100,000,000	100%	—	Property development
Chongqing Bishan Country Garden Property Development Co., Ltd 重慶市璧山碧桂園房地產開發有限公司	2 August 2013	RMB300,000,000	100%	—	Property development
Lu'an Country Garden Property Development Co., Ltd 六安碧桂園房地產開發有限公司	6 August 2013	RMB210,000,000	100%	—	Property development
Sanming Country Garden Property Development Co., Ltd 三明市碧桂園房地產開發有限公司	26 August 2013	RMB100,000,000	100%	—	Property development
Nantong Country Garden Property Development Co., Ltd 南通市碧桂園房地產開發有限公司	4 September 2013	RMB300,000,000	100%	—	Property development
Cixi Country Garden Property Development Co., Ltd 慈溪市碧桂園房地產開發有限公司	27 September 2013	RMB200,000,000	100%	—	Property development
Zoucheng Country Garden Property Development Co., Ltd 鄒城市碧桂園房地產開發有限公司	22 September 2013	RMB100,000,000	100%	—	Property development

#### 41 PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Proportion of equity interest held by the Group	Proportion of ordinary shares held by non-controlling interests	Principal activities
<b>Established and operate in the PRC:</b>					
<b>(Continued)</b>					
Wuzhou Hefu Country Garden Property Development Co., Ltd 梧州市合富房地產開發有限公司	8 July 2011	RMB100,000,000	80%	20%	Property development
Wuyishan Country Garden Property Development Co., Ltd 武夷山市碧桂園房地產開發有限公司	28 October 2013	RMB100,000,000	60%	40%	Property development
Haining Country Garden Property Development Co., Ltd 海寧碧桂園房地產開發有限公司	29 October 2013	RMB100,000,000	100%	—	Property development
Nantong Tongzhou Country Garden Property Development Co., Ltd 南通市通州區碧桂園房地產開發有限公司	8 November 2013	RMB200,000,000	100%	—	Property development
Pinghu Country Garden Property Development Co., Ltd 平湖碧桂園深商投商用置業有限公司	6 November 2013	RMB200,000,000	70%	30%	Property development
Qingdao Chengyang Country Garden Property Development Co., Ltd 青島城陽碧桂園房地產開發有限公司	11 December 2013	USD50,000,000	100%	—	Property development
Dongguan river bank garden Property Development Co., Ltd 東莞江畔花園建造有限公司	23 December 1992	RMB100,000,000	99.9%	0.1%	Property development
Wuxi Xinbi Country Garden Property Development Co., Ltd 無錫市新碧房地產開發有限公司	20 August 2013	USD98,000,000	100%	—	Property development
Haiyang Bihang Development Co., Ltd 海陽碧航發展有限公司	29 September 2013	USD20,000,000	100%	—	Houseboat
Zhangjiagang Country Garden Property Development Co., Ltd. 張家港碧桂園房地產開發有限公司	16 December 2013	USD60,000,000	100%	—	Property development

## 41 PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Proportion of equity interest held by the Group	Proportion of ordinary shares held by non-controlling interests	Principal activities
<b>Established and operate in the PRC:</b>					
<b>(Continued)</b>					
Zhengzhou Hanfeng Property Development Co., Ltd. 鄭州翰鋒置業有限公司	9 January 2014	RMB220,464,200	51%	49%	Property development
Fuding Country Garden Property Development Co., Ltd. 福鼎碧桂園房地產開發有限公司	13 January 2014	RMB100,000,000	100%	—	Property development
Haiyan Country Garden Property Development Co., Ltd. 海鹽碧桂園房地產開發有限公司	12 February 2014	RMB150,000,000	100%	—	Property development
Jiangyin Gaoxing District Country Garden Property Development Co., Ltd. 江陰高新區碧桂園置業有限公司	13 February 2014	RMB100,000,000	100%	—	Property development
Putian Country Garden Property Development Co., Ltd. 莆田市碧桂園房地產開發有限公司	20 February 2014	RMB100,000,000	100%	—	Property development
Hainan Lingshui Country Garden Runda Property & Investment Co., Ltd. 海南陵水碧桂園潤達投資置業有限責任公司	11 April 2014	RMB200,000,000	55%	45%	Property development
Foshan Shunde Daliang Country Garden Property Development Co., Ltd. 佛山市順德區大良碧桂園房地產開發有限公司	11 April 2014	USD40,000,000	100%	—	Property development
Ningde Tianmao Country Garden Property Development Co., Ltd. 甯德市碧桂園天茂房地產開發有限公司	3 July 2013	RMB150,000,000	55%	45%	Property development
Jiujiang Country Garden Property Development Co., Ltd. 九江碧桂園房地產開發有限公司	11 July 2013	RMB122,000,000	100%	—	Property development

