

IMPORTANT NOTICE
THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE
OUTSIDE OF THE UNITED STATES.

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

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

The following offering circular 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 following offering circular has been prepared on the basis that all offers of the securities made to persons in any member state of the European Economic Area which has implemented the EU Prospectus Directive 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.

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

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

The communication of the attached document and any other document or materials relating to the issue of the securities 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. Accordingly, such documents and/or materials are not being distributed to, and must not be passed on to, any person in the United Kingdom other than (i) persons who have professional experience in matters relating to investments falling within article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "Order"); and (ii) high net worth entities falling within article 49(2)(a) to (d) of the Order (all such persons together being referred to as "Relevant Persons"). This document is directed only at Relevant Persons. Other persons should not act on this document or any of its contents. This document is confidential and is being supplied to you solely for your information and may not be reproduced, redistributed or passed on to any other person or published, in whole or in part, for any other purpose.

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

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and Haitong International Securities Company Limited, Morgan Stanley & Co. International plc and Potomac Capital Limited as initial purchasers (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 such affiliate on behalf of the issuer in such jurisdiction.

This offering circular has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently the Initial Purchasers, or any person who controls any of them or any director, officer, employee or agent of any of them or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the offering circular distributed to you in electronic format and the hard copy version available to you on request from the Initial Purchasers.

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

US\$25,893,000

Hydoo 毅德控股
Hydoo International Holding Limited
毅德國際控股有限公司

(incorporated in the Cayman Islands with limited liability)

12.00% Senior Notes due 2020

Issue Price: 98.287%

plus accrued interest, if any, from the issue date

Our 12.00% Senior Notes due 2020 (the “New Notes”) will bear interest from May 9, 2018 at 12.00% per annum payable semi-annually in arrears on May 9 and November 9 of each year, beginning November 9, 2018. The New Notes will mature on May 9, 2020.

The New Notes are senior obligations of Hydoo International Holding Limited under (the “Company”), guaranteed by certain of our existing subsidiaries (the “Subsidiary Guarantors”), other than (1) those organized under the laws of the People’s Republic of China and (2) certain other subsidiaries specified in “Description of the New Notes.” We refer to the guarantees by the Subsidiary Guarantors as the “Subsidiary Guarantees.” Under certain circumstances and subject to certain conditions, a Subsidiary Guarantee required to be provided by a subsidiary of the Company may be replaced by a limited-recourse guarantee (the “JV Subsidiary Guarantee”). We refer to the subsidiaries providing a JV Subsidiary Guarantee as JV Subsidiary Guarantors.

At any time and from time to time prior to May 9, 2020, we may redeem up to 35% of the aggregate principal amount of the New Notes with the net cash proceeds of one or more sales of common stock of the Company at a redemption price of 112% of the principal amount of the New Notes redeemed, plus accrued and unpaid interest, if any, to (but not including) the redemption date. In addition, we may redeem the New Notes, in whole but not in part, at any time prior to May 9, 2020, at a redemption price equal to 100% of the principal amount of the New Notes redeemed plus a premium as set forth in this offering circular plus accrued and unpaid interest, if any, to (but not including) the redemption date. Upon the occurrence of a Change of Control Triggering Event (as defined herein), we must make an offer to repurchase all New Notes outstanding at a purchase price equal to 101% of their principal amount, plus accrued and unpaid interest, if any, to (but not including) the date of repurchase.

The New Notes will (1) be senior in right of payment to any existing and future obligations of the Company expressly subordinated in right of payment to the New Notes, (2) be at least *pari passu* in right of payment with all other unsecured, unsubordinated indebtedness of the Company (subject to any priority rights of such unsecured, unsubordinated indebtedness pursuant to applicable law), (3) guaranteed by the Subsidiary Guarantors and JV Subsidiary Guarantors (if any) on a senior basis, subject to certain limitations, (4) be effectively subordinated to secured obligations (if any, other than Permitted *Pari Passu* Secured Indebtedness) of the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any), to the extent of the value of the assets serving as security therefor (other than the Collateral) and (5) be effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries (defined below). In addition, applicable law may limit the enforceability of the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any). See “Risk Factors—Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral.”

For a more detailed description of the New Notes, see “Description of the New Notes” beginning on page 136. Investing in the New Notes involves risks. See “Risk Factors” beginning on page 16.

We are concurrently conducting an exchange offer for our outstanding Existing Notes (the “Concurrent Exchange Offer”). Pursuant to the Concurrent Exchange Offer, we expect to issue additional New Notes (the “Exchange Notes”). Any Exchange Notes issued will have the same terms as and form a single class with the New Notes issued in this offering. The total principal amount of the New Notes to be issued pursuant to the Concurrent Exchange Offer and this offering is US\$130,000,000.

Approval in-principle has been received for the listing and quotation of the New Notes on the Official List of the Singapore Exchange Securities Trading Limited (the “SGX-ST”). The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports contained herein. Admission of the New Notes to the Official List of the SGX-ST and quotation of any New Notes on the SGX-ST are not to be taken as an indication of the merits of the offering, the Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors or any of their respective subsidiaries or associated companies, the New Notes, the Subsidiary Guarantees or the JV Subsidiary Guarantees. The New Notes will be traded on the SGX-ST in a minimum board lot size of US\$200,000 for so long as the New Notes are listed on the SGX-ST and the rules of the SGX-ST so require.

The New Notes, the Subsidiary Guarantees and the JV 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 except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. The New Notes are being offered and sold by the Initial Purchasers (as defined herein) only outside the United States in offshore transactions in accordance with Regulation S under the Securities Act. For a description of certain restrictions on resale or transfer, see “Transfer Restrictions.”

With reference to the Notice on Promoting the Reform of the Filing and Registration System for Issuance of Foreign Debts 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》) 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 proposed issuance of the New Notes with the NDRC and obtained a certificate from the NDRC dated January 26, 2018 evidencing such registration and we will cause relevant information relating to the issue of the New Notes to be reported to the NDRC within 10 working days after the issue date of the New Notes.

It is expected that the delivery of the New Notes will be made through the facilities of Euroclear Bank SA/NV (“Euroclear”) and Clearstream Banking, S.A. (“Clearstream”), on or about May 9, 2018 against payment therefor in immediately available funds.

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers
(in alphabetical order)

Haitong International

Morgan Stanley

Joint Bookrunner and Joint Lead Manager

Potomac Capital

The date of this offering circular is May 2, 2018

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NOTICE TO INVESTORS

This offering circular does not constitute an offer to sell to, or a solicitation of an offer to buy from, any person in any jurisdiction to whom it is unlawful to make the offer or solicitation in such jurisdiction. Neither the delivery of this offering circular 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 circular or that the information contained in this offering circular is correct as of any time after that date.

This offering circular is not a prospectus for the purposes of the European Union’s Directive 2003171/EC (and any amendments thereto) as implemented in member states of the European Economic Area (the “EU Prospectus Directive”). This offering circular has been prepared on the basis that all offers of the New Notes made to persons in any member state of the European Economic Area which has implemented the EU Prospectus Directive 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 New Notes.

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

The communication of this offering circular and any other document or materials relating to the issue of the New 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. Accordingly, such documents and/or materials are not being distributed to, and must not be passed on to, any person in the United Kingdom other than (i) persons who have professional experience in matters relating to investments falling within article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the “Order”); and (ii) high net worth entities falling within article 49(2)(a) to (d) of the Order (all such persons together being referred to as “Relevant Persons”). This offering circular is directed only at Relevant Persons. Other persons should not act on this offering circular or any of its contents. This offering circular is confidential and is being supplied to you solely for your information and may not be reproduced, redistributed or passed on to any other person or published, in whole or in part, for any other purpose.

IN CONNECTION WITH THIS OFFERING, ANY OF HAITONG INTERNATIONAL SECURITIES COMPANY LIMITED, MORGAN STANLEY & CO. INTERNATIONAL PLC OR POTOMAC CAPITAL LIMITED ACTING IN THE CAPACITY AS STABILIZING MANAGER, OR ANY PERSON ACTING FOR IT, MAY PURCHASE AND SELL THE NEW 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 NEW NOTES. AS A RESULT, THE PRICE OF THE NEW NOTES MAY BE HIGHER THAN THE PRICE THAT OTHERWISE MIGHT EXIST IN THE OPEN MARKET. IF THESE ACTIVITIES ARE COMMENCED, THEY MAY BE DISCONTINUED AT ANY TIME AND MUST IN ANY EVENT BE BROUGHT TO AN END AFTER A LIMITED TIME. THESE ACTIVITIES WILL BE UNDERTAKEN SOLELY FOR THE ACCOUNT OF THE INITIAL PURCHASERS, AND NOT FOR US OR ON OUR BEHALF.

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

We have prepared this offering circular, 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 New Notes. By purchasing the New Notes, you will be deemed to have acknowledged that you have made certain acknowledgements, representations and agreements as set forth under “Transfer Restrictions” below.

No representation or warranty, express or implied, is made by any of Haitong International Securities Company Limited, Morgan Stanley & Co. International plc and Potomac Capital Limited (the “Initial Purchasers”), Citicorp International Limited (the “Trustee”), Citibank, N.A., London Branch (the “Paying and Transfer Agent”), Citigroup Global Markets Deutschland AG (the “Registrar,” and together with the Paying and Transfer Agent, 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 circular is, or should be relied upon as, a promise or representation, whether as to the past or the future. The Initial Purchasers, the Trustee and the Agents have not independently verified any of the information contained in this offering circular, and to the fullest extent permitted by law, assume no responsibility for the accuracy or completeness of any such information or for any statement made or purported to be made by the Initial Purchasers or on our behalf in connection with the Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors (if any) or the issue and offering of the New Notes. The Initial Purchasers, the Trustee and the Agents accordingly disclaim all and any liability whether arising in contract or tort or otherwise which they might otherwise have in respect of this offering circular or any such statement.

Prospective investors in the New Notes should rely only on the information contained in this offering circular. Neither we nor the Initial Purchasers have authorized the provision of information different from that contained in this offering circular, to give any information or to make any representation not contained in or not consistent with this offering circular or any other information supplied in connection with the offering of the New Notes and, if given or made, such information or representation must not be relied upon as having been authorized by us or the Initial Purchasers. The information contained in this offering circular is accurate in all material respects only as of the date of this offering circular, regardless of the time of delivery of this offering circular or of any sale of the New Notes. Neither the delivery of this offering circular nor any sale made hereunder shall under any circumstances imply that there has not been a change in our affairs and 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. The Initial Purchasers, the Trustee and the Agents expressly do not undertake to review our financial condition or affairs during the life of the New Notes or to advise any investor in the New Notes of any information coming to their attention.

Each person receiving this offering circular acknowledges to us and the Initial Purchasers 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 or any person affiliated with the Initial Purchasers 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 New Notes, the Subsidiary Guarantees or the JV Subsidiary Guarantees (if any) (other than as contained herein and information given by our duly authorized officers and employees in connection with investors’ examination of the Company and the terms of the offering of the New Notes) and, if given or made, any such other information or representation should not be relied upon as having been authorized by us or the Initial Purchasers.

The New Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees have not been approved or disapproved by the United States Securities and Exchange Commission (the “SEC”),

any state securities commission in the United States or any other United States regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering or the accuracy or adequacy of this offering circular. Any representation to the contrary is a criminal offense in the United States.

The New Notes are being offered and sold by the Initial Purchasers only outside the United States in offshore transactions in accordance with Regulation S under the Securities Act. We are not, and the Initial Purchasers are not, making an offer to sell the New Notes, including the Subsidiary Guarantees and the JV Subsidiary Guarantees, in any jurisdiction except where an offer or sale is permitted. The distribution of this offering circular and the offering of the New Notes, including the Subsidiary Guarantees and the JV Subsidiary Guarantees, may in certain jurisdictions be restricted by law. Persons into whose possession this offering circular comes are required by us and the Initial Purchasers to inform themselves about and to observe any such restrictions. The New Notes are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the Securities Act and applicable state securities laws or exemption therefrom. You should be aware that you may be required to bear the financial risks of this investment for an indefinite period of time. For a description of the restrictions on offers, sales and resales of the New Notes, including the Subsidiary Guarantees and the JV Subsidiary Guarantees, and distribution of this offering circular, see “Transfer Restrictions” and “Plan of Distribution” below.

This offering circular summarizes certain material documents and other information, and investors should refer to them for a more complete understanding of what is discussed in this offering circular. 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 the Company, the Initial Purchasers, the Trustee or the Agents or our or their respective directors or advisors are making any representation to you regarding the legality of an investment in the New Notes by you under any legal, investment or similar laws or regulations. You should not consider any information in this offering circular to be legal, business or tax advice. You should consult your own professional advisors for legal, business, tax and other advice regarding an investment in the New Notes.

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

CERTAIN DEFINITIONS, CONVENTIONS AND CURRENCY PRESENTATION

We have prepared this offering circular using a number of conventions, which you should consider when reading the information contained herein.

In this offering circular, the term “Company” refers to Hydo International Holding Limited, the term “Group” refers to Hydo International Holding Limited and its subsidiaries, and the terms “we,” “us,” “our,” and words of similar import refer to Hydo International Holding Limited, or Hydo International Holding Limited and its subsidiaries, as the context requires. The term “Controlling Shareholders” refers to, collectively, Mr. Wong Choihing, Mr. Wang Dewen, Mr. Wang Jianli, Mr. Wang Quanguang, Mr. Wang Desheng, Mr. Wang Dekai, Mr. Huang Dehong and Mr. Wong Sheungtak, Most Trend Holdings Limited and Eminent Ascend Limited. The term “Wang Family Group” refers to Mr. Wong Choihing and his siblings and their families who commenced the development and operation of trade center projects in China in 1995.

References to “U.S. dollars” and “US\$” are to United States dollars, the official currency of the United States of America (the “United States” or “U.S.”). References to “Renminbi” or “RMB” are to Renminbi, the official currency of the People’s Republic of China (“China” or the “PRC”). References to “Hong Kong dollars” or “HK\$” are to Hong Kong dollars, the official currency of the Hong Kong Special Administrative Region of the PRC (“Hong Kong”).

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

In addition, in this offering circular, unless the context otherwise requires, the following terms shall have the meanings set out below:

- “CBRC” means China Banking Regulatory Commission;
- “2018 Notes” means the 13.75% senior notes due 2018 issued by the Company on December 15, 2015 and September 14, 2016 and described in “Description of Material Indebtedness”;
- “2019 Notes” means the 11% senior notes due 2019 issued by the Company on August 30, 2016 and described in “Description of Material Indebtedness”;
- “PBOC” means the People’s Bank of China, the central bank of the PRC; and “SEHK” means The Stock Exchange of Hong Kong Limited; and
- “Listing Rules” means the Rules Governing the Listing of Securities on SEHK (as amended or supplemented from time to time).

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

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

PRESENTATION OF FINANCIAL INFORMATION

Our consolidated financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”), which differ in certain respects from generally accepted accounting principles in certain other countries.

We prepare and publish our consolidated financial statements in Renminbi. Unless otherwise stated in this offering circular, all translations from Renminbi amounts to U.S. dollars were made at the rate of RMB6.5063 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 December 31, 2017. All such translations in this offering circular are provided solely for your convenience and no representation is made that the Renminbi amounts referred to herein have been, could have been or could be converted into U.S. dollars, or vice versa, at any particular rate or at all. For further information relating to the exchange rates, see “Exchange Rate Information.”

INDUSTRY AND MARKET DATA

This offering circular includes market share and industry data and forecasts that we have obtained from both public and private sources, including industry publications and surveys, reports of governmental agencies and internal company surveys. Industry publications and surveys and forecasts generally state that the information contained therein has been obtained from sources believed to be reliable, but there can be no assurance as to the accuracy or completeness of included information. While reasonable actions have been taken by us to ensure that the information is extracted accurately and in its proper context, it has not been independently verified by us or the Initial Purchasers or our or the Initial Purchasers’ respective directors and advisors, and neither we, the Initial Purchasers nor our or the Initial Purchasers’ directors and advisors make any representation as to the accuracy or completeness of that information. In addition, third-party information providers may have obtained information from market participants and such information may not have been independently verified. Due to possibly inconsistent collection methods and other problems, such statistics herein may be inaccurate. You should not unduly rely on such market data, industry forecast and the PRC and property industry statistics.

FORWARD-LOOKING STATEMENTS

This offering circular contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties, including the risk factors described in this offering circular. These forward-looking statements include, but are not limited to, statements relating to:

- our operations and business strategies and prospects;
- future developments, trends and competition in the real estate industry in the PRC;
- projects under development or planned for future development;
- our strategy, business plans, objectives and goals;
- our ability to meet the changing needs of our customers;
- our ability to enter into new geographic markets and expand our operations;
- our expected results of operations, financial conditions and capital expenditure plans;
- our dividend distribution plans;
- changes or volatility in interest rates, foreign exchange rates, equity prices, volumes, margins, risk management and overall market trends and conditions;
- the prospective financial information regarding our business;
- the amount and nature of, and potential for, future development of our business;
- general economic conditions in the PRC and globally; and
- changes to regulatory and operating conditions in the markets in which we operate.

In some cases we use words such as “believe,” “seek,” “intend,” “anticipate,” “project,” “forecast,” “plan,” “potential,” “will,” “may,” “should,” “going forward,” “expect” and other similar expressions to identify forward-looking statements. All statements other than statements of historical facts included in this offering circular, including statements regarding our future financial position, strategy, projected costs and plans and objectives of management for future operations, are forward-looking statements. Although we believe that the expectations reflected in those forward-looking statements are reasonable, we can give no assurance that those expectations will prove to have been correct, and you are cautioned not to place undue reliance on such statements. The risks and uncertainties in this regard include those identified in the “Risk Factors” section in this offering circular. Actual results may differ materially from information contained in forward-looking statements as a result of numerous factors, including, without limitation, those described in the section headed “Risk Factors” and the following:

- changes in long-term expectation of demand for trade center projects;
- our relationships with our end customers;
- supply and demand changes in raw materials and labor;
- our ability to develop and sell new projects;
- our plans and objectives for future projects;
- our project development schedules;

- environmental as well as health and safety laws and regulations;
- our liquidity and financial condition;
- competition;
- the effects of changes in currency exchange rates;
- changes in political, economic, legal and social conditions; and
- economic growth, inflation and the availability of credit.

Subject to the requirements of applicable laws, rules and regulations, we do not have any obligation and do not intend to update or otherwise revise the forward-looking statements in this offering circular, whether as a result of new information, future events or otherwise. Because of these risks, uncertainties or assumptions, the forward-looking events and circumstances discussed in this offering circular might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking statements. All forward-looking statements contained in this offering circular are qualified by reference to this cautionary statement.

ENFORCEMENT OF CIVIL LIABILITIES

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

Significantly, all of our assets and all of the assets of the Subsidiary Guarantors are located outside the United States. In addition, all of our directors and officers and all of the directors and officers of the Subsidiary Guarantors are nationals or residents of countries other than the United States (principally of the PRC), and all or a substantial portion of such persons' assets are located or may be located, as the case may be, 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 directors and officers or to enforce against us, any of the Subsidiary Guarantors or such directors and officers judgments obtained in United States courts, including judgments predicated upon the civil liability provisions of the securities laws of the United States or any state thereof.

We have been advised by our Cayman Islands legal advisor, Maples and Calder (Hong Kong) LLP, that the courts of the Cayman Islands are unlikely (i) to recognize or enforce against us judgments of courts of the United States predicated upon the civil liability provisions of the securities laws of the United States or any State; and (ii) in original actions brought in the Cayman Islands, to impose liabilities against us predicated upon the civil liability provisions of the securities laws of the United States or any State, so far as the liabilities imposed by those provisions are penal in nature. In those circumstances, although there is no statutory enforcement in the Cayman Islands of judgments obtained in the United States, the courts of the Cayman Islands will recognize and enforce a foreign money judgment of a foreign court of competent jurisdiction without retrial on the merits based on the principle that a judgment of a competent foreign court imposes upon the judgment debtor an obligation to pay the sum for which judgment has been given provided certain conditions are met. For such a foreign judgment to be enforced in the Cayman Islands, such judgment must be final and conclusive and for a liquidated sum, and must not be in respect of taxes or a fine or penalty, inconsistent with a Cayman Islands judgment in respect of the same matter, impeachable on the grounds of fraud or obtained in a manner, and or be of a kind the enforcement of which is, contrary to natural justice or the public policy of the Cayman Islands (awards of punitive or multiple damages may well be held to be contrary to public policy). A Cayman Islands Court may stay enforcement proceedings if concurrent proceedings are being brought elsewhere.

We have been advised by our British Virgin Islands legal advisor, Maples and Calder (Hong Kong) LLP, that any final and conclusive monetary judgment obtained against us in the courts of State of New York (the "Foreign Court"), for a definite sum, may be treated by the courts of the British Virgin Islands as a cause of action in itself so that no retrial of the issues would be necessary provided that in respect of the judgment of the Foreign Court: (i) the Foreign Court issuing the judgment had jurisdiction in the matter and the Company either submitted to such jurisdiction or was resident or carrying on business within such jurisdiction and was duly served with process; (ii) the judgment given by the Foreign Court was not in respect of penalties, taxes, fines or similar fiscal or revenue obligations of the Company; (iii) in obtaining judgment there was no fraud on the part of the person in whose favor judgment was given or on the part of the Foreign Court; (iv) recognition or enforcement of the judgment in the British Virgin Islands would not be contrary to public policy; and (v) the proceedings pursuant to which judgment was obtained were not contrary to natural justice.

We have been advised by our Hong Kong legal advisor, DLA Piper, that there is doubt as to the enforceability in Hong Kong in original actions or in actions for enforcement of judgments of U.S. courts, of civil liabilities predicated solely upon the federal securities laws of the United States or the securities laws of any State or territory within the United States.

We have also been advised by our PRC legal advisor, Global Law Office, that there is uncertainty as to whether the courts of the PRC would (i) enforce judgments of U.S. court obtained against us, our directors or officers, the Subsidiary Guarantors or their directors or officers predicated upon the civil liability provisions of the U.S. federal or state securities laws or (ii) entertain original actions brought in China against us, our directors or officers, the Subsidiary Guarantors or their directors or officers predicated upon the U.S. federal or state securities laws.

GLOSSARY OF TECHNICAL TERMS

This glossary contains certain technical terms used in this offering circular in connection with the Company. Such terms and their meanings may not correspond to standard industry definitions or usage.

“accommodation value”.....	accommodation value based on saleable GFA during a specified period is calculated by dividing (i) the total acquisition cost of the land with respect to which the land-use rights were acquired during such period by (ii) the total planned saleable GFA of properties planned for such land
“construction work commencement permit”.....	construction work commencement permit issued by local construction committees or equivalent authorities in China
“construction work planning permit”.....	construction work planning permit issued by local urban zoning and planning bureaus or equivalent authorities in China
“GFA”	gross floor area
“land grant contract”.....	state-owned land-use rights grant contract between a developer and the relevant PRC governmental land administrative authorities, typically the local state-owned land bureaus
“land-use rights certificate”	the state-owned land-use rights certificate issued by local regulatory authorities administering land resource matters
“large-scale trade centers”.....	trade centers with an aggregate GFA of more than 400,000 sq.m.
“LAT”.....	land appreciation tax
“saleable GFA”	GFA of properties that are saleable pursuant to PRC laws and regulations
“sq.m.”	square meter
“trade centers”	commercial projects with wholesale trading market as the primary type of constituent building; such projects may include certain other forms of constituent buildings, such as shopping malls, exhibition and conference centers, hotels, office buildings, residential properties, warehouses and other commercial and logistics properties. As used in this Offering circular, trade centers consist of (i) completed properties which have not been fully sold and delivered, (ii) properties under development and (iii) properties held for future development

SUMMARY

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

Our Business

We are a leading developer and operator of large-scale trade centers in China. As of December 31, 2017, we were simultaneously developing and operating 12 projects in 7 provinces and autonomous regions in China, 11 of which were large-scale trade centers. As of December 31, 2017, we had a total land bank of approximately 9.5 million sq.m.

Our business focuses on the development and operation of large-scale trade centers in high growth second- and third-tier cities in China. We currently generate most of our revenue through the sales of properties, and we expect to generate an increasing portion of revenue through rental income in the future. We seek to develop each trade center project into the largest integrated commercial complex in the local region for the wholesale and retail sale of a wide range of products including hardware, electric tools, building materials, furniture and home furnishings, home electronics, apparel and small goods. We design our trade centers to seamlessly integrate the wholesale trading market properties with other on-site facilities such as shopping malls, exhibition and conference centers, hotels, residential, office space, warehouses and other logistics facilities.

Our business is strategically positioned to expand into second- and third-tier cities that have high population densities and suitable market conditions. We actively select markets where we can consolidate fragmented trade activities into our large-scale, integrated trade centers. The PRC government implemented stricter property credit policies in 2017, and we have responded by seeking stable development in our core businesses while expanding selectively into second- and third-tier cities. Our core business has experienced consistent growth, our latest available-for-sale project the Liuzhou Trade Center recorded strong sales in 2017, and the number and size of the properties under our property management business has increased. In addition, in 2017, we launched key e-commerce initiatives, such as our internally-developed shop management software “Yi Zhang Gui (毅掌櫃)”, our aggregated payment system, “Yi Qi Fu (毅起付)”, and our strategic cooperation agreement with JD.com Inc. to build the “Boundless Trade Cities” project. We also entered into strategic cooperation agreements with Red Star Macalline Group for our Ganzhou Trade Center, and Easyhome Investment Group for our Yulin and Liuzhou Trade Centers.

Our projects typically receive strong support from various government authorities, reflecting the scale of our trade center projects, our compelling value propositions and our management’s depth of experience in developing trade center projects, and the benefits we have brought to local economies. Local government authorities’ recognition of our value proposition, coupled with our strong execution capability including our disciplined approach to land selection and acquisition process, is reflected in our ability to consistently acquire high quality land at competitive costs. In addition, in line with the common practice for local governments to provide monetary support to trade center developers in China, we have historically received significant government grants in support of our trade center projects and expect to continue to receive government grants for our existing trade center projects.

In 2015, 2016 and 2017, our revenue was RMB3,166.4 million, RMB2,335.8 million, and RMB1,792.4 million (US\$275.5 million), respectively. Our profit for the year was RMB597.7 million, RMB355.1 million and RMB255.3 million (US\$39.2 million), over the same respective years.

Competitive Strengths

We believe that our success and our ability to capitalize on future growth opportunities are attributable to our competitive strengths listed below. We believe these strengths distinguish us from our peers and competitors and enable us to effectively maintain our position and growth in the PRC trade center industry.

- Market leader in the large-scale trade center development industry in China;
- Proven business model with attractive value propositions to SMEs;
- Well-positioned to take advantage of significant market opportunities and strong government support;
- Large quantity of high quality land acquired at competitive costs;
- Strong project development execution capabilities; and
- An experienced management team with strong support from leading institutional investors.

Business Strategies

Our goal is to strengthen our leading position in the large-scale trade center development industry in China. To achieve this goal, we intend to implement the following strategies:

- Continue to expand into new cities with rapid economic growth and solid demand for modern trade centers;
- Continue to attract high quality customers and enhance value-added services;
- Expand into B2B+O2O businesses to grow our business platform;
- Promote “Hydoo” (毅德) brand image and engage in active marketing activities; and
- Take advantage of the “Belt and Road” initiative.

Recent Developments

- Launch of “Yi Zhang Gui (毅掌櫃)” and “Yi Qi Fu (毅起付)” E-commerce Systems.
- Strategic Cooperation with JD.com.
- Strategic Cooperation with Red Star Macalline Group and Easyhome Investment Group.
- Sale of Equity Interests for net gains of US\$49.4 million in relation to Xingning Hydoo Trade Logistics Centre Limited, Shenzhen Qian Hai International Energy Financial Center Co., Limited and Huaiyuan Hydoo City Development Limited.

Concurrent Transaction

We are concurrently conducting a Concurrent Exchange Offer pursuant to an exchange offer memorandum dated April 24, 2018. Pursuant to the Concurrent Exchange Offer, we expect to issue the Exchange Notes. Any Exchange Notes issued will have the same terms as and form a single class with the New Notes issued in this offering. The total principal amount of the New Notes to be issued pursuant to the Concurrent Exchange Offer and this offering is US\$130,000,000.

General Information

We were incorporated as an exempted company under the laws of the Cayman Islands on October 19, 2010. On October 31, 2013, we listed our ordinary shares on the Main Board of the SEHK. Our principal place of business in Hong Kong is located at Unit 2107 Hutchison House, 10 Harcourt Road, Central, Hong Kong, and our telephone number is (852) 2885 9877. Our website address is www.hydoocn.com. Information contained on our website does not form part of this offering circular.

THE OFFERING

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

Issuer.....	Hydoo International Holding Limited.
New Notes Offered	US\$25,893,000 aggregate principal amount of 12.00% senior notes due 2020 (the “New Notes”).
Issue Price	98.287% of the principal amount of the New Notes.
Maturity Date	May 9, 2020.
Interest	The New Notes will bear interest from and including May 9, 2018 at the rate of 12.00% per annum, payable semiannually in arrears.
Interest Payment Dates.....	May 9 and November 9 of each year, commencing November 9, 2018.
Ranking of the New Notes	The New Notes are: <ul style="list-style-type: none">• general obligations of the Company;• senior in right of payment to any existing and future obligations of the Company expressly subordinated in right of payment to the New Notes;• at least pari passu in right of payment with all other unsecured, unsubordinated Indebtedness of the Company (subject to any priority rights of such unsecured, unsubordinated Indebtedness pursuant to applicable law);• guaranteed by the Subsidiary Guarantors and the JV Subsidiary Guarantors, if any, on a senior basis, subject to the limitations described below under the caption “Description of the New Notes—The Subsidiary Guarantees and the JV Subsidiary Guarantees” and in “Risk Factors—Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral”;• effectively subordinated to the secured obligations (if any, other than Permitted Pari Passu Secured Indebtedness) of the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors, to the extent of the value of the assets serving as security therefor (other than the Collateral); and• effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries.

Subsidiary Guarantees and JV
Subsidiary Guarantees.....

Each of the Subsidiary Guarantors and JV Subsidiary Guarantors (if any, and subject to the JV Entitlement Amount) 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 New Notes.

A Subsidiary Guarantee given by a Subsidiary Guarantor and a JV Subsidiary Guarantee given by a JV Subsidiary Guarantor may be released in certain circumstances. See “Description of the New Notes—The Subsidiary Guarantees and the JV Subsidiary Guarantees—Release of the Subsidiary Guarantees and JV Subsidiary Guarantees”.

The initial Subsidiary Guarantors that will execute the Indenture on the Original Issue Date will consist of all of the Restricted Subsidiaries other than the Initial Non-Guarantor Subsidiaries. The initial Subsidiary Guarantors are holding companies that do not have significant operations. None of Zhuo Ying Limited (卓盈有限公司) (the “Initial Other Non-Guarantor Subsidiaries”) and the Restricted Subsidiaries organized under the laws of the PRC (collectively, the “PRC Non-Guarantor Subsidiaries,” and together with the Initial Other Non-Guarantor Subsidiaries, the “Initial Non-Guarantor Subsidiaries”) will be a Subsidiary Guarantor on the Original Issue Date.

No future Restricted Subsidiaries organized under the laws of the PRC will provide a Subsidiary Guarantee or JV Subsidiary Guarantee at any time in the future.

The Company will cause each of its future Restricted Subsidiaries (other than Persons organized under the laws of the PRC), promptly upon such future Restricted Subsidiary becoming a Restricted Subsidiary, to execute and deliver to the Trustee a supplemental indenture to the Indenture, pursuant to which such Restricted Subsidiary will Guarantee the payment of the New Notes as either a Subsidiary Guarantor or a JV Subsidiary Guarantor. Notwithstanding the foregoing sentence, the Company may elect to have any future Restricted Subsidiary organized outside the PRC not provide a Subsidiary Guarantee or JV Subsidiary Guarantee (each a “New Non-Guarantor Subsidiary,” together with the Initial Other Non-Guarantor Subsidiaries, the “Other Non-Guarantor Subsidiaries”), *provided* that, after giving effect to the Consolidated Assets of such Restricted Subsidiary, the Consolidated Assets of all Other Non-Guarantor Subsidiaries do not account for more than 10.0% of the Total Assets of the Company.

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

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

Ranking of JV Subsidiary Guarantees

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

- will be a general obligation of such JV Subsidiary Guarantor;
- will, together with all the JV Subsidiary Guarantees provided by the Subsidiaries and shareholders of such JV Subsidiary Guarantor, in the aggregate, be enforceable only up to the JV Entitlement Amount;
- will be effectively subordinated to secured obligations of such JV Subsidiary Guarantor, if any, to the extent of the value of the assets serving as security therefor;
- will be effectively subordinated to secured obligations of such JV Subsidiary Guarantor, if any, to the extent of the value of the assets serving as security therefor;
- will, together with all the JV Subsidiary Guarantees provided by the Subsidiaries and shareholders of such JV Subsidiary Guarantor, in the aggregate, be limited to the JV Entitlement Amount, and will rank at least *pari passu* with all other unsecured, unsubordinated Indebtedness of such JV Subsidiary Guarantor (subject to any priority rights of such unsecured and unsubordinated Indebtedness pursuant to applicable law).

Security to be Guaranteed	<p>The Company has pledged, or caused the initial Subsidiary Guarantor Pledgors to pledge, as the case may be, the Capital Stock of the initial Subsidiary Guarantors owned by the Company or the initial Subsidiary Guarantor Pledgors (the “Collateral”) (subject to Permitted Liens and the Intercreditor Agreement) on the Original Issue Date in order to secure the obligations of the Company and the Subsidiary Guarantor Pledgors under the 2018 Notes, 2019 Notes, the New Notes and the Subsidiary Guarantees and the Permitted Pari Passu Secured Indebtedness.</p> <p>The initial Subsidiary Guarantor Pledgors are Abundant Idea Investments Limited (訊溢投資有限公司), Trade Logistics Enterprises Limited (業運企業有限公司), Copious Epoch Limited (世溢有限公司) and Jiayue Limited (佳粵有限公司).</p>
Intercreditor Agreement	<p>On December 15, 2015, the Company, the initial Subsidiary Guarantor Pledgors, Citicorp International Limited as the security agent (the “Security Agent”), the trustee of the 2018 Notes and other secured parties entered into an intercreditor agreement (as may be amended or supplemented from time to time, the “Intercreditor Agreement”), which provided (1) that the 2018 Notes and the Permitted Pari Passu Secured Indebtedness shall share equal priority and <i>pro rata</i> entitlement in and to the Collateral; (2) the conditions that are applicable to the release of or granting of any Lien on such Collateral; and (3) the conditions under which their rights with respect to such Collateral and the Indebtedness secured thereby will be enforced. The holders of the 2019 Notes acceded to the Intercreditor Agreement on August 30, 2016. The Trustee will accede to the Intercreditor Agreement on the issue date of the New Notes.</p>
Use of Proceeds	<p>We estimate that the gross proceeds from this offering, before deducting the underwriting discounts and commissions and other estimated expenses payable in connection with this offering, will be approximately US\$25.4 million. We intend to use the net proceeds primarily for repayment of debts, including to redeem the 2018 Notes, and to finance acquisitions or development of assets, real or personal property or equipment to be used in the ordinary course of business, and certain amounts may be used for general corporate purposes. We may adjust our development plans in response to changing market conditions and therefore reallocate the use of proceeds within the above uses as such conditions may warrant.</p>

Optional Redemption

At any time and from time to time prior to May 9, 2020, the Company may at its option redeem the New Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the New Notes redeemed plus the Applicable Premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date.

At any time and from time to time prior to May 9, 2020, the Company may redeem up to 35% of the principal amount of the New Notes with the Net Cash Proceeds of one or more sales of its Common Stock in an Equity Offering at a redemption price of 112% of the principal amount of the New 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 New 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 New 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 New Notes at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, to (but not including) the Offer to Purchase Payment Date. See “Description of the New Notes—Repurchase of New Notes Upon a Change of Control Triggering Event.”

Additional Amounts

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

Redemption for Taxation
Reasons

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

Covenants

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

- incur 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;
- create liens;
- create encumbrance or restriction on the Restricted Subsidiaries' ability to pay dividends, pay indebtedness, transfer assets or make intercompany loans;
- issue or sell capital stock of Restricted Subsidiaries;
- guarantee additional indebtedness;
- enter into sale and leaseback transactions;
- sell assets;
- enter into transactions with shareholders and affiliates;
- engage in any business other than permitted business; and
- effect a consolidation or merger.

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

Transfer Restrictions

The New Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any) will not be registered under the Securities Act or under any state securities laws of the United States and will be subject to customary restrictions on transfer and resale. See “Transfer Restrictions”.

Form, Denomination and Registration

The New 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 and will be initially represented by a global note deposited with a common depository and registered in the name of the common depository or its nominee. Beneficial interests in the Global New Note will be shown on, and transfers thereof will be effected only through, the records maintained by Euroclear and Clearstream.

Book-entry Only

The New Notes will be issued in book-entry form through the facilities of Euroclear and Clearstream for the accounts of its participants. For a description of certain factors relating to clearance and settlement, see “Description of the New Notes—Book-Entry; Delivery and Form”.

Delivery of the New Notes

The Company expects to make delivery of the New Notes, against payment in same-day funds on or about May 9, 2018, which the Company expects will be the fifth business day following the date of this offering circular referred to as “T+5.” You should note that initial trading of the New Notes may be affected by the “T+5” settlement. See “Plan of Distribution.”

Trustee.....	Citicorp International Limited.	
Paying and Transfer Agent	Citibank, N.A., London Branch.	
Registrar	Citigroup Global Markets Deutschland AG.	
Listing and Trading.....	Approval in-principle has been received for the listing and quotation of the New Notes on the Official List of the SGX-ST. For so long as the New Notes are listed on the SGX-ST and the rules of the SGX-ST so require, the New Notes will be traded on the SGX-ST in a minimum board lot size of US\$200,000.	
Ratings	Fitch Ratings Ltd. (“Fitch”) has assigned a corporate rating of “B-” to the Company with a stable outlook. The New Notes are expected to be rated “B-” by Fitch. This rating does not constitute a recommendation to buy, sell or hold the New Notes and may be subject to suspension, reduction or withdrawal at any time by Fitch.	
Security Codes.....	ISIN	Common Code
	XS1809865378	180986537
Governing Law	Each of the New Notes and the Indenture provides that such instrument will be governed by, and construed in accordance with, the laws of the State of New York. The relevant security documents pursuant to which the Capital Stock of the Subsidiary Guarantors are pledged as described under “Description of the New Notes—Security” is expected to be governed under the laws of Hong Kong.	
Risk Factors.....	For a discussion of certain factors that should be considered in evaluating an investment in the New Notes, see “Risk Factors”.	

SUMMARY CONSOLIDATED FINANCIAL DATA

The summary consolidated statement of profit or loss and other comprehensive income for the years ended December 31, 2015, 2016 and 2017 and the summary consolidated statement of financial position as of December 31, 2015, 2016 and 2017 below have been derived from our audited consolidated financial statements included elsewhere in this offering circular. Historical results are not necessarily indicative of results that may be achieved in any future period. Our consolidated financial statements have been prepared and presented in accordance with IFRS, which differ in certain respects from generally accepted accounting principles in other jurisdictions.

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

	For the year ended December 31,			
	2015	2016	2017	
	(RMB'000)	(RMB'000)	(RMB'000)	(US\$'000)
Revenue	3,166,351	2,335,777	1,792,421	275,490
Cost of sales	(1,532,435)	(1,049,861)	(1,076,609)	(165,472)
Gross profit	1,633,916	1,285,916	715,812	110,018
Other income	78,394	21,988	491,800	75,588
Selling and distribution expenses.....	(194,541)	(149,754)	(147,277)	(22,636)
Administrative and other operating expenses	(468,241)	(552,229)	(461,682)	(70,959)
Profit from the operations before fair value gain on investment properties	1,049,528	605,921	598,653	92,011
Fair value gain on investment properties	296,543	326,451	387,870	59,615
Profit from operation after fair value gain on investment properties	1,346,071	932,372	986,523	151,626
Share of loss of an associate	—	—	(300)	(46)
Share of loss of joint ventures.....	—	(1,492)	(2,943)	(452)
Fair value change on embedded derivative component of the convertible notes	19,319	(668)	—	—
Gain on early redemption of convertible notes ..	—	14,391	—	—
Finance income	9,161	8,299	5,722	879
Finance costs.....	(150,549)	(240,439)	(275,021)	(42,270)
Profit before taxation	1,224,002	712,463	713,981	109,737
Income tax	(626,272)	(357,315)	(458,726)	(70,505)
Profit for the year	597,730	355,148	255,255	39,232
Profit attributable to				
Equity shareholders of the Company	556,875	350,280	245,573	37,744
Non-controlling interests	40,855	4,868	9,682	1,488
Other comprehensive income for the year (after tax and reclassification adjustments)				
Item that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of financial statements of subsidiaries outside the Mainland China	(19,492)	(51,230)	78,671	12,092
Other comprehensive income for the year	(19,492)	(51,230)	78,671	12,092
Total comprehensive income for the year	578,238	303,918	333,926	51,324
Total comprehensive income attributable to				
Equity shareholders of the Company	537,383	299,050	324,244	49,836
Non-controlling interests	40,855	4,868	9,682	1,488

Summary of Consolidated Statement of Financial Position

	As of December 31,			
	2015	2016	2017	
	(RMB'000)	(RMB'000)	(RMB'000)	(US\$'000)
ASSETS				
Non-current assets				
Property, plant and equipment.....	112,331	472,958	457,896	70,377
Investment properties.....	778,900	1,520,800	2,259,900	347,340
Intangible assets.....	3,983	2,956	19,555	3,006
Goodwill.....	3,631	3,631	2,252	346
Interest in an associate.....	—	—	3,700	569
Interest in joint ventures.....	150,386	149,394	146,451	22,509
Other financial assets.....	111,187	180,131	84,731	13,023
Deferred tax assets.....	316,049	247,050	148,399	22,809
Prepayment for acquisition of property, plant and equipment.....	368,535	—	—	—
Finance lease receivable.....	6,232	26,672	19,155	2,944
	<u>1,851,234</u>	<u>2,603,592</u>	<u>3,142,039</u>	<u>482,923</u>
Current assets				
Inventories.....	9,628,621	9,180,960	8,234,259	1,265,582
Prepaid tax.....	111,161	105,321	95,437	14,668
Other financial assets.....	—	—	13,548	2,082
Other current assets.....	—	—	371,000	57,022
Trade and other receivables, prepayments and deposits.....	1,393,270	1,550,738	1,088,503	167,300
Pledged and restricted cash.....	430,638	1,045,848	857,666	131,821
Cash and cash equivalents.....	1,688,923	965,685	1,000,443	153,765
	<u>13,252,613</u>	<u>12,848,552</u>	<u>11,660,856</u>	<u>1,792,240</u>
TOTAL ASSETS	<u>15,103,847</u>	<u>15,452,144</u>	<u>14,802,895</u>	<u>2,275,163</u>
EQUITY				
Capital and reserves				
Share capital.....	31,825	31,825	31,825	4,891
Reserves.....	4,604,866	4,852,252	5,159,765	793,042
Total equity attributable to equity shareholders of the Company.....	4,636,691	4,884,077	5,191,590	797,933
Non-controlling interests.....	201,889	223,207	27,671	4,253
TOTAL EQUITY	<u>4,838,580</u>	<u>5,107,284</u>	<u>5,219,261</u>	<u>802,186</u>

	As of December 31,			
	2015	2016	2017	
	(RMB'000)	(RMB'000)	(RMB'000)	(US\$'000)
LIABILITIES				
Non-current liabilities				
Bank loans and other borrowings	1,464,520	1,477,510	861,770	132,452
Senior notes	626,894	1,519,351	390,964	60,090
Corporate bonds	—	9,674	259,770	39,926
Deferred income	3,524	3,804	3,132	481
Deferred tax liabilities	14,771	14,815	77,419	11,899
	<u>2,109,709</u>	<u>3,025,154</u>	<u>1,593,055</u>	<u>244,848</u>
Current liabilities				
Trade and other payables	4,277,132	4,084,024	4,152,778	638,270
Bank loans and other borrowings	938,646	1,308,053	1,201,859	184,723
Senior notes	—	—	1,042,899	160,291
Convertible notes	844,906	—	—	—
Corporate bonds	—	—	6,665	1,024
Current tax liabilities	1,106,310	1,066,635	869,706	133,671
Deferred income	988,564	860,994	716,672	110,150
	<u>8,155,558</u>	<u>7,319,706</u>	<u>7,990,579</u>	<u>1,228,129</u>
TOTAL LIABILITIES	<u>10,265,267</u>	<u>10,344,860</u>	<u>9,583,634</u>	<u>1,472,977</u>
TOTAL EQUITY AND LIABILITIES	<u>15,103,847</u>	<u>15,452,144</u>	<u>14,802,895</u>	<u>2,275,163</u>
NET CURRENT ASSETS	5,097,055	5,528,846	3,670,277	564,111
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>6,948,289</u>	<u>8,132,438</u>	<u>6,812,316</u>	<u>1,047,034</u>

Other Financial Data

	As of and for the year ended December 31,			
	2015	2016	2017	
	(RMB)	(RMB)	(RMB)	(USD)
	(in thousands, except margin and ratios)			
Adjusted EBITDA ⁽¹⁾	1,182,480	840,611	734,510	112,892
Adjusted EBITDA margin ⁽²⁾	37.3%	36.0%	41.0%	41.0%
Adjusted EBITDA/interest expense ⁽³⁾	4.7	2.3	2.0	2.0
Total debt ⁽⁴⁾	3,874,966	4,314,588	3,763,927	578,506
Total debt/Adjusted EBITDA	3.3	5.1	5.1	5.1

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- (1) Adjusted EBITDA for any period is calculated as our profit for the period plus income tax, finance costs (including capitalized interest), depreciation and amortization, write-off of goodwill, other operating expenses and share of loss of joint ventures and an associate, but excludes finance income, dividend income, net gain on disposal of other current assets, net gain on disposal of property, plant and equipment, fair value change on derivative financial instrument, others under other income, net gain on disposal of available-for-sale investments, fair value gain on investment properties, fair value change on embedded derivative component of convertible notes and gain on early redemption of convertible notes. Adjusted EBITDA is not a standard measure under IFRS. Adjusted 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. Adjusted EBITDA does not account for tax, finance income, finance costs and other non-operating cash expenses. Adjusted EBITDA does not consider any functional or legal requirements of the business that may require us to conserve and allocate funds for any purposes. In evaluating Adjusted EBITDA, we believe that investors should consider, among other things, the components of Adjusted EBITDA such as selling and distribution expenses and administrative expenses and the amount by which Adjusted EBITDA exceeds capital expenditures and other charges. We have included Adjusted EBITDA because we believe that it is a useful supplement to the cash flow data as a measure of our performance and our ability to generate cash flow from operations to cover debt service and taxes. Adjusted EBITDA presented herein may not be comparable to similarly titled measures presented by other companies. Investors should not compare our Adjusted EBITDA to Adjusted EBITDA presented by other companies because not all companies use the same definitions.
 - (2) Adjusted EBITDA margin is calculated as Adjusted EBITDA divided by revenue.
 - (3) Interest expense consists of 2018 Notes-interest payable, 2019 Notes-interest payable, interest payable on convertible notes redeemed in 2016, interest payable on corporate bonds and interest on bank loans and other borrowings.
 - (4) Total debt represents the sum of total current borrowings and total non-current borrowings. For calculations of current borrowings and non-current borrowings, see “Capitalization and Indebtedness” included elsewhere in this offering circular.

RISK FACTORS

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

Risks Relating to Our Business and Industry

We are dependent on economic growth, especially growth in domestic consumption, in China and particularly in the cities where we have significant operations.

We are currently developing and operating trade center projects in various third-tier cities and selected second-tier cities in China. We focus on selling properties at our trade center projects to proprietors, typically owners of SMEs, in these cities. Our success depends on economic growth, the development of a consumption-driven economy, particularly the growth in domestic consumption in China and in the cities where we develop and operate our trade centers.

The PRC government has been encouraging the development of an economy driven primarily by domestic consumption rather than exports. China has traditionally had lower levels of per capita consumption and higher savings rates than other developing economies in the world. The success of this strategy is therefore closely linked to the shift of people's spending and saving behavior in China. In addition, unlike the more developed regions of China such as first-tier cities and provincial capital cities, most of the cities where we operate have remained relatively under-developed over the years. They have not substantially benefited from the urbanization process that has taken place in first-tier and most of the provincial capital cities, which has increased domestic consumption levels in those areas. Second- and third-tier cities have only recently become a focal point in the development plans of the PRC government as part of the national policy to increase domestic consumption and reduce reliance on exports.

However, urbanization process may not proceed at the current level, or the domestic consumption may not grow as expected in regions where we operate our business. These significantly affect the level of wholesale trading activities and the commercial environment, as well as the demand for trade centers in regions where we operate our business. Any economic downturn in China, particularly in the cities where we operate, or any failure by the PRC government to increase domestic consumption levels and develop a consumption-driven economy from an export-reliant economy, could materially and adversely affect the demand for our trade center products. Such decrease could negatively affect our sales volume and price, which in turn could negatively impact our revenues and profits.

Any such negative development could have a material and adverse effect on our revenue and gross and net profits. In addition, the development of trade centers are capital intensive and significantly reliant on cash flows provided through payments made from our customers for our products. Any significant decrease in demand for our trade center products could materially and adversely affect our operating cash flow and liquidity. As a result, our business, prospects, financial condition and results of operations could be materially and adversely affected.

We are particularly susceptible to changes in government policies and measures relating to the real estate industry in China.

The PRC national and local governments exert considerable direct and indirect influence on the development of the PRC property sector by imposing industry policies and other regulatory and economic measures, such as control over the supply of land for property development, foreign

exchange, property purchases, mortgage financing, taxation, interest rates and foreign investment. These policies and measures have a significant impact on our business of developing and operating trade centers, as well as our development of commercial and residential properties in our projects. For example, through these policies and measures, the PRC national and local governments may restrict or reduce land available for property development, raise benchmark interest rates of commercial banks, place additional limitations on the ability of commercial banks to make loans to property developers and property purchasers, impose additional taxes and levies, income, capital gain or otherwise, on property transactions and restrict foreign investment in the PRC property sector. In recent years, the PRC government launched a new round of real estate control policies based on the principle of “providing guidance by categories, imposing policies by cities”, and many cities became subject to various degrees of purchase and lending restrictions in China. For more information, see “Regulation—Measures on Stabilizing Property Prices.” These policies may, among other things, significantly reduce the growth rate of investment in property development in China.