#### 41 PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Proportion of equity interest held by the Group	Proportion of ordinary shares held by non-controlling interests	Principal activities
<b>Established and operate in the PRC:</b>					
<b>(Continued)</b>					
Wenzhou Xinghan Country Garden Property Development Co., Ltd. 溫州星漢置業有限公司	22 April 2013	RMB100,000,000	70%	30%	Property development
Dongtai Country Garden Property Development Co., Ltd. 東台市碧桂園房地產開發有限公司	7 November 2013	RMB100,000,000	100%	—	Property development
Yueyang Country Garden Property Development Co., Ltd. 岳陽市碧桂園房地產開發有限公司	11 April 2014	RMB100,000,000	100%	—	Property development
Zhujia Datang Country Garden Property Development Co., Ltd. 諸暨大唐碧桂園房地產開發有限公司	29 November 2013	RMB160,000,000	51%	49%	Property development
<b>Established and operate in the Malaysia:</b>					
Vibrant Corridor SDN. BHD.	6 November 2012	RM2,500,000	55%	45%	Property development
Mayland Venue SDN. BHD.	23 November 2012	RM2,500,000	55%	45%	Property development
Country Garden Danga Bay Sdn Bhd	16 October 2012	RM150,000,000	100%	—	Property development
Country Garden Landscape S/B	25 November 2013	RM1,000,000	100%	—	Property development
Giant Leap Construction Sdn. Bhd.	6 March 2014	RM2,500,000	100%	—	Construction
Teng Yue Overseas Construction SDN. BHD	21 May 2014	RM2,500,000	100%	—	Construction
GIANT LIGHT M&E ENGINEERING SDN. BHD.	12 May 2014	RM1,000,000	100%	—	Construction

The English names of the PRC companies referred to above in this note represent management's best efforts in translating the Chinese names of those companies as no English names have been registered or available.

## PRINCIPAL AND REGISTERED OFFICE OF THE COMPANY

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

**Principal Place of Business in  
the PRC**  
Country Garden Centre  
No. 1 Country Garden Road  
Beijiao Town, Shunde District,  
Foshan Guangdong Province  
528312  
People's Republic of China

**Principal Place of Business in  
Hong Kong**  
Suite 1702, 17/F.  
Dina House, Ruttonjee Centre  
11 Duddell Street  
Central  
Hong Kong

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

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

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

## LEGAL ADVISERS TO THE COMPANY

*as to United States law and Hong Kong law*

**Sidley Austin**  
39th Floor  
Two International Finance Center  
8 Finance Street, Central  
Hong Kong

*as to PRC law*

**Commerce & Finance Law  
Offices**  
6F NCI Tower  
A12 Jianguomenwai Avenue  
Chaoyang District  
Beijing 100022  
People's Republic of China

*as to Cayman Islands law*

**Conyers Dill & Pearman**  
Cricket Square, Hutchins Drive  
P.O. Box 2681  
Grand Cayman  
KY1-1111  
Cayman Islands

*as to British Virgin Islands law*

**Conyers Dill & Pearman**  
29/F, One Exchange Square  
8 Connaught Place, Central  
Hong Kong

## LEGAL ADVISERS TO THE INITIAL PURCHASERS

*as to PRC law*

**Jingtian & Gongcheng**  
34th Floor, Tower 3  
China Central Place  
77 Jianguo Road  
Chaoyang District  
Beijing 100025  
People's Republic of China

*as to United States law*

**Allen & Overy**  
9th Floor  
Three Exchange Square  
Hong Kong

## INDEPENDENT AUDITOR

**PricewaterhouseCoopers**  
22nd Floor, Prince's Building  
Central  
Hong Kong