Our business may also be affected by national policies relating to the development of third-tier cities and selected second-tier cities we have entered or may enter in the future. Various political, economic and social factors may lead to further adjustments and changes of such policies, including any limitation or restriction on property transactions, commercial or residential. National or local governments may adopt additional or more stringent industry policies and measures in the future. If we fail to adapt our operations to new policies and measures that may come into effect from time to time with respect to the commercial real property industry, or if such policy changes disrupt our business or cause us to incur additional costs, our business prospects, results of operations and financial condition may be materially and adversely affected.

Our business is highly regulated and is subject to extensive PRC national and local laws and regulations.

Our business of developing and operating trade centers, including wholesale trading markets, shopping malls, commercial and exhibition centers, warehouses, office buildings and other commercial and residential properties, is extensively regulated in China. In order to develop and operate a trade center project, we must obtain various permits, licenses, certificates and other approvals from the relevant regulatory authorities at various stages of our project development process, including without limitation, land title documents, planning permits, construction permits, pre-sale permits and certificates or confirmation of completion and acceptance. Each approval is dependent on the satisfaction of various conditions as set forth in PRC rules and regulations some of which can be interpreted with a significant degree of governmental discretion. We may not be able to fulfill the pre-conditions necessary to obtain required governmental approvals or adapt to new laws, regulations or policies that may come into effect from time to time with respect to the project development and commercial real estate industries in general. There may also be delays on the part of relevant regulatory bodies in reviewing our applications and granting approvals. We may also be subject to delays in our trade center development projects due to reasons beyond our control. If we are unable to obtain, or experience material delays in obtaining, the requisite governmental approvals, or if any building moratorium is implemented at one or more of our project sites, the development and sale of our projects could be substantially disrupted, which would result in a material adverse effect on our business, financial condition and results of operations. Further, the implementation of laws and regulations by relevant authorities, or the interpretation or enforcement of such laws and regulations, may cause us to incur additional costs or experience delays in our project development process which could have a material adverse effect on our business, financial condition and results of operations.

Our operating results are significantly affected by peaks and troughs in our property delivery schedule and seasonal factors.

We expect our results of operations to continue to fluctuate significantly from period to period in the future. In addition, given that we primarily engage in the development of large-scale trade center projects, typically with a total GFA of more than 400,000 sq.m. , such fluctuation may be even more significant compared to other property developers focusing on a larger number of projects but

each with a smaller scale. We recognize proceeds from the sales of a property as revenue only upon the delivery of such property. Our revenue and profit during any given period reflects the quantity of properties delivered during that period and are significantly affected by any peaks or troughs in our property delivery schedule.

Our operating results may not be indicative of the actual demand for our properties or the pre-sales or sales achieved during the relevant period. Our revenue and profit during any given period generally reflect decisions made by purchasers at some time in the past, typically during the period when the properties were pre-sold. As a result, our operating results for any period are not necessarily indicative of results that may be expected for any future period and will continue to fluctuate significantly from period to period.

Our ability to complete projects may also be affected by seasonal factors. We generally halt our construction work in some parts of northern China during winter months between November and February, which delays the completion of those property development projects. Since we recognize revenue from the sale of a property only upon the delivery of such property, seasonal variations have caused fluctuations in our semiannual results. As a result, our results of operations have fluctuated in the past where interim results are not indicative of full year results and we are likely to continue to experience such fluctuations in the future.

We may not be able to obtain sites that are suitable for trade center development projects at commercially acceptable prices, or at all.

Land prices have increased significantly in the PRC in recent years, especially in second-and third-tier cities, and may continue to increase in the future. To grow our business in the future, we are required to continue to acquire suitable sites at reasonable cost. We generally seek to maintain a portfolio of land resources sufficient for future development projects for four to five years. Our ability to identify and acquire suitable sites is subject to a number of factors that are beyond our control. The PRC national and local governments control land supply in the PRC and regulate land sales in the secondary market. As a result, regulatory policies towards land supply affect our ability to acquire land-use rights for sites we identify for development and the costs of any grant or acquisition. The PRC national and local governments may regulate the means by which property developers, including us, obtain land for property developments. In addition, our ability to obtain sites and increase revenue and number of projects, as well as our costs, expenses and profit margins also depend on the availability of favorable regulatory policies and government support and grants in local areas, which we cannot guarantee we will continue to obtain in future periods.

In addition, there may not be land available in attractive locations in our target cities for new development or redevelopment. We may not be able to identify and acquire sufficient and appropriate sites at reasonable prices, or at all, in the future. Any failure to identify and acquire sufficient and appropriate sites for our land reserves would result in uncertainties in our future development schedules, which in turn would have a material adverse effect on our future growth prospects, profitability and profit margins.

Our revenue and profits declined in the years ended December 31, 2015, 2016 and 2017.

In 2015, 2016 and 2017, our revenue was RMB3,166.4 million, RMB2,335.8 million, and RMB1,792.4 million (US\$275.5 million), respectively. Our profit for the year was RMB597.7 million, RMB355.1 million and RMB255.3 million (US\$39.2 million), over the same respective years. These declines were caused in part by the launch of various regulatory control policies for China's property market, which contracted demand, as well as surplus inventory in the real estate industry and economic pressures on China's economy. In addition, our revenue may have ongoing volatility subject to contracted sales and delivery schedule.

We have taken various measures to adapt to changes in our industry and China's economy and increase our revenue and profits, including more selective expansion into new markets, enhanced cost control, seeking strategic alliances and cooperation agreements with various commercial groups and local chambers of commerce, and pursuit of e-commerce platforms. See "Business— Our Strategies." We cannot guarantee that these strategies will succeed in increasing our revenue and profits or at all. Such failure may have a material adverse effect on our business, financial condition, results of operations and prospects.

We had negative net operating cash flow for the years ended December 31, 2015 and 2016.

We recorded negative net cash flow from operating activities of RMB1,710.6 million and RMB282.9 million in the years ended December 31, 2015 and 2016, respectively. Our negative net cash flow from operating activities was primarily attributable to the long-term and capital-intensive nature of property development, as well as our continued business expansion and increase in investment in properties under development.

We have historically financed, and expect to continue to finance, our property projects primarily through proceeds from pre-sales and sales, capital contributions from our shareholders and investors and borrowings from financial institutions. As a result of our significant and rapid growth in the scale of development activities and business operations, we may not be able to generate positive operating cash flow in the near future. Negative operating cash flow requires us to obtain sufficient external financing to meet our financial needs and obligations. If we are unable to do so, we will be in default of our payment obligations and may not be able to develop our projects as planned. As a result, our business, financial condition and results of operations may be materially and adversely affected.

The ratings assigned to the New Notes and our corporate ratings may be lowered or withdrawn in the future.

The ratings assigned to the New Notes and the corporate ratings assigned to the Company may be lowered or withdrawn in the future. On April 9, 2018, S&P downgraded the rating of the Company from "B" to "B-" with a negative outlook, and the rating of the 2018 Notes from "B-" to "CCC+". On December 14, 2017, Moody's downgraded the rating of the Company from "B2" to "B3" with a negative outlook, and the rating of the 2018 Notes from "B3" to "Caa1". These rating agencies cited our weak sales due to poor market sentiment regarding trade centers and heightened refinancing risk in the near term. As of December 31, 2017, we had approximately RMB2,251.5 million (approximately US\$346.0 million) of debt maturing within 1 year, including the current portion of our long term borrowings.

Moody's has assigned a corporate rating of "B3" to the Company with a stable outlook, S&P has assigned a corporate rating of "B-" to the Company with a negative outlook, and Fitch has assigned a corporate rating of "B-" to the Company with a stable outlook. The New Notes are expected to be rated "B-" by Fitch. The ratings address our ability to perform our obligations under the terms of the New Notes and credit risks in determining the likelihood that payments will be made when due under the New Notes. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time. A rating may not remain for any given period of time and it could 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 New Notes of any such revision, downgrade or withdrawal. A suspension, reduction or withdrawal at any time of the rating assigned to the New Notes may adversely affect the market price of the New Notes.

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

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

The unavailability of any favorable regulatory treatment, including governmental grants and preferential tax treatments, in future periods for our projects could materially and adversely affect our business, financial condition and results of operations.

We enjoy certain favorable regulatory treatments, including government grants and preferential tax treatments, which are offered by local regulatory authorities of regions where we develop our trade center projects.

We receive significant amounts of government grants in connection with our trade center projects in Ningxiang, Jining, Yulin, Mianyang, Wuzhou and Ganzhou, Heze, Yantai and Lanzhou. In 2015, 2016 and 2017, we recognized government grants of RMB468.8 million, RMB343.9 million and RMB213.8 million (US\$32.9 million), respectively, of which RMB303.3 million, RMB468.8 million, RMB220.6 million (US\$33.9 million) have been credited to cost of sales during the same periods. Government grants have historically contributed significantly to our profitability, reflected in lower cost of sales and resulting in higher gross profit margins yielded by our trade center projects, particularly those in Ningxiang, Jining and Ganzhou. The amounts of the grants also contributed to the significant fluctuation of our gross profit margins. The grants also enhanced our liquidity position, reflected in the increase in cash balances and cash equivalents and current liabilities after the receipt of grants. We expect to continue to receive government grants in the future with respect to our existing projects.

However, such government grants were offered on a case-by-case basis subject to our negotiation with relevant regulatory authorities. We may not be able to continue to secure opportunities in developing trade centers that are coupled with satisfactory government grants. In addition, the State Council of the PRC issued rules in November 2014 and May 2015 respectively to gradually eliminate certain preferential treatments, including government grants, provided by local governments and related agencies to companies. We may not be able to receive any government grants for our new projects in the future. Our gross margins may experience more significant fluctuations and we may experience decreases in profitability for our existing or future projects. As a result, our business, prospects, financial condition and results of operations may be adversely affected. One of our PRC subsidiaries, Ganzhou Hydoo Commercial and Trade Logistics Park Development Company Limited, was approved to enjoy the preferential income tax rate of 15% for the tax period from 2012 to 2020. In December 2015, Wuzhou Hydoo Commercial and Trade Centre Development Co., Ltd. was also approved to enjoy a preferential PRC CIT rate of 15% for the years from 2015 to 2020 according to a tax notice issued by the local tax bureau. However, such preferential tax treatment is legally required to be reported and declared to the local tax authority on an annual basis within five months after the year end and the local tax authority needs to review and reaffirm such treatment annually, thus there is no assurance that such preferential tax treatment will not be amended or revoked due to reasons beyond our control, including any change in the relevant policy, laws and regulations in China or in the local region. As a result, we may not be able to realize the benefit of such preferential tax treatment

as we currently expect, or at all. Moreover, once the preferential tax treatment expires or otherwise becomes unavailable to us for any reason, including their termination or cancellation by the relevant government authority, should we fail to obtain other preferential tax treatment, our profitability may be adversely affected.

We develop and operate trade centers in a limited number of cities in China and are susceptible to changes in the regulatory and economic conditions of those areas.

We develop and operate trade centers in a limited number of cities in China. We commenced the development of our first trade center in Ningxiang, Hunan province, and as of December 31, 2017, we were simultaneously developing and operating 12 projects in 7 provinces and autonomous regions in China, 11 of which were large-scale trade centers. While we are actively pursuing business opportunities and expanding our geographic presence in second- and third-tier cities in China, we expect that our business will continue to be focused on a few geographical areas in China in the near term. Any adverse developments in these local regions, including any decrease in the supply of land resources or demand for trade centers and related products in these areas, would have an adverse effect on our results of operations and financial condition.

We are also subject to the economic conditions of these areas. Any adverse developments in local economic conditions as measured by factors such as employment levels, job growth, consumer confidence, interest rates and population growth may reduce demand and depress prices for our trade centers and materially and adversely affect our financial condition and results of operations. The overall level of occupancy at our trade centers as well as the level of demand for our projects may also be significantly affected by the conditions in local markets, and market perceptions. Customer demand for our trade centers may not continue at historical levels and we may not be able to benefit from the future growth of our existing or future trade centers in these cities.

Our strategy of expanding into second-tier cities and new geographical areas, including beyond the PRC, may not succeed.

As part of our growth strategy, we plan to expand our business into additional cities in China as well as other countries. We may also acquire existing projects if suitable opportunities arise. Our experience in designing, constructing and operating trade centers in cities where we have operations may not be applicable in other regions. We may not be able to successfully leverage our experience to expand into other parts of China or other countries. When we enter into new markets, we may face intense competition from commercial or trade center operators with local industry experience or established operations and from other developers with similar expansion targets. We may also face potential regulatory hurdles in such new markets, such as permit, licensing and approval requirements, which we may not be able to meet.

In addition, expansion or acquisition requires a significant amount of capital resources, which may divert our available resources and the attention of our management from other matters. Our experience in developing trade centers in second-tier cities is still limited and we cannot guarantee that we can successfully replicate our business model in these new cities. Furthermore, we do not have a track record of business operations outside China. We may not be able to anticipate and resolve all problems that may occur during our expansion efforts, whether within or without China, and failure to do so may have a material adverse effect on our business, financial condition and results of operations.

We may not be able to successfully expand into new business lines.

Our business has historically focused on developing and selling trade center projects. We may seek to diversify our income streams by launching new business lines, such as developing an e-commerce platform, providing financial services and logistic services. Expansion of our business activities exposes us to a number of risks and challenges, including:

- insufficient experience or expertise in the new business areas, which may prevent us from effectively competing in these areas;
- imitation of our new products and services by our competitors;
- failure of our new products and services to be accepted by our customers or the market or meet our expected targets;
- inability to hire additional qualified personnel on commercially reasonable terms;
- insufficient financial, operational, management and other human resources to support our expanded range of businesses and services;
- inability to obtain regulatory approvals for our new businesses; and
- unsuccessful attempts to enhance our internal control capabilities and information technology systems to support a broader range of products and services.

Our new business lines may not be profitable or sustainable due to these and other risks, and any inability to successfully execute such plans and any failure to achieve the intended results with respect to our new businesses may have a material and adverse effect on our business, financial condition and results of operations.

The increasing popularity of e-commerce may have a competitive impact on our customers as well as the demand of new large-scale trade centers in our targeted cities.

As e-commerce has become increasingly popular in recent years, many retailers and wholesalers have started to launch online shopping and online-to-offline (“O2O”) functions. Our customers may face increasing competition from operators of e-commerce businesses as well as other online retail businesses. Manufacturers and distributors may choose to focus increasingly on Internet sales instead of traditional distribution channels. This in turn may decrease the demand of new large-scale trade centers in cities that we operate in. Competition may also intensify if the competitors of our customers set up their own Internet platforms and begin to sell products via the Internet. As a result, traffic to our projects and our occupancy rates may be affected. If our customers are unable to compete effectively against operators of these types of retail channels, our business, financial condition, results of operation and prospects may be materially and adversely affected.

We are exposed to operational concentration risks as we focus on developing a limited number of trade center projects.

We focus on developing a limited number of trade center projects based on our development schedule. Some of our development projects have an estimated GFA of more than 400,000 sq.m. We are exposed to higher concentration risks as our capital investments are typically committed to a small number of large-scale property development projects. Our existing or future large-scale developments may not be successful and any such development may encounter difficulties that may adversely affect our business, financial condition and results of operations. In addition, as we focus on the development of large-scale trade centers, any significant decrease in demand of our products at a trade center could have a material and adverse effect on our business, financial condition and results of operations. Furthermore, any decrease in demand could result in a less vibrant commercial

environment at our trade center, which could further result in a decrease in sales volume or average sales price. Due to the amount of capital required and costs incurred or to be incurred in each development, our results of operations could be adversely affected if any of our existing or future large-scale property developments is unsuccessful. Any such negative development could have a material and adverse effect on our business, financial condition and results of operations.

If we are unable to obtain the land-use rights for our additional properties planned for future development, we will not be able to develop these planned projects.

Pursuant to master investment agreements with the local government authorities regarding the development, The municipal governments of various locations in the PRC have identified land which is suitable for our development plans. However, the signing of the master investment agreements does not guarantee that we will obtain the land-use rights of the land identified.

Such land needs to be granted through a public tender, auction and listing for sale process in accordance with PRC laws and regulations. The land administration authorities may not grant us the appropriate land-use rights or issue the land-use rights certificates in a timely manner, or at all. Moreover, we may not be successful in our bidding for the plots of land in the cities where we have additional properties planned for future development or that we will be able to obtain the land at a commercially reasonable price. If we are not successful in our bidding for the plots of land where our properties are planned or fail to obtain land-use rights for all or any portion of such land, we will not be able to develop such properties as planned.

We may be unable to complete our current trade center projects according to our budget or on schedule, or at all.

Development of commercial real estate projects, such as our trade centers, involves a complex process that lasts for a long period of time and contains many inherent risks that could prevent or delay the development from completion as originally planned. In particular, substantial capital expenditures are required prior to and during the construction period, and the project may take an extended period of time before generating positive cash flows through pre-sales or sales. In addition to regulatory risks, the development progress and cost and expense of a development project can be adversely affected by many other factors, including:

- changes in market conditions including the credit market;
- ability to obtain adequate financing;
- delays in obtaining necessary licenses, permits or approvals from government agencies or authorities;
- changes in government rules and regulations and the related practices and policies, including reclamation of land for public works or facilities;
- relocation of existing residents and demolition of existing structures;
- increases in the prices of raw materials;
- latent soil or subsurface conditions and latent environmental damage requiring remediation;
- timely construction by our construction contractors;
- unforeseen engineering, design, environmental or geographic problems;
- shortages of materials, equipment, contractors and skilled labor;
- labor disputes and safety issues;

- construction accidents;
- natural catastrophes or adverse weather conditions; or
- economic downturn and deterioration in consumer sentiment in general.

Construction delays or failures to complete the construction of a project according to its planned specifications, schedule or budget as a result of the above factors, or any other factors beyond our control, may significantly increase the working capital needed to finance the prolonged development process. Our sales schedule may as a result be materially delayed and we may not be able to adapt to changing market conditions. In addition, we may be subject to liabilities arising from such delays. Any such adverse development could adversely affect our financial condition and results of operations and may also adversely affect our reputation in the industry. There is no guarantee that we will not experience material delays in completing or delivering our projects.

We may not be able to obtain adequate financing on commercially acceptable terms or at all to complete properties under development or properties planned for future development.

Property development is a capital-intensive business. We have historically financed, and expect to continue to finance, our property projects primarily through proceeds from pre-sales and sales, capital contributions from our Shareholders and investors and borrowings from financial institutions. Our ability to procure adequate financing for land acquisition and property development depends on a number of factors beyond our control, including PRC regulatory control over property developers' ability to incur indebtedness onshore or offshore

In recent years, the PRC government has adopted various measures to regulate, and to strengthen the enforcement of regulations relating to, lending practices in the property industry. For example, commercial banks and trust companies in China are prohibited by the CBRC from extending loans, including entrustment loans, to property projects that have not obtained property land titles or other key development approvals. Trust companies in China are prohibited by the CBRC from extending loans to property developers that have not obtained a Class 2 qualification certificate issued by construction authorities. Commercial banks in China are currently prohibited by the CBRC and the PBOC, from extending loans to property developers to pay land premiums. The CBRC has issued guidelines that generally require at least 30% of the total investment in a property project to be financed by the developer's own capital. In addition, restrictions on extensions of loans have been adopted with respect to property developers and development properties with past non-compliance with property laws and regulations, such as those relating to idle lands, prescribed land-use, construction commencement or completion dates or property hoarding.

In its most recent adjustment in April 2018, the PBOC adjusted the deposit reserve ratio to 16% for large institutions and 15% for smaller banks, which will be effective from April 25, 2018. If the deposit reserve ratio for commercial banks increases, it may limit the amount of funds that they may lend, and may thereby adversely affect our ability to obtain financing.

These PRC government actions and policy initiatives could further limit our ability and flexibility to use bank loans to finance our property projects. We may not be able to secure adequate financing or renew our existing credit facilities prior to their expiration or that our business, financial condition and results of operations will not be materially and adversely affected as a result of such and other government actions and policy initiatives.

We may not be able to successfully manage our growth.

We have been rapidly expanding our operations in recent years and aim to continue to grow our business and expand our operation scale. As we continue to grow, we intend to continuously improve our managerial, technical and operational platform. For example, we may need to improve our information technology system from time to time, and we will need to hire and train a large number

of skilled employees that can manage new project companies we establish with each new trade center project. In order to fund our ongoing operations and our future growth, we also need to have sufficient sources of working capital or access to additional financing from external sources. Further, we will be required to manage relationships with a greater number of customers, contractors, service providers, suppliers and lenders. We also intend to further strengthen our internal control and compliance functions in order to ensure that we are able to comply with our legal and contractual obligations and reduce our operational and compliance risks. We may experience issues such as capital constraints, operational difficulties at new locations or difficulties in replicating our business model and hiring or training new project company management or additional employees. In addition, our expansion plans may adversely affect our existing operations and thereby have a material adverse effect on our business, financial condition, results of operations or future prospects.

We recorded positive net cash flow from operating activities of RMB252.9 million (US\$38.9 million) for the year ended 31 December 2017.

The regulatory authorities in China may impose fines on us or reclaim our land if we fail to comply with the terms of the land grant contracts.

Under PRC laws and regulations, if we fail to develop a property project according to the terms of the land grant contract, including those relating to the payment of land premiums and other fees, the specified use of the land and the time for commencement and completion of the property development, the PRC government may issue a warning, impose a penalty, or reclaim our land. Specifically, under current PRC laws and regulations, if we fail to pay any outstanding land premiums by the stipulated deadline, we may be subject to a late payment penalty at the rate of 0.1% of the unpaid land premium per day. If we fail to fully pay the land premiums within 60 days after the land grant contract becomes effective, the assignor is entitled to terminate the land grant contract and claim for indemnities. Furthermore, if we fail to commence development for more than one year from the commencement date stipulated in the land grant contract, the land authorities may serve a decision on levy of idle land fee on us and impose an idle land fee of up to 20% of the land premium. If we fail to commence development for more than two years, the land is subject to forfeiture unless the delay in development is caused by government actions or by force majeure. Moreover, even if we commence development of the land in accordance with the land grant contract, if the area of the developed land is less than one-third of the area of the total site area of the land, or if the total capital expenditure is less than one-fourth of the total investment of the project, and the development of the land is suspended for over one year without government approval, the land will still be treated as idle land.

Regulations relating to idle land in China may become more restrictive in the future. If we fail to comply with the terms of land grant contracts due to delays in our project developments, or as a result of factors out of our control, we may not only lose the opportunity to develop the projects on such land, but may also lose all of our past investments in the land, which would materially and adversely affect our business, financial condition and results of operations.

We face competition from other commercial property developers in China for land and customers.

The commercial property industry in China, in particular the trade center development industry, is highly competitive. We face competition from other trade center developers and operators in China at a national level and in local markets where we develop and operate our trade centers. See “Business—Competition.” Some of our competitors in China may have a longer history of operations and more financial resources and operational experience.

Competition between trade center developers is intense and may result in, among other things, increased costs for the acquisition of land for development, a decrease in the rate at which new development properties will be approved or reviewed by the government authorities, and difficulty in obtaining high quality land sites for trade center development. Furthermore, prospective customers may consider our competitors' trade center products to be superior. As a result, we may lose potential customers who may purchase or lease our competitors' products. We may also have difficulty selling, leasing or renewing the lease of our properties, or be forced to reduce our sale prices or rents or incur additional costs in order to make our properties more attractive than those of our competitors. If we are unable to compete effectively and consistently, our market share and business prospects may decline, which could materially and adversely affect our business, reputation, financial condition and results of operations.

We face risks related to the pre-sale of properties.

PRC law allows property developers to pre-sell properties prior to their completion upon satisfaction of certain requirements. We depend on cash flows from pre-sale 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-sale of properties and may use pre-sale proceeds only to finance the development project where the pre-sold properties are located. There is no guarantee that the PRC national or local government will not adopt any limitation, restriction or abolishment of the pre-sale practice in the commercial or residential property industry. Implementation of any restrictions on our ability to pre-sell our properties, including any requirements to increase the amount of up-front expenditures we must incur prior to obtaining the pre-sale permit, would extend the time required for recovery of our capital outlay and would force us to seek alternative means to finance the various stages of our property development, which could have a material and adverse effect on our business, financial condition and results of operations.

In addition, the pre-sale of our properties carries certain risks. For example, we may fail to complete a fully or partially pre-sold property development, in which case we may be liable to purchasers for losses suffered by them. These losses may exceed any deposits that may have been made in respect of the pre-sold properties. Furthermore, if a pre-sold property is not delivered on time, the purchaser may be entitled to damages. If the delay extends beyond the contractually specified period, or if the actual GFA of a completed property delivered to a purchaser deviates by more than 3.0% from the GFA originally indicated in the property sale and purchase contract, the purchaser may terminate the property sale and purchase contract, reclaim the payment and claim damages. Any failure by us to complete fully or partially pre-sold property developments or to deliver pre-sold property on time may material and adversely affect our business, reputation, financial condition and results of operations.

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

As we pre-sell properties before their actual completion of construction, in accordance with industry practice, we provide guarantees of the mortgage loans used by our customers to purchase our properties to commercial banks in the PRC. According to market practice, PRC banks require that we guarantee these mortgage loans until the property ownership certificates are issued and the mortgage is duly registered, which generally takes place three to six months after we deliver the properties to the purchasers. See "Business—Property Sales and Leases—Property Sales." If a purchaser defaults on the mortgage loan prior to the release of our guarantee obligations, we may have to repay the mortgage loan. In line with industry practice, we do not conduct any independent credit checks on our customers and generally rely on the credit checks conducted by the mortgagee banks.

As of December 31, 2015, 2016 and 2017, our outstanding guarantees in respect of the mortgage loans of our customers amounted to RMB2,818.9 million, RMB2,881.8 million and RMB2,512.0 million (US\$386.1 million), respectively. We may be subject to guarantee-related risks. Should any material default occur or if we are called upon to honor our guarantee obligations, our business, reputation, financial condition and results of operations could be materially and adversely affected.

We may be unable to obtain, extend or renew qualification certificates for real estate development.

As a precondition to engaging in real estate development in China, a property developer must obtain a qualification certificate and renew it on an annual basis unless the rules and regulations allow for a longer renewal period. According to current PRC rules and regulations, a newly established property developer must first apply for a provisional qualification certificate with a one-year validity, which can be extended for a maximum of two years. 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. Moreover, the established property developers must also apply for renewal of their qualification certificates on an annual basis. It is mandatory under government regulations that developers fulfill all statutory requirements before obtaining or renewing their qualification certificates. We may not be able to obtain or renew the qualification certificates in a timely manner, or at all. If we do not possess valid qualification certificates, the government may refuse to issue pre-sale and other permits necessary for our property development business. In addition, the government may impose a penalty on our project companies for failure to comply with the terms of the qualification certificates. If we are unable to obtain, renew or comply with the terms of the qualification certificates, our business and financial condition could be materially and adversely affected.

We may become liable if our customers default on mortgage or bank loans we have guaranteed.

We guarantee mortgage and bank loans entered into by certain of our purchasers, including purchasers of trade center units and residential properties and purchasers under finance leases of residential and supporting commercial units. For these mortgage loans, our guarantee terminates when purchasers obtain the building ownership certificate and pledge it to the relevant banks. We do not conduct independent credit checks on our customers. If a purchaser defaults on its mortgage or bank loan, we may be required to repay the outstanding amount together with accrued interest thereon and any penalty owed by the defaulting purchaser to the relevant bank. In the event of a purchaser default, we are entitled to take over the legal title and usage rights of the related properties. If we are called upon to honor a material portion of our guarantees, our business, prospects, cash flows, financial condition and results of operations may be materially and adversely affected.

In addition, we make entrusted loans in connection with the sales and finance leases of certain units by advancing an amount, typically no more than one-half of the purchase price or the finance lease price, to the purchaser's lending bank. These advances appear as loan receivables and finance lease receivables on our consolidated balance sheet. In the event of a purchaser default, we write off the receivable and are entitled to take over the legal title and usage rights of the related properties.

We are subject to certain risks associated with debt financing which may limit or otherwise adversely affect our operations.

We maintain a certain level of borrowings to finance our operations. As of December 31, 2015, 2016 and 2017, our total outstanding bank loans, banking facilities and other similar borrowings amounted to RMB2,403.2 million, RMB2,785.6 million and RMB2,063.6 million (US\$317.2 million), respectively. In addition, as of December 31, 2017, we had US\$160 million in aggregate principal amount of the 2018 Notes and approximately US\$60 million in aggregate principal amount of the 2019 Notes outstanding, as well as HK\$11.5 million and RMB260.0 million (together, approximately

US\$41.5 million) in aggregate principal amount of corporate bonds denominated in Hong Kong dollars and Renminbi outstanding. In the future, we expect to incur additional indebtedness to complete our projects under development and projects held for future development. We may also utilize proceeds from additional offshore debt financing to acquire land resources.

Our indebtedness could have an adverse effect on us, for example by: (i) increasing our vulnerability to adverse developments in general economic or industry conditions, such as significant increases in interest rates; (ii) requiring us to dedicate a significant portion of our cash flow from operations to fund the payments for debt principal and accrued interest, thereby reducing the availability of our cash flow for other uses; (iii) limiting our flexibility in planning for, or reacting to, changes in our business or the industry in which we operate; (iv) limiting our ability to raise additional debt or equity capital in the future or increasing the cost of such funding; and (v) restricting us from making strategic acquisitions or taking advantage of business opportunities. In addition, we are subject to certain restrictive covenants under the terms of our borrowings, which may restrict or otherwise adversely affect our operations.

These covenants may restrict, among other things, our ability to incur additional debt or make guarantees, incur liens, pay dividends or distributions on our or our subsidiaries' capital stock, repurchase our or our subsidiaries' capital stock, prepay certain indebtedness, repay shareholders' loans, reduce our registered capital, sell or transfer property or assets, make investments and engage in mergers, consolidation or other change-in-control transactions. In addition, some of the loans may have restrictive covenants linked to our financial performance, such as maintaining a prescribed maximum debt-asset ratio or minimum profitability levels during the term of the loans. See "Description of Material Indebtedness and Other Obligations."

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 then prevailing economic conditions and financial, business and other factors, many of which are beyond our control. If we are unable to fulfill our repayment obligations under our borrowings, or are otherwise unable to comply with the restrictions and covenants in our current or future loan and other agreements, there could be a default under the terms of these agreements. We have made investments that exceeded the limitations under the covenants on restricted payments of the 2018 Notes and 2019 Notes and we obtained waivers from holders of the 2018 Notes and 2019 Notes for those investments. We may make similar investments in the future, and if so, we may not be able to obtain waivers from the holders of the 2018 Notes and 2019 Notes. In the event of a default under these agreements, the lenders may accelerate the repayment of outstanding debt or, with respect to secured borrowings, enforce the security interest securing the loan. Any cross-default and acceleration clause may also be triggered as a result. If any of these events occur, our assets and cash flow may not be sufficient to repay all of our indebtedness, and we may not be able to obtain alternative financing on terms that are favorable or acceptable to us. We may use part of the proceeds from this offering to repay a portion of our outstanding debts (which include a portion of the 2018 Notes and 2019 Notes) and we may decide to repay the remaining 2018 Notes and 2019 Notes and other debts in the future before their maturity or redemption dates, which would prevent us from using those funds in ways that might otherwise grow our business. As a result of any these, our financial condition, results of operations, and cash flow may be materially and adversely affected.

Our financing costs may be affected by changes in interest rates in China and abroad.

Our financing costs and, consequently, our results of operations, are affected by changes in interest rates in China and abroad. We expect that our borrowings, whether with fixed or floating interest rates or incurred at an onshore or offshore level, may be affected by certain benchmark lending rates used by our lenders, particularly the benchmark rates published by the PBOC for onshore borrowings in China. The PBOC has adjusted the benchmark rates multiple times in the past few years. The PBOC may raise lending rates further. In addition, our business, financial condition and results of operations may be adversely affected as a result of these adjustments. Our interest expenses on bank loans and other borrowings for the years ended December 31, 2015, 2016 and 2017 were RMB140.2

million, RMB170.1 million, RMB147.3 million (US\$22.6 million), respectively. Any future increases in the interest rates of our bank borrowings, including as a result of interest rate increases by the PBOC or other issuers of benchmark interest rates, could have a material adverse effect on our business, financial condition, results of operations and prospects.

Our business may be sensitive to global economic conditions.

The global financial markets are highly turbulent recently. There is considerable uncertainty over the long-term effects of the expansionary monetary and fiscal policies that have been adopted by the central banks and financial authorities of some of the world's leading economies, including China's and United States'. There have also been concerns over unrest in the Middle East and Africa, which have resulted in significant market volatility. In addition, on June 23, 2016, the United Kingdom voted to exit the European Union. Furthermore, there is considerable uncertainty arising from changing monetary and fiscal policies from United States which may result in extreme financial market volatility. This has caused significant volatility in the global financial markets, which would negatively affect financial conditions and global economy. A decline in the economic prospects of our current and potential clients and occupants and the economy in general could reduce the demand for our trade centers and residential properties and the needs for our services to the occupants. Therefore, any prolonged slowdown in the global economy may materially and adversely affect our financial condition and results of operations. In addition, the weak economy could weaken investor confidence, which constitutes the basis of the credit markets. Renewed financial turmoil affecting the financial markets, banking systems and currency exchange rates may significantly restrict the ability of our clients to obtain mortgages to finance the purchase of our trade centers and residential properties, which could materially and adversely affect the demand of our properties, as well as our ability to obtain financing in the capital markets or from financial institutions on commercially reasonable terms, or at all, which could also materially and adversely affect our business, results of operations and prospects.

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

Under the *Measures for Administration of Sale of Commodity Properties* (商品房銷售管理辦法), all property development companies in the PRC must provide certain quality warranties for the properties they 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 held by us is not sufficient to cover our payment obligations under the quality warranties, we could incur significant expenses to resolve such claims or face delays in correcting the related defects, which may in turn harm our reputation and have a material and adverse effect on our business, financial condition and results of operations.

We may be involved in legal and other proceedings arising out of our operations from time to time and may incur substantial losses and face significant liabilities as a result.

We may be involved in disputes with various parties involved in the development and sale of our properties, including business partners, contractors, suppliers, construction workers and purchasers. These disputes may lead to legal or other proceedings and may result in substantial costs, delays in our development schedule, and the diversion of resources and management's attention, regardless of the outcome. As most of our projects are developed in multiple phases, purchasers of our properties in earlier phases may file legal actions against us if our subsequent planning and development of the relevant project is perceived to be inconsistent with the representations and warranties we made to such earlier purchasers. These disputes and legal and other proceedings may materially and adversely affect our reputation, business, results of operations and financial condition. The judicial process involved may decrease the time we devote to normal and customary operating functions. If we fail to resolve these disputes in our favor, we may incur substantial losses and face significant liabilities. We

may also have disagreements with regulatory bodies in the course of our operations, which may subject us to administrative proceedings and unfavorable decisions that result in penalties and/or delay in our property developments. Furthermore, if our PRC subsidiaries are not in full compliance with PRC laws and regulations, including those in relation to registered share capital, business licenses, operation permits and their articles of association, their operations may be adversely affected if they are subject to fines or sanctions imposed by PRC authorities as a result. In such cases, our results of operations and cash flow could be materially and adversely affected. In addition, any failure by us or any of our directors, officers or agents to fully comply with 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, results of operations and financial condition.

Investment properties are illiquid and changes in the fair value of such investment properties could affect our profit.

We plan to retain a portion of our properties for recurring rental income in the later stages of our development, and some of such properties may be designated as properties held for investment purposes. As of December 31, 2017, we had an aggregate of 279,237 sq.m. of properties designated as investment property. In general, investment in properties is relatively illiquid compared with other forms of investment. Economic conditions may change that could force us to consider disposing of some or all of our investment properties. Our ability, however, to sell any of our investment properties in response to changing economic, financial and investment conditions on a timely basis, or at all, is limited.

In particular, there is a limited trading market or platform for investment properties in cities where we operate, which are primarily third-tier cities and selected second-tier cities. Furthermore, we may not be able to sell any of our investment properties at prices or on terms satisfactory to us, or at all. We cannot predict the length of time needed to find a purchaser and to complete the sales of a property we currently hold or plan to hold for investment purposes. Moreover, should we decide to sell a property subject to tenancy agreements, we will have to obtain consent from, or pay termination fees to, our tenants.

In addition, investment properties may not be readily convertible to alternative uses if they become unprofitable due to increased competition, decreased demand, age, appearance or other factors. The conversion of investment properties to alternative uses generally requires substantial capital expenditures. We may be required to expend funds on maintenance or improvements before a property may be sold, and we may not have sufficient funds for such purposes. Such factors may impede our ability to respond to adverse changes in the performance of our investment properties, adversely affect our ability to retain tenants, and materially and adversely affect our business, financial condition and results of operations.

Furthermore, we are required to reassess the fair value of any investment properties we may hold. Gains or losses arising from changes in the fair value of any such investment properties will be reflected in our results of operations in the period in which they arise. Fair value gains in investment properties would not change our cash position as long as these properties are held by us, and thus would not increase our liquidity in spite of the increased profit.

We may be adversely affected by the performance of third-party service providers, such as construction contractors and design firms and increases in the service charges or prices of construction materials and equipment.

We employ third-party service providers to carry out various tasks, such as project planning, design and construction work. We select third-party service providers based on their reputation, quality of work and prior dealings with us. See “Business—Our Development Process—Project Construction.” We endeavor to employ companies with good reputations, credibility and sufficient financial resources, but we cannot guarantee that any such third-party contractor will provide

satisfactory services at the required level of quality. Moreover, the completion of our property developments may be delayed and we may incur additional costs due to a service provider's financial or operational difficulties. Our third-party service providers may undertake significant projects from other developers or otherwise engage in highly-demanding undertakings or otherwise encounter financial or resource constraints, which may cause significant delays in the completion of our property projects, affect the quality of our projects, or increase our project development costs and risks. The services rendered by any of these service providers may not always be satisfactory or match our quality requirements.

In addition, these service providers may significantly increase their service fees. Any of these factors could have a negative impact on our business, reputation, financial condition and results of operations. In addition, our third-party contractors are generally responsible for our construction materials and equipment procurement with the exception of certain equipment that we centrally procure at a group level. Our engagement with these construction companies typically provides for price adjustment in the event of significant fluctuation in construction materials and equipment prices. In addition, any general increase in construction materials and equipment prices could result in a generally higher level of construction company fees to be borne by us. Therefore, increases in the price of construction materials and equipment could be passed on to us directly or indirectly. Any such increase could have an adverse effect on our results of operations, financial condition and business prospects.

We may suffer losses caused by natural disasters, acts of war or terrorist attacks, and these losses may not be fully covered by insurance.

Our business may be adversely affected due to the occurrence of typhoons, severe storms, earthquakes, floods, wildfires or other natural disasters or similar events in the areas where we develop and operate our trade centers. Although we carry insurance on our properties with respect to specified catastrophic events of types and in amounts and with deductibles that we believe are in line with coverage customarily obtained by owners of similar properties, we cannot guarantee you that our insurance coverage is sufficient to cover potential losses, and there are other types of losses, such as from war, nuclear contamination, tsunamis, pollution and acts of terrorism, for which we cannot obtain insurance at a reasonable cost or at all. Should an uninsured loss or a loss in excess of insured limits occur, we could lose all or a portion of the capital invested in a property, as well as the anticipated future revenues from the property. Nevertheless, we would remain obligated for any bank borrowings or other financial obligations related to the property. It is also possible that third-party insurance carriers will not be able to maintain reinsurance sufficient to cover any losses that may be incurred. Any material uninsured loss could materially and adversely affect our business, prospects, cash flows, financial condition and results of operations.

In addition, we usually have to renew our insurance policies every year and negotiate acceptable terms for coverage, exposing us to the volatility of the insurance markets, including the possibility of rate increases. We regularly monitor the state of the insurance market, but we cannot anticipate what coverage will be available on commercially reasonable terms in future policy years. Any material increase in insurance premiums or decrease in available coverage in the future could adversely affect our business, prospects, cash flows, financial condition and results of operations.

We have limited insurance to cover our potential losses and claims.

Our current insurance may not be sufficient to cover potential losses or claims in the future. We do not carry insurance against all potential losses or damages with respect to our properties under development other than those buildings over which our lending banks have security interests and for which we are required to maintain insurance coverage under the loan agreements with those lending banks. In addition, we do not maintain insurance coverage against liability arising from personal injuries or other tortious acts related to construction work at our trade center projects as such liabilities are generally borne by construction companies. We may be sued or held liable for damages due to any such personal injuries and other tortious acts. Moreover, our business may be adversely

affected due to the occurrence of natural disasters and other unanticipated catastrophic events, with respect to which we do not carry any insurance. If we suffer from any losses, damages or liabilities in the course of our operations and property development, we may not have sufficient financial resources to fully cover such losses, damages or liabilities or to replace any property development that has been destroyed, and may lose all or a portion of our invested capital in the affected properties and anticipated future income from such properties. Any such material uninsured loss could have a material adverse effect on our business, financial condition and results of operations.

We may be subject to higher LAT rates in the future.

In accordance with the provisions of the LAT Regulation, all persons including companies and individuals that receive income from the sale or transfer of state-owned land-use rights, buildings and their attached facilities must pay LAT at 30% to 60% on any appreciation gain in respect of the land and improvements on such land. In addition, certain of our subsidiaries were subject to a LAT calculated based on 6% to 8% of their revenue in accordance with the authorized tax valuation method approved by local tax authorities. As permitted by PRC laws, we have been prepaying LAT with reference to our pre-sale proceeds. We recorded LAT expenses of RMB344.5 million, RMB124.3 million, RMB198.8 million (US\$30.6 million) for the year ended December 31, 2015, 2016 and 2017, respectively. The PRC regulatory authorities may use a different method to assess our LAT obligations. As a result, we may be required to pay additional LAT and our LAT rates and obligations in the future may also increase, which may have an adverse effect on our financial condition.

Potential liability for environmental issues could result in substantial costs.

We are subject to a variety of environmental laws and regulations during the construction of our development projects. The particular environmental laws and regulations which apply to any given project development site vary greatly according to the site's location, the site's environmental condition, the present and former uses of the site, as well as adjoining properties. Environmental laws and conditions may result in project delays, may cause us to incur substantial compliance and other costs and can prohibit or severely restrict project development activity in environmentally sensitive regions or areas. In addition, we cannot predict the impact that unforeseeable environmental contingencies or new or changed laws or regulations may have on us or our trade center projects.

As required by PRC law, independent environmental consultants have conducted environmental impact assessments at all of our construction projects. Although the environmental investigations conducted to date have not revealed any environmental liability that would be expected to 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 or their extent, and there may be material environmental liabilities of which we are unaware. Upon completion of each project, the environmental authorities will inspect the site to ensure compliance with all applicable environmental standards. If any portion of the project is found to be non-compliant with environmental standards, we will be required to suspend certain of our operations, and may be fined, either of which could materially and adversely affect our business, financial condition and results of operations.

Our Controlling Shareholders have substantial control over our Company and may take actions that are not in, or may conflict with, our best interests or the best interests of our creditors, including the holders of the New Notes.

Our Controlling Shareholders have and will continue to have the ability to exercise a controlling influence over our business, and may cause us to take actions that are not in, or may conflict with, the best interests of our Company or our creditors, including matters relating to our management and policies and the election of our directors and senior management. Our Controlling Shareholders will be able to influence our major policy decisions, including our overall strategic and investment decisions, by controlling the election of our directors and, in turn, indirectly controlling the selection

of our senior management, determining the timing and amount of any dividend payments, deciding on increases or decreases in our share capital, determining our issuance of new securities, approving mergers, acquisitions and disposals of our assets or businesses, and amending our articles of association.

Our success depends on the continuing efforts of our senior management team and other key personnel.

Our future success depends heavily upon the continuing services of the members of our senior management team, who have extensive experience in the trade center development industry. If one or more of our senior executives or other personnel are unable or unwilling to continue in their present positions, we may not be able to replace them easily or at all, and our business may be disrupted and our financial condition and results of operations may be materially and adversely affected. In addition, our ability to expand depends on our being able to attract skilled management-level employees on the project company level. Competition for senior management and key personnel is intense and the pool of qualified candidates is very limited, and we may not be able to retain the services of our senior executives or key personnel, or attract and retain high quality senior executives or key personnel in the future. In addition, if any such person or any other key personnel of the Company carries on any activities competing with us, we may lose customers, key professionals and staff members and our legal remedies against such persons may be limited.

Any failure to protect our brand and trademarks could have a negative impact on our business.

We believe our brand and trademarks are important to our success. Any unauthorized use of our brand, trademarks and other intellectual property rights could limit our competitive advantages and harm our business. Historically, China has not protected intellectual property rights to the same extent as some other countries, and the infringement of intellectual property rights continues to pose a serious risk of doing business in China. Monitoring and preventing unauthorized use is difficult. The measures we take to protect our intellectual property rights may not be adequate. Furthermore, the application of laws governing intellectual property rights in China and abroad is uncertain and evolving. If we are unable to adequately protect our brand, trademarks and other intellectual property rights, we may lose these rights and our business may suffer materially.

The discovery of cultural relics at a construction site could result in the delay or abandonment of a property development project.

Under PRC law, if any cultural relics are discovered beneath our development sites during our construction process, such discovery must be immediately reported to the local department of cultural relics administration and construction must be immediately suspended or partly suspended for archaeological surveying. If an underground discovery is classified as “highly valuable” by archaeologists and a parcel of land is considered to be of public interest by reason of its historical or archaeological significance, the parcel of land has to be returned to the government and the entire project has to be relocated. Although the government is required to compensate a property developer for a parcel of land returned to it for archaeological purposes, we cannot assure you that such compensation will be sufficient to cover the full amount of the land grant fees paid, any other expenses incurred by the developer in connection with the relevant site or consequential damages. If any historic relics are discovered under any of the construction sites in the future, the completion of the projects may be delayed or we may even be required to return the relevant parcels of land to the government, which may materially and adversely affect our business, prospects, cash flows, financial condition and results of operations.

Compliance with PRC laws and regulations regarding environmental protection or preservation of antiquities and monuments could result in substantial delays in construction schedule and additional costs

We are subject to extensive PRC laws and regulations concerning environmental protection and preservation of antiquities and monuments which impose fines for violation and authorize government authorities to shut down any construction sites that fail to comply with governmental orders requiring the cessation of certain activities causing environmental damage. The application of such laws and regulations vary greatly according to a site's location, its environmental condition, present and former use, as well as the circumstances of its adjoining properties. Such variation in application may result in delays in our project completion and may cause us to incur substantial compliance and other costs and severely restrict our project development activities in certain regions or areas.

As required by PRC laws and regulations, each project we develop is required to undergo environmental assessments and the related assessment document must be submitted to the relevant government authorities for approval before commencement of project construction. If we fail to meet such requirements, the local authorities may issue orders to suspend our construction activities and impose a penalty in the range of RMB50,000 to RMB200,000. We cannot assure you that we will be able to comply with all such requirements with respect to environmental assessments. In the event of a suspension of construction and/or imposition of a fine as a result of our non-compliance, our financial condition may be materially and adversely affected.

There is a growing awareness of environmental issues in the PRC and we may sometimes be expected to meet more stringent standards than those under applicable environmental laws and regulations. We have not adopted any special environmental protection measures other than the measures generally taken in the ordinary course of business by comparable companies in our industry. There is no assurance that more stringent requirements on environmental protection will not be imposed by the relevant PRC governmental authorities in the future. If we fail to comply with existing or future environmental laws and regulations or fail to meet public expectations, our reputation may be damaged or we may be required to pay penalties or fines or take remedial actions, any of which could have a material adverse effect on our business, results of operations and financial condition.

We may not have adequate insurance coverage to cover our potential liability or losses and, as a result, our business, results of operations and financial condition may be materially and adversely affected.

We maintain insurance as required by applicable PRC laws and regulations and as we consider appropriate for our business operations. We do not, however, maintain insurance against all risks associated with our operations, such as insuring our projects under development against natural or accidental damage and destruction by fire, flood, lightning, explosions or other hazards during construction periods or insuring our assets against certain natural disasters. We may incur losses, damages or liabilities during any stage of our property development and we may not have sufficient funds to cover the same or to rectify or replace any uninsured property or project that has been damaged or destroyed. In addition, any payments we are obligated to make to cover any losses, damages or liabilities may materially and adversely affect our business, results of operations and financial condition.

Our results of operations and financial condition may be affected by the occurrence of epidemics and natural disasters as well as political instability.

Our business can be affected by major natural disasters, or widespread outbreaks of infectious diseases in China. Past occurrences of epidemics, depending on their scale of occurrence, have caused different degrees of damage to the national and local economies in China. For example, a serious earthquake and its successive aftershocks hit Sichuan Province in May 2008 and resulted in tremendous loss of lives and destruction of assets in the region. In 2003, certain Asian countries and regions, including the PRC and Taiwan, encountered an outbreak of Severe Acute Respiratory

Syndrome, or SARS, a highly contagious form of atypical pneumonia. Recurrence of SARS or an outbreak of any other epidemics in China, such as influenza A (H1N1) and avian flu (H5N1 or H7N9) and the Middle East respiratory syndrome (MERS), may cause disruption of regional or national economic activity, which can affect consumers' purchasing power in the affected areas and, therefore, reduce demand for our products. Such event may also result in the temporary closure of our trade centers for quarantine or for preventive purposes, which in turn may materially and adversely affect our business, financial condition and results of operations. Any natural disasters, political unrest, war, acts of terrorism and other instability in the PRC can also result in disruption to our business or the businesses of our customers.

Risks Relating to the PRC

Adverse changes in China's economic, political, and social conditions, as well as governmental policies could have a material adverse effect on China's overall economic growth, which in turn, could materially and adversely affect our business, financial condition and results of operations.

The Chinese economy differs from the economies of most developed countries in many respects, including: (i) structure; (ii) level of governmental involvement; (iii) level of development; (iv) growth rate; (v) control of foreign exchange and capital flows; and (vi) allocation of resources. The Chinese economy is in transition from a planned economy to a market economy. While the Chinese economy has grown significantly in the past two decades, the growth has been uneven geographically, among various sectors of the economy and during different periods. The Chinese economy may not continue to grow or may not do so at the pace that has prevailed in recent years, or that if there is growth, such growth will be steady and uniform. In addition, if there is a slowdown, such slowdown could have a negative effect on our business. Due in part to the impact of the global economic and financial crisis and other factors, the growth rate of China's real gross domestic product was 6.9% in 2015, 6.7% in 2016 and 6.9% in 2017. It is uncertain whether the various macro-economic measures, monetary policies and economic stimulus packages adopted by the PRC government will be effective in restoring or sustaining the fast growth rate of the Chinese economy. Any adverse change in China's economic, political and social conditions, as well as governmental policies could have a material adverse effect on China's overall economic growth, which in turn could materially and adversely affect our business, financial condition and results of operations.

Fluctuations in the exchange rates of the Renminbi may have a material adverse effect on your investment.

The exchange rates between the Renminbi and the U.S. dollar, the Hong Kong dollar, and other foreign currencies are affected by, among other things, changes in China's political and economic conditions. Pursuant to reforms of the exchange rate system, Renminbi-to-foreign currency exchange rates are allowed to fluctuate within a band of 2.0% above or below the central parity rate against a basket of foreign currencies, effective March 17, 2014. In August 2015, the PBOC changed the way it calculates the mid-point price of Renminbi against U.S. dollar, requiring the market-makers who submit for the PBOC's reference rates to consider the previous day's closing spot rate, foreign-exchange demand and supply as well as changes in major currency rates. This change, and other changes such as widening the trading band that may be implemented, may increase volatility in the value of the Renminbi against foreign currencies. The PRC government may adopt further reforms of its exchange rate system, including making the Renminbi freely convertible in the future. If such reforms were implemented and resulted in devaluation of the Renminbi against the U.S. dollar and other currencies, our gearing may increase and our financial condition and results of operations could be adversely affected because part of our existing indebtedness and obligations are denominated in U.S. dollar. Such devaluation could also adversely affect the value, translated or converted into U.S. dollars or otherwise, of our earnings and our ability to satisfy our obligations under the 2018 Notes, 2019 Notes and the New Notes and our ability to obtain future financings in foreign currencies.

As we rely on dividends paid to us by our operating subsidiaries, any significant revaluation of the Renminbi may have a material adverse effect on the value of dividends payable in foreign currency terms. To the extent that we need to convert the proceeds from this offering and future financing into Renminbi for our operations, appreciation of the Renminbi against the relevant foreign currencies would have an adverse effect on the Renminbi amount we would receive from the conversion. Conversely, if we decide to convert our Renminbi into Hong Kong dollars for the purpose of making payments for dividends on our shares or for other business purposes, appreciation of the Hong Kong dollar against the Renminbi would have a negative effect on the Hong Kong dollar amount available to us.

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

On October 21, 2005, State Administration of Foreign Exchange (“SAFE”) promulgated the Circular Concerning Relevant Issues on the Foreign Exchange Administration of Raising Funds through Overseas Special Purpose Vehicles and Investing Back in China by Domestic Residents (《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》), which became effective on November 1, 2005 (“Circular No. 75”). The notice requires PRC domestic resident natural persons (境內居民自然人) to register or file with the local SAFE branch in the following circumstances: (i) before establishing or controlling any company outside the PRC for the purpose of capital financing, (ii) after contributing their assets or shares of a domestic enterprise into overseas special purpose vehicles, or raising funds overseas after such contributions, and (iii) after any major change in the share capital of the special purpose vehicles without any round-trip investment being made. On July 14, 2014, SAFE promulgated the Circular Concerning Relevant Issues on the Foreign Exchange Administration of Offshore Investing and Financing and Round-Trip Investing by Domestic Residents through Special Purpose Vehicles (the “Circular No. 37”) (《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》), for the purpose of simplifying the approval process, and for the promotion of the cross-border investment. The Circular No. 37 supersedes the Circular No. 75 and revises and regulates the relevant matters involving foreign exchange registration for round-trip investment. Under the Circular No. 37, in the event the change of basic information of the registered offshore special purpose vehicle such as the individual shareholder, name, operation term, etc., or if there is a capital increase, decrease, equity transfer or swap, merge, spin-off or other amendment of the material items, the domestic resident shall complete the change of foreign exchange registration formality for offshore investment. In addition, according to the procedural guideline as attached to the Circular No. 37, the principle of review has been changed to “the domestic individual resident is only required to register the SPV directly established or controlled (first level).” According to Circular of the State Administration of Foreign Exchange on Further Simplifying and Improving the Direct Investment-related Foreign Exchange Administration Policies (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》) promulgated by the SAFE on February 13, 2015, which became effective from June 1, 2015, the initial foreign exchange registration for establishing or taking control of a special purpose vehicle by domestic residents may be filed with a qualified bank, instead of the local branch of the SAFE.

Governmental control over currency conversion may limit our ability to utilize our cash effectively and potentially affect our ability to pay interest to holder of the New Notes.

We currently receive substantially all of our revenues in Renminbi through our ownership and operation of subsidiaries in China. The PRC government imposes controls on the convertibility of Renminbi into foreign currencies and, in certain cases, the remittance of currency out of China. Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and expenditures from trade related transactions, can be made in foreign currencies without prior approval from SAFE by complying with certain procedural requirements. However, approval from SAFE or its local branch is required where Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses such as the

repayment of loans denominated in foreign currencies. The PRC government may also at its discretion restrict access in the future to foreign currencies for current account transactions. Under our current corporate structure, our Company's income is derived from dividend payments from our PRC subsidiaries. Shortages in the availability of foreign currency may restrict the ability of our PRC subsidiaries to remit sufficient foreign currency to pay dividends or other payments to us, or otherwise satisfy their foreign currency-denominated obligations. If the foreign exchange control system prevents us from obtaining sufficient foreign currency to satisfy our currency demands, we may not be able to pay interest to holders of the New Notes. In addition, because a significant amount of our future cash flows from operations will be denominated in Renminbi, any existing and future restrictions on currency exchange may limit our ability to purchase goods and services outside of China or otherwise fund our business activities that are conducted in foreign currencies.

The payment of dividends by our operating subsidiaries in China is subject to restrictions under PRC law.

The Company is a holding company established in the Cayman Islands and we operate a substantial part of our business through our subsidiaries in China. PRC laws require that dividends be paid only out of net profit, calculated according to PRC accounting principles, which differ in many aspects from generally accepted accounting principles in other jurisdictions, including IFRS and United States generally accepted accounting principles. PRC laws require foreign invested enterprises, including all of our subsidiaries in China, to set aside part of their net profit as statutory reserves. These statutory reserves are not available for distribution as cash dividends. Since the availability of funds to pay dividends to our shareholders and to service our indebtedness, including the New Notes, depends upon dividends received from these subsidiaries, any restrictions on the availability and flexibility to transfer dividend outside China may impact our ability to service our indebtedness, including the New Notes.

The PRC government has implemented restrictions on the ability of PRC property developers to obtain offshore financing.

On May 23, 2007, Ministry of Commerce of the PRC ("MOFCOM") and SAFE issued the *Notice on Further Strengthening and Regulating the Approval and Administration of Foreign Direct Investments in the Real Estate Industry* (關於進一步加強、規範外商直接投資房地產業審批和監管的通知) ("Notice No. 50"). On April 28, 2013, SAFE issued the Measures for the Administration of Foreign Debt Registration (外債登記管理辦法) ("Notice No. 19"), which was revised by SAFE on April 26, 2016 and June 9, 2016. Notice No. 50 and Notice No. 19 stipulate, among other things, (i) that SAFE will no longer process foreign debt registrations and applications for the purchase of foreign exchange submitted by foreign-invested real estate enterprises (including newly established enterprises and enterprises with increased registered capital) which obtained approval certificates from and registered with MOFCOM on or after June 1, 2007 and (ii) that SAFE will no longer process foreign exchange registrations (or amendments of such registrations) or applications for the sale and purchase of foreign exchange submitted by foreign-invested real estate enterprises which obtained approval certificates from the commerce departments of local governments but which had not registered with MOFCOM. These regulations restrict the ability of foreign-invested property development companies to raise funds offshore by structuring the funds as a shareholder loan to the property development companies in the PRC. Instead, such companies have to structure the funds from offshore as an equity investment and obtain the funds through an increase of their registered capital or the establishment of new foreign-invested property development companies.

Pursuant to the requirements in the relevant foreign-invested real estate laws and regulations, we must apply to the relevant examination and approval authorities if we plan to expand the scope of our business or the scale of our operations, engage in new real estate project developments or operations, or increase the registered capital of our subsidiaries or associated project companies in the PRC in the future. A substantial amount of our net proceeds from this offering will need to be initially used to increase the registered capital of, or acquire additional equity interests in, our existing foreign-invested subsidiaries in the PRC, to establish new foreign-invested subsidiaries in the PRC or

acquire business or companies from third parties. In addition, we may raise additional capital offshore after the completion of this offering. As a result, we must apply for such approvals with the relevant examination and approval authorities before we may remit the proceeds from this offering into the PRC for such intended use in the PRC as described in the section headed “Use of Proceeds.” There can be no assurance that such approvals will be completed on a timely basis, or that we will receive the approvals we request, which may delay or prevent us from using such proceeds for our intended purposes. In addition, if the PRC government issues policies or regulations that aim at further regulating or restricting overseas investment in the PRC real estate industry and if these policies or regulations have a direct application to our business and operations, our ability to secure new projects may suffer and our business, financial condition, results of operations and prospects could be materially and adversely affected.

Any change in the preferential tax treatment we currently enjoy in the PRC may have an adverse impact on our results of operations.

The PRC Enterprise Income Tax Law (the “EIT Law”) and its Implementation Rules, which became effective on January 1, 2008 replaced the previous two separate tax regimes for foreign-invested enterprises and Chinese domestic companies and imposes a single uniform income tax rate of 25% for all enterprises, including foreign-invested enterprises, unless they qualify for any exemptions or reductions. Although the EIT Law revokes many of the previous tax exemption, reduction and preferential treatments which were applicable to foreign-invested enterprises, it provides for various transition periods and measures for previous preferential tax policies. One of our PRC subsidiaries, Ganzhou Hydoo Commercial and Trade Logistics Park Development Company Limited, was approved to enjoy the preferential income tax rate of 15% for the tax period from 2012 to 2020. However, such preferential tax treatment is legally required to be reported and declared to the local tax authority on an annual basis within five months after the year end and the local tax authority needs to review and reaffirm such treatment annually, thus there is no assurance that such preferential tax treatment will not be amended or revoked due to reasons beyond our control, including without limitation, any change in the relevant policy, laws and regulations in China or in the local region. As a result, we may not be able to realize the benefit of such preferential tax treatment as we currently expect, or at all. Moreover, once the preferential tax treatment expires or otherwise becomes unavailable to us for any reason, including their termination or cancellation by the relevant government authority, and we fail to obtain other preferential tax treatment, our profitability may be adversely affected.

We may be treated as a PRC tax resident, which may have an adverse effect on us and the holders of New Notes.

Under the EIT Law, if an enterprise is incorporated outside the PRC but its “actual management organization” is located within the PRC, such enterprise may be treated as a PRC tax resident enterprise and be subject to the unified enterprise income tax rate of 25% on its global income. The Implementation Rules of the Enterprise Income Tax Law defined the “actual management organization” as an organization actually managing and controlling an enterprise’s production, operation, personnel, finance and assets. If the PRC tax authorities determine that our overseas holding company or any other non-PRC entities are “PRC resident enterprises” for PRC enterprise income tax purposes, a number of unfavorable PRC tax consequences could follow. First, we would be subject to enterprise income tax at a rate of 25% on our global taxable income as well as PRC enterprise income tax reporting obligations. In addition, although under the EIT Law and its Implementing Rules, dividends income between qualified PRC resident enterprises is tax-exempted, it is not clear how the qualified PRC resident enterprise is defined under the EIT Law. As a result, there is no assurance that we would enjoy such tax exempt treatment on dividends payable to us from our PRC subsidiaries. Finally, if interest paid on the New Note to our non-PRC New Note holders or gains derived by our non-PRC New Note holders from transferring the New Notes are treated by the PRC taxation authorities as income derived from sources within the PRC, such interest and gains may be subject to a 10% withholding tax (or a lower treaty rate, if any), provided that the non-PRC New Note holders are “non PRC resident enterprises” without any establishment or place within China or that

such interest or gains have no connection with the establishment or place of the non-PRC New Note holders in the PRC. Furthermore, if we are considered a PRC resident enterprise and relevant PRC tax authorities consider interest we pay with respect to the New Notes, or any gains realized from the transfer of New Notes, to be income derived from sources within the PRC, such interest or gains earned by non-resident individuals may be subject to PRC income tax (which, in the case of interest, may be withheld by us) at a rate of 20% (or a lower treaty rate, if any).

If we were treated as a PRC resident enterprise and were required to withhold PRC tax on payments of interest, we would be required to withhold PRC tax on interest payable to certain of our non-resident New Note holders and pay, subject to certain exceptions, additional amounts with respect to such withholding, which may have an adverse effect on our cash flows. If we fail to perform such withholding obligation, we may be subject to substantial fines, which could have an adverse effect on our results of operations.

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

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, replacing the business tax (“BT”) that co-existed with VAT for over 20 years. Since the issuance of Circular Caishui 2016 No. 36 (“Circular 36”) on March 23, 2016, the PRC Ministry of Finance and State Administration of Taxation 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 BT rate we were subject to prior to the implementation of Circular 36. For example, the VAT rate for construction services will generally be increased from 3% (current BT rate) to 11%; the VAT rate for real estate services will be increased from 5% (current BT rate) to 11%. Unlike the BT, the VAT will only be imposed on added value, which means the input tax incurred from our construction and real estate will be able to be offset in the output tax. However, details of concrete measures are still being formulated in accordance with Circular 36.

We may be subject to additional payments of statutory employee benefits.

As required by PRC regulations, we make contributions to mandatory social security funds for the benefit of our PRC employees that provide for pension insurance, medical insurance, unemployment insurance, personal injury insurance, maternity insurance and housing funds, to designated government agencies. During 2015, 2016 and 2017, we did not make sufficient contributions to the social insurance and housing provident funds for some of the employees due to miscommunication between our departments, inconsistency in implementation or interpretation of the relevant PRC laws and regulations among government authorities in the PRC and, in some cases, voluntary decisions by the relevant employees.

According to the relevant PRC laws and regulations, our failure in making requisite social insurance or housing provident fund contributions may result in a fine imposed on us or us being required to rectify the noncompliance by any relevant governmental authorities.

We cannot assure you that we will not be subject to any order to rectify non-compliance in the future, nor can we assure you that there are no, or will not be any, employee complaints regarding payment of the social insurance or housing provident funds against us, or that we will not receive any claims in respect of social insurance contributions under national laws and regulation. In addition, we may incur additional expenses to comply with such laws and regulations by the PRC government or relevant local authorities.

The construction business and the property development business are subject to claims under statutory quality warranties.

Under the relevant regulation of construction quality in PRC, all property development companies in the PRC must provide certain quality warranties for the properties they develop or sell. We are required to provide these warranties to our customers. We may sometimes receive quality warranties from our third-party contractors with respect to our development projects. If a significant number of claims are brought against us under our warranties and if we are unable to obtain indemnities for such claims from third-party contractors in a timely manner or at all, we could incur significant expenses to resolve such claims or face delays in correcting the related defects, which could in turn harm our reputation and have a material and adverse effect on our business, financial condition, results of operations and prospects.

We face uncertainty with respect to transfers of equity interests in PRC resident enterprises by their non-PRC holding companies.

On February 3, 2015, the PRC State Administration of Taxation issued the Public Announcement on Several Issues Concerning Enterprise Income Tax for Indirect Transfer of Assets by Non-Resident Enterprises (《關於加強非居民企業股權轉讓所得企業所得稅管理的通知》(國稅函[2015]7號)) (“SAT Circular No. 7”). SAT Circular No. 7 provides comprehensive guidelines relating to indirect transfers by a non-PRC resident enterprise of assets (including equity interests) of a PRC resident enterprise (“PRC Taxable Assets”). For example, SAT Circular No. 7 specifies that the PRC tax authorities are entitled to reclassify the nature of an indirect transfer of PRC Taxable Assets, when a non-PRC resident enterprise transfers PRC Taxable Assets indirectly by disposing of equity interests in an overseas holding company directly or indirectly holding such PRC Taxable Assets. The PRC tax authorities may disregard the existence of such overseas holding company and consider the transaction to be a direct transfer of PRC Taxable Assets, if such transfer is deemed to have been conducted for the purposes of avoiding PRC enterprise income tax law and lack any other reasonable commercial purpose.

Although SAT Circular No. 7 contains certain exemptions (including (i) where a non-resident enterprise derives income from the indirect transfer of PRC Taxable Assets by acquiring and selling shares of a listed overseas holding company which holds such PRC Taxable Assets on a public market; and (ii) where there is an indirect transfer of PRC Taxable Assets, but if the non-resident enterprise had directly held and disposed of such PRC Taxable Assets, the income from the transfer would have been exempted from PRC enterprise income tax law under an applicable tax treaty or arrangement), it remains unclear whether any exemptions under SAT Circular No. 7 will be applicable to the transfer of our Shares or to any future acquisition by us outside of the PRC involving PRC Taxable Assets, or whether the PRC tax authorities will reclassify such transaction by applying SAT Circular No. 7. On October 17, 2017, the SAT issued a new circular, namely the Announcement on Issues Concerning the Withholding of Non-resident Enterprise Income Tax Source (《關於非居民企業所得稅源泉扣繳有關問題的公告》) (the “Announcement No. 37”), which provides guidance on handling matters relating to the withholding of non-resident enterprise income tax at source in accordance with relevant laws and regulations. As a result, we may be subject to tax under SAT Circular No. 7 and Announcement No. 37 and may be required to expend valuable resources to comply with SAT Circular No. 7 and Announcement No. 37 or to establish that we should not be taxed under SAT Circular No. 7 and Announcement No. 37, which may have a material adverse effect on our business, financial condition, results of operations and prospects.

There are uncertainties regarding the interpretation and enforcement of PRC laws and regulations.

The PRC legal system is based on written statutes. Unlike common law systems, it is a system in which decided legal cases have little value as precedents in subsequent legal proceedings. In 1979, the PRC government began to promulgate a comprehensive system of laws and regulations governing

economic matters in general, and forms of foreign investment (including wholly foreign-owned enterprises and joint ventures) in particular. These laws, regulations and legal requirements are relatively new and are often changing, and their interpretation and enforcement involve significant uncertainties that could limit the reliability of the legal protections available to us. We cannot predict the effects of future developments in the PRC legal system. We may be required in the future to procure additional permits, authorizations and approvals for our existing and future operations, which may not be obtainable in a timely fashion or at all. An inability to obtain such permits or authorizations may have a material adverse effect on our business, financial condition and results of operations.

It may be difficult to serve process within the PRC or to enforce any judgments obtained from non-PRC courts against us or our directors.

Most of our operating subsidiaries are incorporated in the PRC, and a substantial portion of our assets are located within the PRC. The PRC does not currently have treaties providing for the reciprocal recognition or enforcement of judgments of courts located in the United States, the United Kingdom, Singapore, Japan and most other western countries. An Arrangement between China and Hong Kong Special Administrative Region on Reciprocal Recognition and Enforcement of Judgments of Civil and Commercial Cases under the Jurisdictions as Agreed to by the Parties Concerned was executed on July 14, 2006. However, there are many restrictions on such arrangement. As a result, it may not be possible for investors to effect service of process upon our subsidiaries or our directors pursuant to the authority of non-PRC courts. Further, the recognition and enforcement in the PRC of judgments of courts outside the PRC might be difficult or impossible.

The implementation of the PRC Labor Contract Law and the Implementation Regulation for the PRC Labor Contract Law may increase our operating expenses and may adversely affect our business and results of operations.

On June 29, 2007, the Standing Committee of the National People's Congress enacted the PRC Labor Contract Law (the "Labor Contract Law"), which became effective on January 1, 2008, and was amended on December 28, 2012 with effect from July 1, 2013. The Implementation Regulation for the PRC Labor Contract Law (the "Implementation Regulation"), was promulgated by the State Council and took effect on September 18, 2008. The Labor Contract Law formalizes, among others, worker's rights concerning overtime hours, pensions and layoffs, the execution, performance, modification and termination of the labor contracts, the clauses of the labor contract and the role of trade unions herein. In particular, it provides for specific standard and procedures for entering into non-fixed-term labor contracts as some of our employees do. Either the employer or the employee is entitled to terminate the labor contract in circumstances as prescribed in the Labor Contract Law or if certain precondition is fulfilled, and in certain cases, the employer is required to pay a statutory severance upon the termination of the labor contract pursuant to the standards provided by the Labor Contract Law.

In respect of the Labor Contract Law and its Implementation Regulation, uncertainty remains as to its potential impact on our business and results of operations. The implementation of the Labor Contract Law and the Implementation Regulation may increase our operating expenses, in particular our costs of human resources and our administrative expenses. In the event that we decide to significantly modify our employment or labor policy or practice, or reduce the number of our employees or otherwise, the Labor Contract Law may also limit our ability to effectuate the modifications or changes in the manner that we believe to be most cost-efficient or otherwise desirable, which could materially and adversely affect our business and results of operations.

In addition, the Social Insurance Law of the PRC (the “Social Insurance Law”), was promulgated on October 28, 2010 and took effect on July 1, 2011. The implementation of the Social Insurance Law could increase our staff costs and expenses associated with social insurance payable in the PRC. As the Social Insurance Law is a newly enacted law, substantial uncertainty remains as to its implementation and interpretation by governmental authorities in the PRC and its potential impact upon our business, financial condition and results of operations.

Risks Relating to the New Notes

The Company is a holding company and payments with respect to the New Notes are effectively subordinated to certain liabilities, contingent liabilities and obligations of our subsidiaries.

The Company is a holding company with no material operations. We conduct our operations primarily through our subsidiaries. The New Notes will not be guaranteed by any current or future subsidiaries that are or may be organized under the laws of the PRC or certain other Non-Guarantor Subsidiaries. A substantial portion of our assets are ownership interests in our PRC subsidiaries, which are held through certain Subsidiary Guarantors. The Subsidiary Guarantors do not and the JV Subsidiary Guarantors (if any) may not, have material operations. Accordingly, our ability to pay principal and interest on the New Notes and the ability of the Subsidiary Guarantors and JV Subsidiary Guarantors (if any) to satisfy their obligations under the Subsidiary Guarantees and JV Subsidiary Guarantees (if any) will depend upon our receipt of principal and interest payments on any intercompany loans and distributions of dividends from our subsidiaries, including our PRC subsidiaries.

Creditors, including trade creditors of Non-Guarantor Subsidiaries, would have a claim on the Non-Guarantor Subsidiaries’ assets that would be prior to the claims of the holders of the New Notes. As a result, our payment obligations under the New Notes will be effectively subordinated to all existing and future obligations of our Non-Guarantor Subsidiaries, including their obligations under guarantees they have issued or will issue in connection with our business operations, and all claims of creditors of our Non-Guarantor Subsidiaries will have priority as to the assets of such entities over our claims and those of our creditors, including holders of the New Notes. As of December 31, 2017, our Group had bank and other loans in the amount of RMB2,063.6 million (US\$317.2 million) and capital commitments in the amount of approximately RMB791.9 million (US\$121.7 million). The New Notes and the Indenture permit us, the Subsidiary Guarantors, the JV Subsidiary Guarantors (if any) and our Non-Guarantor Subsidiaries to incur additional indebtedness and issue additional guarantees, subject to certain limitations. In addition, our secured creditors or those of any Subsidiary Guarantor or JV Subsidiary Guarantors (if any) would have priority as to our assets or the assets of such Subsidiary Guarantor or JV Subsidiary Guarantors (if any) securing the related obligations over claims of holders of the New Notes.

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

We have incurred significant indebtedness and may incur substantial additional indebtedness in the future, which could materially and adversely affect our financial condition and could further intensify the risks associated with our leverage.

We have significant indebtedness outstanding. As of December 31, 2017, our total borrowings amounted to approximately RMB3,763.9 million (US\$578.5 million). In addition, we and our subsidiaries may from time to time incur substantial additional indebtedness. Although the Indenture limits us and our subsidiaries from incurring additional debt, these limitations are subject to important exceptions and qualifications. If we or our subsidiaries incur additional debt, the risks that we and our subsidiaries face as a result of such indebtedness and leverage could intensify. The amount of our indebtedness could have important consequences to holders of the New Notes. For example, it could:

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

In the future, we may from time to time incur substantial additional indebtedness and contingent liabilities. Under the New Notes, our ability to incur additional debt is subject to the limitation on indebtedness and preferred stock covenant. Under such covenant, we may incur certain indebtedness if we can, among other things, satisfy the Fixed Charge Coverage Ratio (as defined in the section entitled “Description of the New Notes”). The Fixed Charge Coverage Ratio is derived by dividing Consolidated EBITDA by Consolidated Fixed Charges (each as defined in the section entitled “Description of the New Notes”). Because our definition of Consolidated Net Income (which is a significant component of Consolidated EBITDA) includes our unrealized gains on valuation adjustments on our investment properties, our Consolidated EBITDA could be substantially larger when compared to other similarly situated PRC issuers whose covenants do not include such unrealized gains in the definition of Consolidated Net Income. As a result, our ability to incur additional debt under the Fixed Charge Coverage Ratio could be substantially larger when compared to other issuers. 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. If our onshore subsidiaries incur additional debt, the ratings assigned to the New Notes by any rating agency may be adversely affected which could adversely affect the market price of the New Notes. See “—The Ratings assigned to the New Notes and our corporate ratings may be lowered or withdrawn in the future.”

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. If we are unable to service our indebtedness, we will be forced to adopt an alternative strategy that may include actions such as reducing or delaying capital expenditures, selling assets, restructuring or refinancing existing indebtedness or seeking equity capital. These strategies may not be instituted on satisfactory terms.

In addition, the terms of the Indenture prohibit us from incurring additional indebtedness unless (i) we are able to satisfy certain financial ratios or (ii) we are able to incur such additional indebtedness pursuant to any of the exceptions to the financial ratio requirements, and meet any other applicable restrictions. Our ability to meet our financial ratios may be affected by events beyond our control. We may not be able to meet these ratios. Certain of our financing arrangements also impose operating and financial restrictions on our business. See the section entitled “Description of Material Indebtedness and Other Obligations.” Such restrictions in the Indenture and our other financing arrangements may In the future, we may from time to time incur substantial additional indebtedness and contingent liabilities. Under the New Notes, our ability to incur additional debt is subject to the limitation on indebtedness and preferred stock covenant. Under such covenant, we may incur certain indebtedness if we can, among other things, satisfy the Fixed Charge Coverage Ratio (as defined in the section entitled “Description of the New Notes”). The Fixed Charge Coverage Ratio is derived by dividing Consolidated EBITDA by Consolidated Fixed Charges (each as defined in the section entitled “Description of the New Notes”). Because our definition of Consolidated Net Income (which is a significant component of Consolidated EBITDA) includes our unrealized gains on valuation adjustments on our investment properties, our Consolidated EBITDA could be substantially larger when compared to other similarly situated PRC issuers whose covenants do not include such unrealized gains in the definition of Consolidated Net Income. As a result, our ability to incur additional debt under the Fixed Charge Coverage Ratio could be substantially larger when compared to other issuers. 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. If our onshore subsidiaries incur additional debt, the ratings assigned to the New Notes by any rating agency may be adversely affected which could adversely affect the market price of the New Notes. See “—The Ratings assigned to the New Notes and our corporate ratings may be lowered or withdrawn in the future.”

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Our operations are restricted by the terms of the New Notes, the 2018 Notes and the 2019 Notes, which could limit our ability to plan for or react to market conditions or meet our capital needs, which could increase your credit risk.

The Indenture for the New Notes and the indentures governing the 2018 Notes and 2019 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;
- sell assets;
- create liens;
- enter into sale and leaseback transactions;
- engage in any business other than a “Permitted Business” as defined in the Indenture;
- enter into agreements that restrict the Restricted Subsidiaries’ ability to pay dividends, transfer assets or make intercompany loans;
- enter into transactions with shareholders or affiliates; and effect a consolidation or merger.

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

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

In light of land prices, sizes of projects and other factors, we may from time to time consider developing property developments jointly with other property developers and business partners. As a result, we may need to make investments in joint ventures (including joint ventures in which we may own an equity interest of 50% or less), and such joint ventures may or may not be Restricted Subsidiaries. Although the indenture governing the New Notes restricts us and our Restricted Subsidiaries from making investments in Unrestricted Subsidiaries or minority joint ventures, these restrictions are subject to important exceptions and qualifications including, among others, that we may, subject to certain conditions, make investments in Unrestricted Subsidiaries and minority owned joint ventures in aggregate amount not to exceed 30% of our total assets without having to satisfy the Fixed Charge Coverage Ratio. See “Description of the New Notes—Limitation on Restricted Payments” and the definition of “Permitted Investment” in “Description of the New Notes.”

We may not be able to realize the anticipated economic and other benefits from our joint ventures, and disputes with joint venture partners or any violation of PRC laws by our joint ventures may adversely affect our business, results of operations and financial condition

We and our joint venture partners provided such amounts to the project companies in proportion to our shareholding percentages in order to fund the project companies’ land acquisition and as working capital. Once these project companies obtain external borrowings or commence pre-sale and generate cash flow, they will repay the amounts due to us on demand. Therefore, the timing of such joint ventures’ capital outlays may materially and adversely affect our results of operations.

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

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

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

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

In addition, we are subject to restrictive and financial covenants in the loan agreements between us and certain banks. If we fail to comply with these restrictive and financial covenants, our lenders may be entitled to require additional guarantees from us, and in the event we cannot provide those additional guarantees, our lenders may be entitled to accelerate the repayment of the loans, in which case our business, financial condition and results of operations will be materially and adversely affected. We also cannot assure you that the collateral that we have pledged or which may be pledged to our lenders will not be subject to enforcement actions, in which case we may lose control and ownership of our assets and our business, results of operations, financial condition and prospects may be materially and adversely affected. We are currently not in compliance with certain financial covenants under some of our loans but we have obtained confirmations from all of the relevant lending banks that they will not require additional guarantees. For more information on the financial covenants under our loans and our non-compliance under these covenants, see “Description of Material Indebtedness and Other Obligations—PRC Loan Agreements—Financial Covenants.” We may not be able to comply with all the financial covenants under our loan agreements and we may not be able to

obtain confirmations from the lending banks that they will not require additional guarantee for the loans for which we are not in compliance with and that the relevant lending banks will not take enforcement actions under the relevant loan agreements, in which case our business, prospects, financial condition and results of operations may be materially and adversely affected.

Our subsidiaries and associates 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 and principal payment on intercompany loans or advances from our subsidiaries and associates to satisfy our obligations, including our obligations under the New Notes. The ability of our subsidiaries and associates to pay dividends and make payments on intercompany loans or advances to their shareholders is subject to, among other things, distributable earnings, cash flow conditions, restrictions contained in the articles of association of our subsidiaries, applicable laws and restrictions contained in the debt instruments or agreements of such subsidiaries and the repayment of intercompany loans or advances to us and our subsidiaries. See “Description of Material Indebtedness and Other Obligations—PRC Loan Agreements—Dividend Restrictions.” In addition, if any of our subsidiaries or associates raises capital by issuing equity securities to third parties, dividends declared and paid with respect to such equity securities would not be available to us to make payments on the New Notes. These restrictions could reduce the amounts that we receive from our subsidiaries and associates, which would restrict our ability to meet our payment obligations under the New Notes, the obligations of the Subsidiary Guarantors under the Subsidiary Guarantees and the obligations of the JV Subsidiary Guarantors (if any) under the JV Subsidiary Guarantees.

PRC laws and regulations permit payment of dividends only out of accumulated profits as determined in accordance with PRC accounting standards and regulations and such profits differ from profits determined in accordance with IFRS in certain significant respects, including the use of different bases of recognition of revenue and expenses. Our PRC subsidiaries and associates are also required to set aside a portion of their after-tax profits according to PRC accounting standards and regulations to fund certain reserves that are not distributable as cash dividends. In addition, dividends paid by our PRC subsidiaries to their non-PRC parent companies will be subject to a 10% withholding tax, unless there is a tax treaty between the PRC and the jurisdiction in which the overseas parent company is incorporated, which specifically exempts or reduces such withholding tax. Pursuant to an avoidance of double taxation arrangement between Hong Kong and the PRC, if the non-PRC parent company is a Hong Kong resident and directly holds a 25% or more interest in the PRC enterprise, such restrictions tax rate may be lowered to 5%. However, according to current PRC tax regulations, an approval from the local tax authority for enjoying the 5% withholding tax rate is required and such lower rate will be denied to “conduit” or shell companies without business substance. As a result, there could be restrictions, including timing limitations, on payments from our PRC subsidiaries and associates to meet payments required by the New Notes, to satisfy the obligations of the Subsidiary Guarantors under the Subsidiary Guarantees or the Subsidiary Guarantors (if any) under the JV Subsidiary Guarantees and to redeem the New Notes for any early redemption.

As a result of the foregoing, we may not have sufficient cash flow from dividends from our subsidiaries to satisfy our obligations under the New Notes or the obligations of the Subsidiary Guarantors under the Subsidiary Guarantees.

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

We must offer to purchase the New 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 New Notes—Repurchase of New Notes Upon a Change of Control Triggering Event.”

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

In addition, the definition of Change of Control Triggering Event for purposes of the Indenture does not necessarily afford protection for the holders of the New Notes in the event of some highly leveraged transactions, including certain acquisitions, mergers, refinancing, restructurings or other recapitalizations.

These types of transactions could, however, increase our indebtedness or otherwise affect our capital structure or credit ratings. The definition of Change of Control Triggering Event for purposes of the Indenture also includes a phrase relating to the sale of “all or substantially all” of our assets. Although there is a limited body of case law interpreting the phrase “substantially all,” there is no precise established definition under applicable law. Accordingly, our obligation to make an offer to purchase the New Notes and the ability of a holder of the New Notes to require us to purchase its New 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 insolvency laws of the Cayman Islands and other local insolvency laws may differ from U.S. bankruptcy law or those of another jurisdiction with which holders of the New Notes are familiar.

Because the Company is incorporated under the laws of the Cayman Islands, an insolvency proceeding relating to us even if brought in the United States, would likely involve Cayman Islands insolvency laws, the procedural and substantive provisions of which may differ from comparable provisions of United States federal bankruptcy law. In addition, our Subsidiary Guarantors are incorporated or may be incorporated in the British Virgin Islands, Hong Kong, or other jurisdictions and the insolvency laws of such jurisdictions may also differ from the laws of the United States or other jurisdictions with which the holders of the New Notes are familiar.

A significant portion of our business operations is conducted through our subsidiaries in China. Certain of the Subsidiary Guarantors, as equity holders in our PRC subsidiaries, are necessarily subject to the bankruptcy and insolvency laws of China in a bankruptcy or insolvency proceeding involving any of such PRC subsidiaries. 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 New Notes are familiar. You should analyze the risks and uncertainties carefully before you invest in our New Notes.

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

The New Notes are denominated in U.S. dollars, while a majority of our revenue is generated by our PRC operating subsidiaries and are denominated in Renminbi. Pursuant to a series of reforms of the exchange rate system, effective March 17, 2014, Renminbi are allowed to fluctuate against the U.S. dollar by up to 2% above or below the central parity rate published by the PBOC. In August 2015, the

PBOC changed the way it calculates the mid-point price of Renminbi against U.S. dollar, requiring the market-makers who submit for the PBOC's reference rates to consider the previous day's closing spot rate, foreign-exchange demand and supply as well as changes in major currency rates. This change, and other changes such as widening the trading band that may be implemented, may increase volatility in the value of the Renminbi against foreign currencies. The PRC government may adopt further reforms of its exchange rate system, including making the Renminbi freely convertible in the future. If such reforms were implemented and resulted in devaluation of the Renminbi against the U.S. dollar, our gearing may increase and our financial condition and results of operations could be adversely affected because part of our existing indebtedness and obligations are denominated in U.S. dollar. Such devaluation could also adversely affect the value, translated or converted into U.S. dollars or otherwise, of our earnings and our ability to satisfy our obligations under the 2018 Notes, 2019 Notes and the New Notes and our ability to obtain future financings in foreign currencies.

There are limited hedging instruments available in China to reduce our exposure to exchange rate fluctuations between the Renminbi and other currencies. In addition, following the offering of the New Notes, we may enter into foreign exchange or interest rate hedging agreements in respect of our U.S. dollar-denominated liabilities under the New 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 respective affiliates may enter into such hedging agreements permitted under the Indenture governing the New 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.

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

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

The New Notes are a new issue of securities for which there is currently no trading market. Although approval in-principle has been received from the SGX-ST for the listing and quotation of the New Notes on the Official List of the SGX-ST, we may not obtain or be able to maintain a listing on the SGX-ST. In addition, if the New Notes are listed, a liquid trading market may not develop. We have been advised that the Initial Purchasers intend to make a market in the New 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 New 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 New 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 New Notes will develop or be sustained.

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

Our shares are listed on the SEHK 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 only applies to transactions between the Company or any Restricted Subsidiary, on the one hand, and (x) any holder (or any Affiliate of such holder) of 10% or more of the shares of the Company or (y) any Affiliate of the Company, on the other hand. As such, transactions between the Company or any Restricted Subsidiary, on the one hand, and an Affiliate of any Restricted Subsidiary, on the other hand, will not be captured by such covenant, even though they may be connected transactions under the Listing Rules and subject to any requirements under the Listing Rules to obtain approval from independent shareholders. As a result, we are not required by the terms of the New 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 New Notes for any such transactions.

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

The price and trading volume of the New Notes may be highly volatile. Factors such as variations in our revenue, earnings and cash flows, proposals for new investments, strategic alliances and/or acquisitions, changes in interest rates, fluctuations in price for comparable companies, government regulations and changes thereof applicable to our industry and general economic conditions nationally or internationally could cause the price of the New Notes to change. Any such developments may result in large and sudden changes in the trading volume and price of the New Notes. These developments may occur in the future.

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

There may be less publicly available information about companies listed in Hong Kong than is regularly made available by public companies in certain other countries. In addition, the financial information in this offering circular has been prepared in accordance with IFRS, which differ in certain respects from generally accepted accounting principles in other jurisdictions, including the United States, which might be material to the financial information contained in this offering circular.

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

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

The transfer of the New Notes is restricted which may adversely affect their liquidity and the price at which they may be sold.

The New Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees have not been registered under, and we are not obligated to register the New Notes, the Subsidiary Guarantees or the JV Subsidiary Guarantees under, the Securities Act or the securities laws of any other jurisdiction and, unless so registered, may not be offered or sold except pursuant to an exemption from, or a transaction not subject to, the registration requirements of the Securities Act and any other applicable laws. See “Transfer Restrictions.” We have not agreed to or otherwise undertaken to register the New Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees (including by way of an exchange offer), and we have no intention to do so.

The New 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 New Notes will initially only be issued in global certificated form and held through Euroclear and Clearstream. Interests in the global notes representing the New Notes will trade in book-entry form only, and New 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 New Notes. The common depositary for Euroclear and Clearstream will be the sole registered holder of the global notes representing the New Notes. Payments of principal, interest and other amounts owing on or in respect of the global notes representing the New 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 notes representing the New Notes and credited by such participants to indirect participants. After payment to 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 or Clearstream, and if you are not a participant in Euroclear or Clearstream, on the procedures of the participant through which you own your interest, to exercise any rights and obligations of a holder of the New Notes under the Indenture.

Unlike the holders of the New 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 New 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 with respect to 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 New Notes. See “Description of the New Notes—Book-Entry; Delivery and Form.”

We may redeem the New 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.

As described above, we may be treated as a PRC resident enterprise under the EIT Law. See “—Risks Relating to the PRC—We may be treated as a PRC tax resident, which may have an adverse effect on us and the holders of New Notes.” If we are treated as a PRC resident enterprise under the EIT Law, we would be required to withhold PRC tax on interest payable to certain of our non-resident investors and pay, subject to certain exceptions, additional amounts with respect to such withholding tax. As described in “Description of the New Notes—Redemption for Taxation Reasons,” in the event

we are required to pay additional amounts as a result of certain changes in tax law, including changes in existing official position or the stating of an official position that results in our being required to withhold tax due to our being treated as a PRC resident enterprise, we may redeem the New Notes in whole at a redemption price equal to 100% of the principal amount plus accrued and unpaid interest.

Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral

Certain of our initial Subsidiary Guarantors and JV Subsidiary Guarantors do not currently have significant operations.

None of our current PRC subsidiaries will provide a Subsidiary Guarantee or a JV Subsidiary Guarantee either upon issuance of the New Notes or at any time thereafter. No future subsidiaries that are organized under the laws of the PRC will provide a Subsidiary Guarantee or a JV Subsidiary Guarantee at any time in the future. As a result, the New Notes will be effectively subordinated to all the debt and other obligations, including contingent obligations and trade payables, of the PRC subsidiaries.

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

The Subsidiary Guarantees or JV Subsidiary Guarantees may be challenged under applicable financial assistance, insolvency, corporate benefit or fraudulent transfer or unfair preference laws, which could impair the enforceability of the Subsidiary Guarantees or JV Subsidiary Guarantees.

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

- incurred the debt with the intent to hinder, delay or defraud creditors or was influenced by a desire to put the beneficiary of the Subsidiary Guarantee or JV Subsidiary 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 Subsidiary Guarantee or JV Subsidiary Guarantee not been given;
- received less than the reasonably equivalent value or fair consideration for the incurrence of such Subsidiary Guarantee or JV Subsidiary Guarantee or there was otherwise an absence of or insufficient corporate benefit under applicable laws;
- was insolvent or rendered insolvent by reason of such incurrence;
- was engaged in a business or transaction for which the Subsidiary Guarantor's or JV Subsidiary Guarantor's remaining assets constituted unreasonably small capital; or
- intended to incur, or believed that it would incur, debts beyond its ability to pay such debts as they mature.

The measure of insolvency for purposes of the foregoing will vary depending on the law of the jurisdiction which is being applied. Generally, the Subsidiary Guarantor or JV Subsidiary Guarantor would be considered insolvent at a particular time if it is unable to pay its debts as they fall 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. The directors of the Subsidiary Guarantors and JV Subsidiary Guarantors should also ensure that the issued capital of the Subsidiary Guarantor or JV Subsidiary Guarantor is maintained and that, after this transaction, the Subsidiary Guarantor or JV Subsidiary Guarantor would have sufficient net assets to cover the nominal value of its issued share capital.

In addition, a Subsidiary Guarantee or JV Subsidiary Guarantee may be subject to review under applicable financial assistance, insolvency, corporate benefit or fraudulent transfer laws in certain jurisdictions or subject to a lawsuit by or on behalf of creditors of the Subsidiary Guarantors and JV Subsidiary Guarantors. In such case, the analysis set forth above would generally apply, except that the Subsidiary Guarantee or JV Subsidiary Guarantee will be limited to the maximum amount that can be guaranteed by the applicable Subsidiary Guarantor or JV Subsidiary Guarantor without rendering the guarantee, as it relates to such Subsidiary Guarantor or JV Subsidiary Guarantor (as the case may be), voidable under such applicable insolvency, corporate benefit or fraudulent transfer laws.

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

A Subsidiary Guarantee or JV Subsidiary Guarantee may be released in event of an initial public offering of the Subsidiary Guarantor or JV Subsidiary Guarantor.

A Subsidiary Guarantee or JV Subsidiary Guarantee given by a Subsidiary Guarantor or JV Subsidiary Guarantor may be released in the event of an initial public offering of the Subsidiary Guarantor or JV Subsidiary Guarantor in certain circumstances. For example, upon an initial public offering of any Subsidiary Guarantor or JV Subsidiary Guarantor, the guarantee provided by such Subsidiary Guarantor or JV Subsidiary Guarantor will be released provided such initial public offering and such sale of shares complies with the limitations set forth in the Indenture. Where a Subsidiary Guarantee or JV Subsidiary Guarantee is released in such instance, in the event of a bankruptcy, liquidation or reorganization of any such Subsidiary or JV Subsidiary, holders of its indebtedness and its trade creditors will generally be entitled to payment of their claims from the assets of that Subsidiary or JV Subsidiary before any assets are available for distribution to us or any of our other Subsidiary Guarantors or JV Subsidiary Guarantors. The New Notes, therefore, will be structurally subordinated to other liabilities of such Subsidiary or JV Subsidiary, including liabilities owed to trade creditors.

The Guarantees and JV Subsidiary Guarantees (if any) are subject to certain limitations that may affect their validity or enforceability.

Enforcement of the Guarantees or JV Subsidiary Guarantees (if any) will be subject to certain generally available defenses. Local laws and defenses may vary, and may include those that relate to corporate benefit, fraudulent conveyance or transfer, voidable preference, financial assistance, corporate purpose, subordination and capital maintenance or similar laws and concepts. They may also include regulations or defenses which affect the rights of creditors generally.

If a court were to find a guarantee given by the Company, a Subsidiary Guarantor, or a JV Subsidiary Guarantor, or a portion thereof, void or unenforceable as a result of such local laws or defenses, or to the extent that agreed limitations on the Guarantees or JV Subsidiary Guarantees apply, the holders of the New Notes would cease to have any claim in respect of that company and would be creditors solely of the Issuer and, if payment had already been made under the Guarantees or JV Subsidiary Guarantees, the court could require that the recipient return the payment to the relevant company.

The pledge of certain Collateral may in some circumstances be voidable.

The pledge of the Collateral may be voidable as a preference or other grounds in respect of transactions at an undervalue and fraudulent dispositions under insolvency or fraudulent transfer or similar laws of Hong Kong, the Cayman Islands and the British Virgin Islands at any time within six months of the perfection of the pledge or, under some circumstances, within a longer period. Pledges of capital stock of future Subsidiary Guarantors may also be voidable as a preference or other grounds in respect of transactions at an undervalue and fraudulent dispositions under relevant insolvency or fraudulent transfer or similar laws. In addition, the pledge of certain Collateral may be voided based on the analysis set forth under the section entitled “—The Subsidiary Guarantees or JV Subsidiary Guarantees may be challenged under applicable financial assistance, insolvency, corporate benefit or fraudulent transfer or unfair preference laws, which could impair the enforceability of the Subsidiary Guarantees or JV Subsidiary Guarantees” above. If the pledges of the Collateral were to be voided for any reason, holders of the New Notes would have only an unsecured claim against us and the Subsidiary Guarantor Pledgors.

The value of the Collateral is unlikely to be sufficient to satisfy our obligations under the New Notes and other pari passu secured indebtedness.

The Collateral will consist only of the capital stock of certain 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 New Notes, to repay other debt or to make investments in properties and assets that will not be pledged as additional Collateral.

The ability of the Trustee, on behalf of the holders of the New 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 status. Although procedures will be undertaken to support the validity and enforceability of the security interests, the Trustee or holders of the New Notes may not be able to enforce the security interest.

The value of the Collateral in the event of 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 New Notes. Accordingly, the proceeds of any sale of the Collateral following an acceleration of the New Notes may not be sufficient to satisfy, or may be substantially less than, amounts due and payable on the New Notes. By its nature, the Collateral, which consists solely of the capital stock of any existing or future Subsidiary Guarantor, is likely to be illiquid and is unlikely to have a readily ascertainable market value. Likewise, the Collateral may not be saleable or, if saleable, there may be substantial delays in its liquidation.

The Collateral will be shared on a *pari passu* basis by the holders of the New Notes, the 2018 Notes and the 2019 Notes and may be shared on a *pari passu* basis with holders of other indebtedness ranking *pari passu* with the New Notes that we may issue in the future. Accordingly, in the event of a default on the New Notes or the other secured indebtedness and a foreclosure on the Collateral, any foreclosure proceeds would be shared by the holders of secured indebtedness in proportion to the outstanding amounts of each class of such secured indebtedness. The value of the Collateral securing the New Notes and the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors is unlikely to be

sufficient to satisfy the obligations of the Company and each of the Subsidiary Guarantor Pledgors under the New Notes and the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors, and the Collateral securing the New Notes and such Subsidiary Guarantees may be reduced or diluted under certain circumstances, including the issuance of Additional New Notes or other *pari passu* indebtedness and the disposition of assets comprising the Collateral, subject to the terms of the Indenture.

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

In the event the conditions applicable to the replacement of a Subsidiary Guarantee with a JV Subsidiary Guarantee are satisfied, we are permitted to release the pledge of the shares granted by such Subsidiary Guarantor, as well as the pledge of the shares granted by the subsidiaries of such Subsidiary Guarantor. We are only required to deliver a replacement share pledge for the shares that we continue to hold in such JV Subsidiary Guarantor (but not the subsidiaries of such JV Subsidiary Guarantor) following the sale of the equity interests in such Subsidiary Guarantor. In addition, if we dispose of not less than 20% and no more than 49.9% 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 that do not guarantee the New Notes do not account for more than 10.0% of our total assets immediately following such release. As a result, in the event we sell minority equity interests in our Subsidiary Guarantors or otherwise create JV Subsidiary Guarantors in accordance with the terms of the Indenture, the Collateral will be reduced in value and scope, and holders of the New Notes would be subject to increased risks.

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

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

The Intercreditor Agreement may impact the ability of the Company and the Subsidiary Guarantors to pay amounts due under the New Notes and the Subsidiary Guarantees and the Intercreditor Agreement may limit the rights of holders of the New Notes to the Collateral.

The Security Agent (as defined under “Description of the New Notes—Definitions”) is required to take action to enforce the Collateral in accordance with the instructions of the holders of the New Notes, the holders of the 2018 Notes, the 2019 Notes and holders (or representatives or agents) of the Permitted *Pari Passu* Secured Indebtedness (as defined under “Description of the New Notes—Definitions”), given under and in accordance with the Intercreditor Agreement. Any enforcement action taken by the Security Agent will adversely affect the Company’s entitlement to receive distributions from the Collateral, which will, in turn, have an adverse impact on the Company’s ability to fulfill its payment obligations under the New Notes. Further, the Subsidiary Guarantors’ ability to pay under the Subsidiary Guarantees will be adversely affected. The ability of holders of the New Notes to enforce the Collateral is restricted under the Intercreditor Agreement, as only the Security Agent is permitted to take enforcement actions. If an event of default occurs under the New Notes, the holders of the New Notes holding 25% of the outstanding amount of the New Notes and holders, creditors or representatives of the 2018 Notes, the 2019 Notes and the Permitted *Pari Passu* Secured Indebtedness may decide whether to take any enforcement action and may thereafter, through their respective trustee, representative or agent, in accordance with the Intercreditor

Agreement, instruct the Security Agent to take enforcement action against the Collateral. By virtue of the instructions given to the Security Agent described above, actions may be taken in respect of the Collateral that may be adverse to holders of the New Notes. In such event, the only remedy available to holders of the New Notes would be to sue for payment under the New Notes and the Subsidiary Guarantees.

The Security Agent, acting in its capacity as such, shall have such duties with respect to the Collateral pledged, assigned or granted pursuant to the Security Documents as are set forth in the Intercreditor Agreement. Under certain circumstances, the Security Agent may have obligations under the Security Documents or the Intercreditor Agreement that conflict with the interests of the holders of the New Notes. The Security Agent will not be under any obligation to exercise any rights or powers conferred under the Intercreditor Agreement or any of the Security Documents for the benefit of the holders of the New Notes, the 2018 Notes and the 2019 Notes unless such holders have offered to the Security Agent indemnity and/or security satisfactory to the Security Agent against any loss, liability or expense.

USE OF PROCEEDS

We estimate that the gross proceeds from this offering, before deducting the underwriting discounts and commissions and other estimated expenses payable in connection with this offering, will be approximately US\$25.4 million.

We intend to use the net proceeds primarily for repayment of debts, including the 2018 Notes, and to finance acquisitions or development of assets, real or personal property or equipment to be used in the ordinary course of business, and certain amounts may be used for general corporate purposes. We may adjust our development plans in response to changing market conditions and therefore reallocate the use of proceeds within the above uses as such conditions may warrant.

EXCHANGE RATE INFORMATION

PRC

The PBOC sets and publishes daily base exchange rate with reference primarily to the supply and demand of Renminbi against a basket of currencies in the market during the prior day. The PBOC also takes into account other factors, such as the general conditions existing in the international foreign exchange markets. From 1994 to July 20, 2005, the official exchange rate for the conversion of Renminbi to U.S. dollars remained generally stable. Although the PRC government introduced policies in 1996 to reduce restrictions on the convertibility of Renminbi into foreign currencies for current account items, conversion of Renminbi into foreign currencies for capital items, such as foreign direct investment, loan principals and securities trading, still requires the approval of the 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. The value of the Renminbi against the U.S. dollar appreciated on the same day by approximately 2% and has since appreciated significantly in general. The PBOC authorized the China Foreign Exchange Trading Center, 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 business day. On May 18, 2007, the PBOC announced that the floating band for the trading prices in the inter-bank foreign exchange market of the Renminbi against the U.S. dollar was to be expanded from 0.3% to 0.5% around the central parity rate, effective on May 21, 2007. In April 2012, this trading band has been widened to 1%, and in March 2014 it was widened further to 2%, which allows the Renminbi to fluctuate against the U.S. dollar by up to 2% above or below the central parity rate published by the PBOC. In August 2015, the PBOC changed the way it calculates the mid-point price of Renminbi against U.S. dollar, requiring the market-makers who submit for the PBOC's reference rates to consider the previous day's closing spot rate, foreign-exchange demand and supply as well as changes in major currency rates. This change, and other changes such as widening the trading band that may be implemented, may increase volatility in the value of the Renminbi against foreign currencies. The PRC government may from time to time make further adjustments to the exchange rate system in the future.

The following table sets forth the noon buying rate for U.S. dollars in New York City for cable transfer in Renminbi as certified by the Federal Reserve Bank of New York for customs purposes for the periods indicated as set forth in the H.10 statistical release of the Federal Reserve Board:

Period	Noon buying rate			
	Period end	Average ⁽¹⁾	Low	High
	RMB per US\$1.00			
2013	6.0537	6.1478	6.0537	6.2438
2014	6.2046	6.1620	6.0402	6.2591
2015	6.4778	6.2827	6.1870	6.4896
2016	6.9430	6.6549	6.4480	6.9580
2017	6.5063	6.7569	6.4773	6.9575
October	6.6328	6.6254	6.5712	6.6533
November	6.6090	6.6200	6.5967	6.6385
December	6.5063	6.5921	6.5063	6.6210
2018				
January	6.2841	6.4233	6.2841	6.5263
February	6.3280	6.3183	6.2649	6.3471
March	6.2726	6.3174	6.2685	6.3565

(1) Annual averages are calculated using the average of month-end rates of the relevant year. Monthly averages are calculated using the average of the daily rates during the relevant month.

Hong Kong

The Basic Law of Hong Kong (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 Hong Kong dollar is freely convertible into other currencies, including the U.S. dollar. Since October 17, 1983, the Hong Kong dollar has been pegged to the U.S. dollar at the rate of HK\$7.80 to US\$1.00. The central element in the arrangements that gave effect to the peg is that by agreement between the Hong Kong government and the three Hong Kong banknote issuing banks (i.e. HSBC, Standard Chartered Bank and Bank of China), certificates of indebtedness, which are issued by the Hong Kong Government Exchange Fund to the banknote issuing banks to be held as cover for their banknote issues, are issued and redeemed only against payment in U.S. dollars, at the fixed exchange rate of HK\$7.80 to US\$1.00. When the banknotes are withdrawn from circulation, the banknote issuing banks surrender the certificates of indebtedness to the Hong Kong Government Exchange Fund and are paid the equivalent U.S. dollars at the fixed rate.

The market exchange rate of the Hong Kong dollar against the U.S. dollar continues to be determined by the forces of supply and demand in the foreign exchange market. However, against the background of the fixed rate that applies to the issue of the Hong Kong currency in the form of banknotes, as described above, the market exchange rate has not deviated materially from the level of HK\$7.80 to US\$1.00 since the peg was first established. In May 2005, the Hong Kong Monetary Authority broadened the 22-year old trading band from the original rate of HK\$7.80 to US\$1.00 to a rate range of HK\$7.75 to HK\$7.85 to US\$1.00. The Hong Kong government has stated its intention to maintain the link at that rate, and it, acting through the Hong Kong Monetary Authority, has a number of means by which it may act to maintain exchange rate stability. Under the Basic Law. The Hong Kong dollar will continue to circulate and remain freely convertible. The Hong Kong government has also stated that it has no intention of imposing exchange controls in Hong Kong and that the Hong Kong dollar will remain freely convertible into other currencies, including the U.S. dollar. However, no assurance can be given that the Hong Kong government will maintain the link within the range of HK\$7.75 to HK\$7.85 per US\$1.00, or at all, or will not in the future impose exchange controls.

The following table sets forth the noon buying rates for U.S. dollars in New York City for cable transfers in Hong Kong dollars as certified by the Federal Reserve Bank of New York for customs purposes for the periods indicated as set forth in the H.10 statistical release of the Federal Reserve Board:

Period	Noon buying rate			
	Period end	Average ⁽¹⁾	Low	High
HK\$ per US\$1.00				
2013	7.7539	7.7565	7.7503	7.7654
2014	7.7531	7.7545	7.7495	7.7669
2015	7.7507	7.7519	7.7495	7.7686
2016	7.7534	7.7620	7.7505	7.8270
2017	7.8128	7.7926	7.7540	7.8267
October	7.7996	7.8044	7.8015	7.8106
November	7.8093	7.8052	7.7955	7.8118
December	7.8128	7.8128	7.8050	7.8228
2018				
January	7.8210	7.8190	7.8161	7.8230
February	7.8276	7.8022	7.8183	7.8267
March	7.8484	7.8409	7.8275	7.8486

(1) Annual averages are calculated using the average of month-end rates of the relevant year. Monthly averages are calculated using the average of the daily rates during the relevant month.

CAPITALIZATION AND INDEBTEDNESS

The table below sets forth our consolidated current borrowings and capitalization as of December 31, 2017:

- on an actual basis; and
- on an adjusted basis to give effect to the gross proceeds from the issuance of the New Notes before deducting the underwriting discounts and commissions and other estimated expenses relating to this offering payable by us. For the avoidance of doubt, the as adjusted information below does not give effect to the Concurrent Exchange Offer and the issuance of any Exchange Notes.

	As of December 31, 2017			
	Actual		As adjusted	
	(RMB'000)	(US\$'000)	(RMB'000)	(US\$'000)
Current borrowings				
Secured				
Short-term bank loans and other borrowings.....	14,843	2,281	14,843	2,281
Current portion of non-current bank loans and other borrowings.....	1,158,216	178,015	1,158,216	178,015
Unsecured				
Short-term bank loans and other borrowings.....	28,800	4,427	28,800	4,427
Senior notes	1,042,899	160,291	1,042,899	160,291
Corporate bonds	6,665	1,024	6,665	1,024
Total current borrowings	2,251,423	346,038	2,251,423	346,038
Non-current borrowings				
Secured				
- repayable after 1 year but within 2 year	364,770	56,064	364,770	56,064
- repayable after 2 years but within 5 years	421,000	64,707	421,000	64,707
- repayable after 5 years.....	75,000	11,527	75,000	11,527
Unsecured				
- repayable after 2 years but within 5 years	1,000	154	1,000	154
New Notes to be issued.....	—	—	168,468	25,893
Senior notes	390,964	60,090	390,964	60,090
Corporate bonds	259,770	39,926	259,770	39,926
Total non-current borrowings.....	1,512,504	232,468	1,680,972	258,361
Total borrowing	3,763,927	578,506	3,932,395	604,399
Equity				
Share capital	31,825	4,891	31,825	4,891
Reserves.....	5,159,765	793,042	5,159,765	793,042
Total equity attributable to equity shareholders of the Company	5,191,590	797,933	5,191,590	797,933
Non-controlling interests	27,671	4,253	27,671	4,253
Total equity.....	5,219,261	802,186	5,219,261	802,186
Total capitalization ⁽¹⁾	6,731,765	1,034,654	6,900,233	1,060,547

(1) Total capitalization equals total non-current borrowings plus total equity of the Company.

Except as otherwise disclosed in this offering circular, there has been no material change in our capitalization and indebtedness since December 31, 2017.

SELECTED CONSOLIDATED FINANCIAL DATA

The summary consolidated statement of profit or loss and other comprehensive income for the years ended December 31, 2015, 2016 and 2017 and the summary consolidated statement of financial position as of December 31, 2015, 2016 and 2017 below have been derived from our audited consolidated financial statements included elsewhere in this offering circular. Historical results are not necessarily indicative of results that may be achieved in any future period. Our consolidated financial statements have been prepared and presented in accordance with IFRS, which differ in certain respects from generally accepted accounting principles in other jurisdictions.

Selected Consolidated Statement of Profit or Loss and Other Comprehensive Income

	For the year ended December 31,			
	2015	2016	2017	
	(RMB'000)	(RMB'000)	(RMB'000)	(US\$'000)
Revenue	3,166,351	2,335,777	1,792,421	275,490
Cost of sales	(1,532,435)	(1,049,861)	(1,076,609)	(165,472)
Gross profit	1,633,916	1,285,916	715,812	110,018
Other income	78,394	21,988	491,800	75,588
Selling and distribution expenses.....	(194,541)	(149,754)	(147,277)	(22,636)
Administrative and other operating expenses	(468,241)	(552,229)	(461,682)	(70,959)
Profit from the operations before fair value gain on investment properties	1,049,528	605,921	598,653	92,011
Fair value gain on investment properties	296,543	326,451	387,870	59,615
Profit from operation after fair value gain on investment properties	1,346,071	932,372	986,523	151,626
Share of loss of an associate	—	—	(300)	(46)
Share of loss of joint ventures.....	—	(1,492)	(2,943)	(452)
Fair value change on embedded derivative component of the convertible notes.....	19,319	(668)	—	—
Gain on early redemption of convertible notes ..	—	14,391	—	—
Finance income	9,161	8,299	5,722	879
Finance costs.....	(150,549)	(240,439)	(275,021)	(42,270)
Profit before taxation	1,224,002	712,463	713,981	109,737
Income tax	(626,272)	(357,315)	(458,726)	(70,505)
Profit for the year	597,730	355,148	255,255	39,232
Profit attributable to				
Equity shareholders of the Company	556,875	350,280	245,573	37,744
Non-controlling interests	40,855	4,868	9,682	1,488
Other comprehensive income for the year (after tax and reclassification adjustments)				
Item that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of financial statements of subsidiaries outside the Mainland China	(19,492)	(51,230)	78,671	12,092
Other comprehensive income for the year	(19,492)	(51,230)	78,671	12,092
Total comprehensive income for the year	578,238	303,918	333,926	51,324
Earnings per share				
Basic (RMB cents/US\$ cents)	13.9	8.7	6.1	0.94

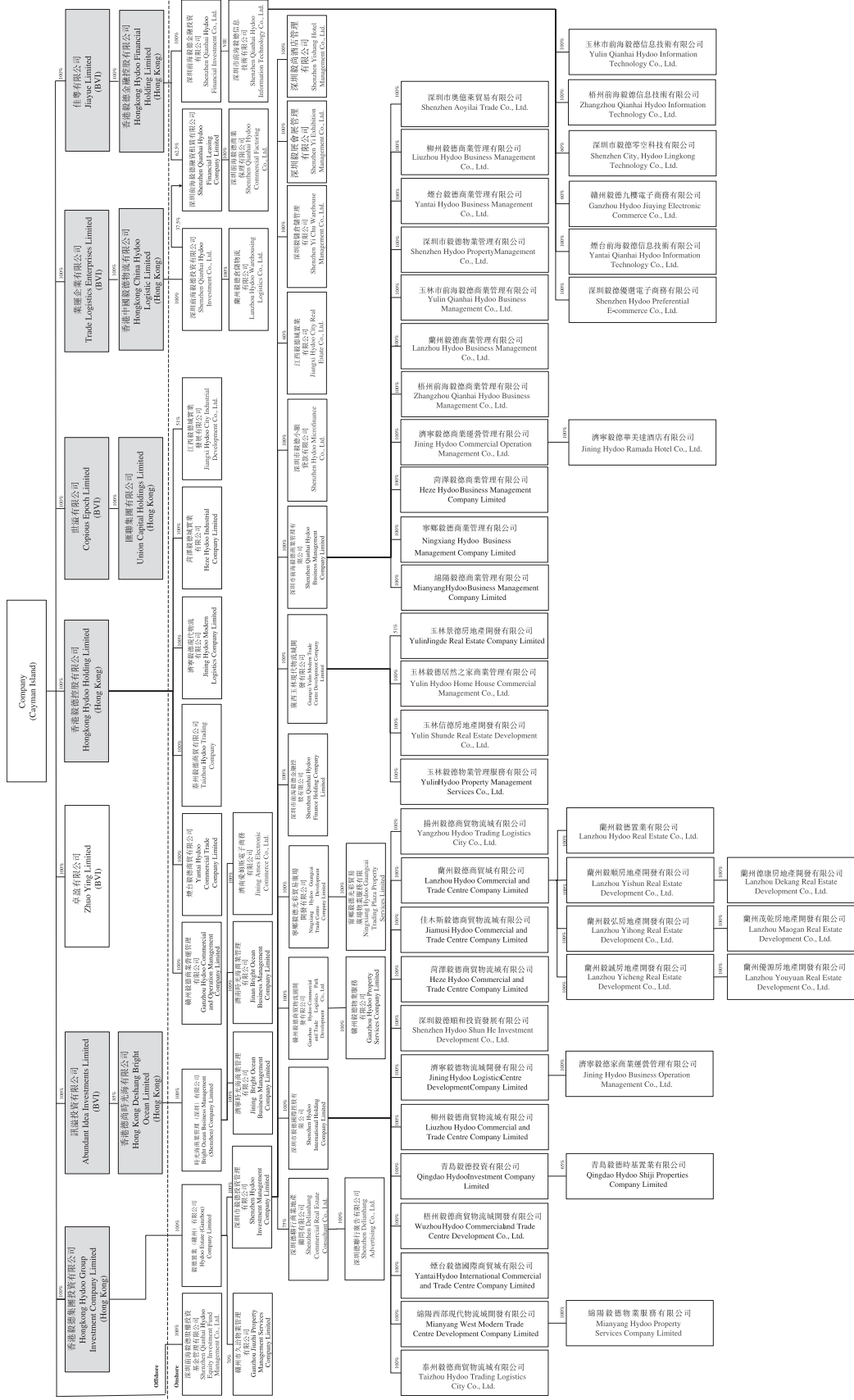
Selected Consolidated Statement of Financial Position

	As of December 31,			
	2015	2016	2017	
	(RMB'000)	(RMB'000)	(RMB'000)	(US\$'000)
ASSETS				
Non-current assets				
Property, plant and equipment.....	112,331	472,958	457,896	70,377
Investment properties.....	778,900	1,520,800	2,259,900	347,340
Intangible assets.....	3,983	2,956	19,555	3,006
Goodwill.....	3,631	3,631	2,252	346
Interest in an associate.....	—	—	3,700	569
Interest in joint ventures.....	150,386	149,394	146,451	22,509
Other financial assets.....	111,187	180,131	84,731	13,023
Deferred tax assets.....	316,049	247,050	148,399	22,809
Prepayment for acquisition of property, plant and equipment.....	368,535	—	—	—
Finance lease receivable.....	6,232	26,672	19,155	2,944
	<u>1,851,234</u>	<u>2,603,592</u>	<u>3,142,039</u>	<u>482,923</u>
Current assets				
Inventories.....	9,628,621	9,180,960	8,234,259	1,265,582
Prepaid tax.....	111,161	105,321	95,437	14,668
Other financial assets.....	—	—	13,548	2,082
Other current assets.....	—	—	371,000	57,022
Trade and other receivables, prepayments and deposits.....	1,393,270	1,550,738	1,088,503	167,300
Pledged and restricted cash.....	430,638	1,045,848	857,666	131,821
Cash and cash equivalents.....	1,688,923	965,685	1,000,443	153,765
	<u>13,252,613</u>	<u>12,848,552</u>	<u>11,660,856</u>	<u>1,792,240</u>
TOTAL ASSETS	<u>15,103,847</u>	<u>15,452,144</u>	<u>14,802,895</u>	<u>2,275,163</u>
EQUITY				
Capital and reserves				
Share capital.....	31,825	31,825	31,825	4,891
Reserves.....	4,604,866	4,852,252	5,159,765	793,042
Total equity attributable to equity shareholders of the Company.....	4,636,691	4,884,077	5,191,590	797,933
Non-controlling interests.....	201,889	223,207	27,671	4,253
TOTAL EQUITY	<u>4,838,580</u>	<u>5,107,284</u>	<u>5,219,261</u>	<u>802,186</u>

	As of 31 December			
	2015	2016	2017	
	(RMB'000)	(RMB'000)	(RMB'000)	(US\$'000)
LIABILITIES				
Non-current liabilities				
Bank loans and other borrowings	1,464,520	1,477,510	861,770	132,452
Senior notes	626,894	1,519,351	390,964	60,090
Corporate bonds	—	9,674	259,770	39,926
Deferred income	3,524	3,804	3,132	481
Deferred tax liabilities	14,771	14,815	77,419	11,899
	<u>2,109,709</u>	<u>3,025,154</u>	<u>1,593,055</u>	<u>244,848</u>
Current liabilities				
Trade and other payables	4,277,132	4,084,024	4,152,778	638,270
Bank loans and other borrowings	938,646	1,308,053	1,201,859	184,723
Senior notes	—	—	1,042,899	160,291
Convertible notes	844,906	—	—	—
Corporate bonds	—	—	6,665	1,024
Current tax liabilities	1,106,310	1,066,635	869,706	133,671
Deferred income	988,564	860,994	716,672	110,150
	<u>8,155,558</u>	<u>7,319,706</u>	<u>7,990,579</u>	<u>1,228,129</u>
TOTAL LIABILITIES	<u>10,265,267</u>	<u>10,344,860</u>	<u>9,583,634</u>	<u>1,472,977</u>
TOTAL EQUITY AND LIABILITIES	<u>15,103,847</u>	<u>15,452,144</u>	<u>14,802,895</u>	<u>2,275,163</u>
NET CURRENT ASSETS	5,097,055	5,528,846	3,670,277	564,111
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>6,948,289</u>	<u>8,132,438</u>	<u>6,812,316</u>	<u>1,047,034</u>

CORPORATE STRUCTURE

The following diagram illustrates our corporate structure as of the date of this offering circular.



Note: Subsidiaries shaded in grey will guarantee the New Notes.

BUSINESS

Overview

We are a leading developer and operator of large-scale trade centers in China. As of December 31, 2017, we were simultaneously developing and operating 12 projects in 7 provinces and autonomous regions in China, 11 of which were large-scale trade centers. As of December 31, 2017, we had a total land bank of approximately 9.5 million sq.m.

Our business focuses on the development and operation of large-scale trade centers in high growth second- and third-tier cities in China. We currently generate most of our revenue through the sales of properties, and we expect to generate an increasing portion of revenue through rental income in the future. We seek to develop each trade center project into the largest integrated commercial complex in the local region for the wholesale and retail sale of a wide range of products including hardware, electric tools, building materials, furniture and home furnishings, home electronics, apparel and small goods. We design our trade centers to seamlessly integrate the wholesale trading market properties with other on-site facilities such as shopping malls, exhibition and conference centers, hotels, residential, office space, warehouses and other logistics facilities.

Our business is strategically positioned to expand into second- and third-tier cities that have high population densities and suitable market conditions. We actively select markets where we can consolidate fragmented trade activities into our large-scale, integrated trade centers. The PRC government implemented stricter property credit policies in 2017, and we have responded by seeking stable development in our core businesses while expanding selectively into second- and third-tier cities. Our core business has experienced consistent growth, our latest available-for-sale project the Liuzhou Trade Center recorded strong sales in 2017, and the number and size of the properties under our property management business has increased. In addition, in 2017, we launched key e-commerce initiatives, such as our internally-developed shop management software “Yi Zhang Gui (毅掌櫃)”, our aggregated payment system, “Yi Qi Fu (毅起付)”, and our strategic cooperation agreement with JD.com Inc. to build the “Boundless Trade Cities” project. We also entered into strategic cooperation agreements with Red Star Macalline Group for our Ganzhou Trade Center, and Easyhome Investment Group for our Yulin and Liuzhou Trade Centers.

Our projects typically receive strong support from various government authorities, reflecting the scale of our trade center projects, our compelling value propositions and our management’s depth of experience in developing trade center projects, and the benefits we have brought to local economies. Local government authorities’ recognition of our value proposition, coupled with our strong execution capability including our disciplined approach to land selection and acquisition process, is reflected in our ability to consistently acquire high quality land at competitive costs. In addition, in line with the common practice for local governments to provide monetary support to trade center developers in China, we have historically received significant government grants in support of our trade center projects and expect to continue to receive government grants for our existing trade center projects.

Our origins trace back to 1995, when the Wang Family Group first commenced the development of trade center projects in China. Such projects were developed by the Wang Family Group under the business name “Howard” (“豪德”). Between 1995 and 2010, the Wang Family Group developed 19 trade center projects in seven provinces in China.

Our business operations have experienced significant growth. We engage in the property development business, and our results of operations are significantly affected by the economic growth and regulatory measures of the real estate industry in China. In addition, our results of operations are significantly affected by the total GFA and sales prices of properties delivered during any relevant period. In addition, we are also affected by our ability to control construction costs and acquire quality land at acceptable costs, LAT and cost of financing. See “Management’s Discussion and Analysis of Results of Operations and Financial Condition—Factors Affecting Our Results of Operations.” In particular, for the years 2015, 2016 and 2017, our revenue amounted to RMB3,166.4 million, RMB2,335.8 million and RMB1,792.4 million (US\$275.5 million), respectively, and our aggregate GFA of properties sold was approximately 491.3 thousand sq.m., 395.8 thousand sq.m. and 324.1 thousand sq.m., respectively. In the same period, our profit for the period amounted to RMB597.7 million, RMB355.1 million and RMB255.3 million (US\$39.2 million), respectively.

Our Competitive Strengths

Market Leader in the Large-Scale Trade Center Development Industry in China

We are a leading developer and operator of large-scale trade centers in China. Our market leadership is supported by our ability to execute multiple large-scale development projects at the same time across diverse regions in China. As of December 31, 2017, we were simultaneously developing and operating 12 projects in 7 provinces and autonomous regions in China, 11 of which were large-scale trade centers. As of December 31, 2017, we had a total land bank of approximately 9.5 million sq.m..

In addition, our project in Ganzhou has an estimated GFA to which we have obtained the land-use rights of over 3.3 million sq.m., and our projects in Jining, Lanzhou and Wuzhou have an estimated GFA to which we have obtained the land-use rights of over 1.0 million sq.m.. We have a strong project pipeline that ensures future growth potential. In addition to our current projects, we entered into master investment agreements for another two development projects, Daya Bay Project and Nanchang Project with local regulatory authorities in China and were in the process of acquiring land-use rights with respect to these development properties as of December 31, 2017.

Proven Business Model with Attractive Value Propositions to SMEs

We believe that our success is a direct result of our business model which focuses on property sales to owners of SMEs. We are committed to the long-term success of our trade center projects by catering to the preferences of these SMEs to own, instead of lease, properties to conduct their businesses. In particular, we design the early stages of our development projects to consist primarily of properties for sale, such as wholesale trading market units, and seek to sell the vast majority of our properties to SMEs who will actively conduct business at our trade centers. By focusing on sales to such purchasers, we are able to effectively develop a bustling commercial environment at our trade centers in the early stages of our development projects. The continued growth of our customers’ businesses and appreciation in the value of their purchased properties is firmly supported by the rapidly modernizing commercial areas where our trade centers are located. Furthermore, sales proceeds from the earlier stages of our development projects significantly reduce our dependence on alternative financial resources to meet our working capital requirements. The success of our initial-stage sales and the development that ensues allow us to increase the sales and lease prices of our properties in later development stages.

Well-Positioned to Take Advantage of Significant Market Opportunities and Strong Government Support

The economy of China has shifted from a phase of rapid growth to a phase of high quality development. The strategic decisions made by the China Central Economic Works Conference send the message that macroeconomic policies will no longer aim for rapid economic growth but prevent major risks and foster new momentum for sustainable economic development. We believe we are well-positioned to take advantage of steady economic growth following the implementation of current regulatory policies in China's property market.

Local governments in second- and third-tier cities are seeking experienced and reputable developers who can develop large-scale and transformative trade center projects. As a leading developer and operator of large-scale trade centers in China led by an experienced management team with a proven track record of replicating our successes in various regions across China, we believe that we are well-positioned to assist local governments in further stimulating local commerce, facilitating urbanization and, ultimately, upgrading and transforming their cities. We typically receive strong support from various government authorities, reflecting the scale of our trade center projects, our compelling value propositions and our management team's rich experience in developing trade center projects that we believe have benefited local economies. For example, in recognition of their contribution to economic growth and city development, our trade center projects in Jining, Yulin, Ganzhou, Xingning, Mianyang, Heze, Lanzhou, Yantai, Wuzhou and Liuzhou have been designated as key development projects by provincial governments, and our Ningxiang Trade Center has been designated as a National Guangcai Key Project. In addition, local governments typically offer us a wide range of incentives in order to secure our commitment, such as access to land resources at favorable locations and at competitive prices, governmental subsidies and the construction of necessary supporting infrastructure such as roads and utility connections. In line with the common practice for local governments to provide monetary support to trade center developers in China, we have historically received significant government grants in support of our trade center projects and expect to continue to receive government grants for our existing trade center projects. We believe that we are well-positioned to take advantage of these favorable policies and incentives.

Large Quantity of High Quality Land Acquired at Competitive Costs

We believe that our land acquisition strategy yields a low land acquisition cost and that our market leadership and proven track record of aligning our interests with those of the local governments provides us with a competitive advantage and strong bargaining power when negotiating for and acquiring project sites. Local government authorities' recognition of our value proposition is in turn reflected in our ability to consistently negotiate favorable land acquisition terms. Our disciplined approach to land selection has contributed to our favorable land cost structure. By December 31, 2017, the accommodation value of our 12 trade center projects for which we had then received land-use rights certificates or entered into land grant contracts was approximately RMB389 per sq.m. Our low accommodation value gives us greater pricing flexibility to cater to a broader customer base and respond more effectively to changing market conditions. In the years 2016 and 2017, our average acquisition costs of land were approximately RMB412 per sq.m. and RMB382 (approximately US\$59) per sq.m., respectively. In the three years 2015, 2016 and 2017, we obtained land-use rights or entered into land grant contracts for an aggregate of 2.8 million sq.m. of GFA, primarily located in strategically-selected suburban areas of cities which we believe have strong urbanization and economic growth prospects. See “—Land Bank”.

Strong Project Development Execution Capabilities

We benefit from our strong execution capabilities in developing large-scale trade center projects across diverse regions in China. Our disciplined development approach is supported by the systematic procedure we apply at each key step of our development process. For example, in selecting sites for our projects, we closely cooperate with local governments and conduct a comprehensive analysis and research of city development plans and local market conditions. Final site selection decisions are made

by our investment committee including eleven members, including all of our executive directors and senior management members, who have an average of more than ten years of relevant experience. We engage leading domestic and international design firms, such as Beijing Institute of Architectural Design and WS Atkins plc, to support our project planning and design.

Further, we are able to control costs without sacrificing quality. As part of the construction process, our centralized procurement department leverages our purchasing power at a group level to negotiate the best available price terms for large equipment such as elevators and air conditioning units. Our centralized procurement process and large scale purchases also give us considerable bargaining power with our contractors and suppliers. Our experience in large scale development allows us to plan projects more efficiently, reduce construction time and deploy resources more efficiently.

Our project sales team is able to effectively create strong demand for our trade center properties through targeted market analysis and directed advertising and promotion activities, and pre-sell our trade center properties at our designated selling prices within a short period of time. Our sales staff conducts face-to-face sales activities with prospective customers and discusses the benefits of moving their businesses to our trade centers where they can benefit from a more dynamic commercial environment. Our sales staff uses its knowledge of potential purchasers to ensure a satisfactory percentage of our properties are sold to SMEs. Our scale, market credibility and brand recognition also allow us to have access to dependable sources of financing for our projects, helping us to achieve prudent financial leverage.

An Experienced Management Team with Strong Support from Leading Institutional Investors

The vision, experience and entrepreneurial spirit of our management team have contributed to our strong financial and operational performance and our ability to develop various large-scale projects in a highly disciplined and efficient manner. Our senior management has a proven ability to execute our business model in diverse regions across China. In particular, Mr. Wang Jianli, our Chairman and executive Director, has accumulated over 20 years of experience in the development and operation of large scale trade centers. Mr. Wang Jianli is regarded as one of the pioneers of China's private sector and one of the leading entrepreneurs in the trade center development and operation industry, due to their rich experience in corporate finance, corporate governance and real estate investment management, as well as from its international vision and long-term commitment to our business. In addition, Mr. Wang Dewen, our Chief Executive Officer and Executive Director, has accumulated over nine years of experience in the development and operation of large-scale trade centers. Mr. Wang Dewen is substantially involved in the growth of our business.

Our Strategies

Our goal is to strengthen our leading position in the large-scale trade center development industry in China. To achieve this goal, we intend to implement the following strategies:

Continue to Expand into New Cities with Rapid Economic Growth and Solid Demand for Modern Trade Centers

New macroeconomic policies and property credit controls imposed in 2017 will shift China's economic development from rapid growth to quality, sustainable development. We plan to strategically expand into second- and third-tier cities that have significant demand for modern trade centers. We actively select regions that cater to our competitive advantages while also allowing for attractive returns. These include:

- markets with strong market demand for modern trade centers where our Group can assist in consolidating fragmented trade activities in the local and adjacent areas into a single integrated trade platform;

- markets with strong local and regional economic potential, especially regions where local industry structures attune to our Group's core business;
- cities with relatively large, dense populations that are centrally located;
- sites with easy access to well-developed transportation networks;
- local governments that recognize our value proposition and are willing to build long-term cooperative relationships.

Continue to Attract High Quality Customers and Enhance Value-added Services

To enhance profitability and improve cost control, we have adopted the following initiatives in development our projects:

- *Attract and Secure High Quality Customers.* We intend to implement strategic alliance strategies and cooperate with reputable enterprises to bring our their respective advantages and achieve a win-win situation. In 2017, the Red Star Macalline Group signed a strategic cooperation agreement with us and entered our Ganzhou Trade Center, and the Easyhome Investment Group entered our Yulin and Lizhou Trade Centers. We also leverage our close relationships with local chambers of commerce to expand marketing scope and increase trading volume among our targeted tenants. In addition, we will continue to expand our relationships with trade associations, domestic suppliers, manufacturers, distributors, and capitalize on our in-depth knowledge of the industries represented at our trade centers to secure high quality clients to form the core of our customer base. Securing high quality customers will raise the profile and reputation of our trade centers and increase the flow of trade and commerce at our trade centers.
- *Adopt a Flexible Sales Strategy.* When we commence sales in a new trade center, we plan to offer more attractive sales and rental terms to high quality clients, especially those key customers with expected significant trading volume. We will actively adjust the sales strategy of our properties and the allocation of properties for sale or leasing, reflecting market perceptions of our trade centers, general property market conditions as well as the availability of comparable or similar properties in the local region. We generally seek to increase sales prices and rental rates after the initial sales phase, as we believe that our clients will have by then established operations at our trade center and benefited from the increased flow of business activities and the wide range of value-added supporting services and facilities.
- *Enhance Value-added Services.* We intend to further improve the range and quality of value-added services available at our trade centers to meet our customers' needs. In particular, we plan to strengthen the strategic cooperation with existing service providers and introduce additional providers at our trade centers, such as leading commercial banks, telecommunications companies, catering service providers and logistic companies. By providing customers access to these value- added services, we believe we will facilitate commercial activities at our trade centers and advance the business interests of our customers. We will also continue to work closely with local governments to strengthen the infrastructure surrounding our trade centers, which we believe will increase traffic flow and stimulate trading activities in the area.

Expand into B2B+O2O Businesses to Grow our Business Platform

We plan to capitalize on our existing industry and consumer relationships and the information we obtain through our trade centers to expand into other complementary businesses, particularly our e-commerce platforms. For example, we built up and promoted our own online e-commerce platform that supplements the offline sales efforts of small- and medium-sized businesses, especially those who operate from our trade centers. In 2017, we launched our internally-developed and self-operated shop management software “Yi Zhang Gui (毅掌櫃)” and aggregated payment system, “Yi Qi Fu (毅起付)” in our Mianyang, Ganzhou, Jining, Yantai, Lanzhou Trade Centers, signaling the formation of our internet platform matrix. See “—Recent Developments”.

For fostering emerging businesses, we will develop B2B+O2O (business-to-business, online-to-online) businesses, through the strategic collaboration with JD.com Inc., in logistics, financial and e-commerce services. Through this collaboration, our Group and JD.com Inc. aim to achieve the goal of creating “boundless trade cities” by integrating online and offline commerce in second- and third- tier cities in China. See “—Recent Developments”.

Promote “Hydoo” (毅德) Brand Image and Engage in Active Marketing Activities

We will continue to strengthen our brand image as a leading developer and operator of large-scale trade centers by continuing to develop quality, highly-integrated projects. We believe that such efforts will result in potential customers and local governmental authorities associating our brand with successful, large-scale, integrated trade centers that create vibrant trading environments and provide strong return on investments. We believe such established and consistent brand image and reputation are highly effective in helping us to secure quality land resources from local governments and generate customer interest in our products. In addition to enhancing our brand image by delivering quality products, we also plan to engage in regional marketing initiatives, including advertising through a variety of media, such as television, newspapers and billboards. We also plan to organize and sponsor a variety of exhibitions and conferences at both national and local levels. In addition, we also intend to use a variety of public relations and promotion campaigns targeting potential customers, such as local SMEs active in the industries represented at our trade centers as well as regulatory authorities in China.

Take Advantage of the “Belt and Road” Initiative

We plan to take advantage of the “Belt and Road” initiative by the PRC government and the national policy of opening up inland commerce and trade. The “Belt and Road” initiative aims to build both land and sea trade routes connecting China to countries in other parts of Asia, Africa and Europe and further promote trade and commerce between China and countries along these trade routes. The PRC government has committed funds for infrastructure construction in the areas along these routes.

We have benefited from government efforts to globalize trade and commerce and we plan to continue to strategically locate our trade centers in locations where we expect to benefit from the “Belt and Road” initiative. We have entered into investment framework agreements with local governments for the construction of trade centers in Liuzhou, Taizhou and Panzhihua, each of which is located along these trade routes, and we expect to experience increased trade and commerce as a result.

Recent Developments

Launch of “Yi Zhang Gui (毅掌櫃)” and “Yi Qi Fu (毅起付)” E-commerce Systems

In 2017, we officially launched our internally-developed and self-operated shop management software “Yi Zhang Gui (毅掌櫃)” and aggregated payment system, “Yi Qi Fu (毅起付)” in, among others, our Mianyang, Ganzhou, Jining, Yantai, Lanzhou Trade Centers, signaling the formation of our internet platform matrix. Yi Zhang Gui integrates, among others, shop management, payment, sales record management, logistics, supplier interface, financial management and membership marketing. It allows our merchants to access various sourcing channels for better qualities of goods and prices.

In partnership with several banking institutions, Yi Qi Fu is a platform that brings financing, wealth management, insurance and other financial services to serve our merchants. This platform has helped traditional businesses solve various obstacles, facilitating their expansion and reducing the costs of financial services and administration. For example, when a trade order is generated on Yi Qi Fu, the system enables next-day fund transfer through banks directly to the merchant’s business account, offering more secure transfers and lower service charges. Merchants can also view their transaction records on mobile devices, with monthly bank reconciliation. Further, Yi Qi Fu’s trade order settlement service provides smart management services for customer and sales data, helping merchants retain customers.

Strategic Cooperation with JD.com

We plan to develop B2B+O2O (business-to-business, online-to-online) businesses. In February 2018, we entered into a strategic cooperation agreement with JD.com Inc. to jointly build the “Boundless Trade Cities” project. This cooperation includes logistics, financial, e-commerce and technical services and the overall digital transformation of our core business to create online trade cities. We aim to cooperate with JD.com Inc. both online and offline, and harness our existing strengths of national networks, regional business hubs and industrial clusters in e-commerce contexts. We further aim to help our merchants and partner local governments enter e-commerce ecosystems and enhance profitability, efficiency and customer experience.

Strategic Cooperation with Red Star Macalline Group and Easyhome Investment Group

In 2017, we signed partnerships with major merchant groups. Red Star Macalline Group signed a strategic cooperation agreement with us and entered our Ganzhou Trade Center, which has an operating area of nearly 70,000 sq.m and hosts more than 400 medium to high-end furniture and home furnishing brands. Easyhome Investment Group also signed a strategic cooperation agreement with us and entered our Yulin and Liuzhou Trade Centers. Our Liuzhou project was our newest available-for-sale project and achieved strong contracted sales of approximately RMB1,048.8 million (approximately US\$161.2 million), and we believe our partnership with Easyhome Investment Group contributed to this performance.

Sale of Equity Interests for Net Gains of US\$49.4 Million

We generated net gains of RMB321.6 million (approximately US\$49.4 million) from the sale of equity interests in real estate projects in 2017:

- We sold our 84% equity interest in Xingning Hydoo Trade Logistics Centre Limited (興寧毅德商貿物流城有限公司) for the consideration of RMB488.8 million (approximately US\$75.1 million) on September 28, 2017, generating a net gain of RMB160.7 million (approximately US\$24.7 million).

- We sold our equity interest in Shenzhen Qian Hai International Energy Financial Center Co., Ltd. (深圳前海國際能源金融中心有限公司) for the consideration of RMB203.4 million (approximately US\$31.3 million), generating a net gain of RMB123.4 million (approximately US\$19.0 million).
- We sold our 60% equity interest in Huaiyuan Hydoo City Development Limited (懷遠毅德城發展有限公司) for the consideration of RMB200.0 million (approximately US\$30.7 million) on September 20, 2017, generating a net gain of RMB37.5 million (approximately US\$5.8 million).

Our Projects

As of December 31, 2017, we were simultaneously developing and operating 12 projects in various stages of development located in 7 provinces and autonomous regions in China, 11 of which were large-scale trade centers. Each trade center project includes various forms of constituent buildings that are subject to separate certificate, permit and approval requirements relating to project development. Each project may be divided into multiple phases and each phase may include different forms of constituent buildings based on our overall development plan.

The properties of our development projects are classified into three categories based on their respective development stages:

- *Completed Properties*, representing properties for which construction of all constituent buildings have been completed but which have not been fully sold.
- *Properties under Development*, representing properties for which we have obtained land-use rights certificates and the construction work of which has commenced but has not been completed.
- *Properties Planned for Future Development*, representing properties with respect to which (i) we have either received the land-use rights certificates, or have entered into land grant contracts with regulatory authorities in China, but have not yet commenced construction work (which we refer to in this offering circular as “properties planned for future development-with land grant contracts or land-use rights certificates”), or (ii) we have entered into master investment agreements with regulatory authorities in China and have not entered into land grant contracts with regulatory authorities in China (which we refer to in this offering circular as “properties planned for future development” and are described separately under the subsection headed “-Our Projects”). As a result, information regarding our properties planned for future development included in this offering circular, such as project planning, design, function, constituent buildings and other features, reflects our current expectations only and is subject to government approvals and further changes.

The following table sets forth a summary for each trade center project of the actual/estimated GFA and percentage of actual/estimated GFA of (i) completed properties (including both delivered and undelivered properties), (ii) properties under development and (iii) properties planned for future development-with land grant contracts or land-use rights certificates, as of December 31, 2017. Unless otherwise indicated, the categorization of our development properties as well as information presented with respect to such properties in this offering circular are based on the development progress made as of December 31, 2017.

	Completed Properties		Total GFA of properties delivered as of December 31, 2017		Properties under Development	Properties Planned for Future Development	Land bank
	Actual GFA of completed properties	Saleable GFA of completed properties	Undelivered saleable GFA of completed properties	Undelivered saleable GFA of completed properties	Estimated GFA of properties under development	Estimated GFA of properties planned for future development	
				(sq.m.)			
Lanzhou Trade Center	535,158	509,742	197,198	312,544	—	2,454,169	2,766,713
Ganzhou Trade Center	693,777	667,472	557,928	109,544	276,939	2,373,423	2,759,906
Jining Trade Center	678,905	650,995	522,664	128,331	372,622	316,929	817,882
Wuzhou Trade Center	452,759	405,168	250,848	154,320	—	662,061	816,381
Heze Trade Center	247,166	229,424	169,618	59,806	54,680	427,787	542,273
Jiamusi Trade Center	6,344	6,344	—	6,344	—	483,089	489,433
Yulin Trade Center	418,961	364,677	235,325	129,352	16,084	311,412	456,848
Yantai Trade Center	141,040	114,147	33,303	80,844	13,172	191,228	285,244
Liuzhou Trade Center	154,517	154,517	59,011	95,506	34,216	111,228	240,950
Ningxiang Trade Center	382,842	370,175	282,123	88,052	61,518	—	149,570
Mianyang Trade Center	511,435	434,236	389,401	44,835	—	80,321	125,156
Haode Yinzuo	48,650	48,650	38,780	9,870	—	—	9,870
Total	<u>4,271,554</u>	<u>3,955,547</u>	<u>2,736,199</u>	<u>1,219,348</u>	<u>829,231</u>	<u>7,411,647</u>	<u>9,460,226</u>

As of December 31, 2017, among our total land bank of approximately 9.5 million sq.m., 28.0% consists of wholesale trading market units, 17.8% consists of shopping malls, 22.3% consists of residence (including serviced apartments), 7.9% consists of office buildings, 6.0% consists of warehouses, 10.6% consists of hotels, 5.3% consists of commercial and exhibition centers, and 2.1% consists of others.

In determining planned dates (including the planned dates of construction commencement and completion for properties under development and properties planned for future development and the planned dates of pre-sale or sale commencement and property delivery) and estimated site area and GFA information, we rely on certain assumptions, including that: (i) there will be no material change with respect to the general economic conditions in the PRC, performance of the PRC property market or demand for our trade center products, particularly in the regions where we plan to develop these properties; (ii) there will be no material change in the regulatory regime governing the real estate market in the PRC which could adversely affect our ability to develop such properties; (iii) there will be no significant delay or obstacle in obtaining necessary licenses and approvals to develop such properties, or any such licenses and approvals obtained are not subject to any material changes or amendments; (iv) we will be able to finance the project development through a combination of our working capital, external borrowings and other debt and equity financing on a timely basis; (v) we will be able to obtain the land-use rights with respect to the lands identified for our properties planned for future development as expected without any significant delay or difficulty; (vi) we will be able to carry out the development plan as set out in the master investment agreement without any material

delay or significant changes or amendments to the development plan with respect to properties held for future development which we have not entered into land grant contracts with regulatory authorities in China; (vii) services provided by third party contractors, including our construction contractors, will meet our quality standards and requirements; (viii) there will be no material increase in the costs and expenses relating to the construction and development of the properties, including costs of construction materials and labor in the PRC; and (ix) we will not be involved in any material legal or other proceedings that could significantly affect our project development process. These estimates and plans are forward-looking statements and are outside of our control. See “Forward-looking Statements.”

Based on the above assumptions, estimated site area and GFA information in this offering circular is derived on the following bases:

- *Site area information:*

If we have received the land-use rights certificates with respect to certain properties, the site area information in respect of such properties refers to the site area information set forth in the land-use rights certificates; and

If we have not received the land-use rights certificates with respect to certain properties, the site area information in respect of such properties is estimated based on the site area information set forth in the land grant contract, or if not yet available, the master investment agreements signed with regulatory authorities in China relating to such properties (excluding the areas identified for public use, such as roads, community recreation zones or other public infrastructure).

- *Total GFA information:*

If the construction of the properties is completed and a completion inspection filing has been made, the total GFA information in respect of such completed properties refers to the total GFA information set forth in the completion certificate; or

If the completion inspection filing has not been made, the total GFA information in respect of such properties is estimated based on: (i) the total GFA information set forth in the construction work commencement permit; (ii) the total GFA information set forth in the construction work planning permit if the construction work commencement permit is not yet available; (iii) our current development plans if none of the above documents is otherwise available; or (iv) the total GFA information if any is indicated in the master investment agreement we entered into with regulatory authorities in China.

The total GFA generally includes non-saleable GFA and saleable GFA. Non-saleable GFA generally includes GFA of properties that are not saleable pursuant to PRC laws and regulations, such as communal facilities, underground space for civil defense purposes and parking lots. Saleable GFA generally refers to the GFA of properties that are saleable pursuant to PRC laws and regulations, including internal floor area and shared areas that are exclusively allocated to such properties.

In terms of GFA, the largest class of constituent buildings at each of our trade centers is wholesale trading markets. These wholesale trading markets generally consist of numerous two- to three-story buildings that are typically 16-20 meters by 40-80 meters in size. Each building is divided by a road that is approximately 10-20 meters wide. This design layout optimizes the amount of storefront area so that shoppers can move easily between stores and also allows vehicles to move between units in order to transfer merchandise. This design addresses a problem in many of China’s trading markets where vehicular access is a common bottleneck.

Each building that forms a part of our wholesale trading markets is typically divided into 15-35 units that have an average GFA of 70-140 sq.m. The ground floor of each unit is generally used for product display, while the upper floors are either used for display or for offices or storage. Purchasers of our units have the option of purchasing several adjoining units to create larger shops. This flexibility allows us to accommodate the varying space and design requirements of our unit purchasers.

The buildings that comprise the wholesale trading markets at our trade centers are generally similar in size and function, though the exterior finishing may differ between trade centers. This uniform approach allows us to save design and construction costs while providing flexibility in creating distinctive designs at each of our trade centers. From time to time, we also tailor the design of our wholesale trading markets to fit the particular needs of the industry served. For example, in the Mianyang and Ganzhou Trade Centers the wholesale trading markets are designed with a split-level floor plan to accommodate the hilly topography of the area. To accommodate the needs of our customers, we may also increase the height of certain of our wholesale trading market buildings.

In addition to wholesale trading markets as the primary type of constituent buildings, shopping malls are the second largest class of constituent buildings at our trade centers in terms of GFA. The shopping malls at our trade centers generally consist of a number of three- to five-story buildings that are typically 60-85 meters by 150-210 meters in size. Each building that forms a part of our shopping malls is typically divided into 1,500-2,000 units that have an average GFA of 10-30 sq.m. Our shopping malls are generally modern in design, most of which are reinforced concrete buildings with glass curtain walls.

Lanzhou Trade Center

Lanzhou Trade Center is located in Yuzhong County, Lanzhou, which is next to the community of Lanzhou College. It is located in the south of Qinglan Highway and 312 National Road and the north of 309 National Road, and is approximately 15 kilometers from downtown Lanzhou City, 20 kilometers and 80 kilometers from the railway station and airport of Lanzhou, respectively.

Lanzhou Trade Center is planned to cover a site area of approximately 4.0 million sq.m. and has an aggregate estimated GFA of approximately 6.0 million sq.m. which is expected to be developed at least in two phases. As of December 31, 2017, we had acquired the land-use rights encompassing a total site area of 1,622,080 sq.m., with a total GFA of 2,989,327 sq.m. upon completion.

As of December 31, 2017, for this trade center project, we had completed the construction of wholesale trading markets and a commercial pedestrian street. We are currently constructing additional wholesale trading markets. As part of our future development plan, we are planning to construct shopping malls and additional wholesale trading markets.

Ganzhou Trade Center

Ganzhou Trade Center is strategically located in southwestern Jiangxi province near the intersection of Jiangxi, Hunan and Guangdong provinces. Ganzhou lies along a major transportation route connecting the inland areas of China with China's southeastern coast. There are two major railways intersecting in Ganzhou, namely the Jing-Jiu Railway and the Gan-Long Railway.

Ganzhou Trade Center covers a net land area of approximately 1,475,298 sq.m., which is expected to be developed at least in two phases, and is estimated to have a total GFA of approximately 3.3 million sq.m. upon full completion. As of December 31, 2017, we had acquired all the land-use rights for this trade center project.

As of December 31, 2017, we had completed the construction of wholesale trading markets and shopping malls. We are currently constructing a food street, a logistics distribution center, warehouses, a residential area, and supporting buildings and facilities. As part of our future development plan, we are planning to construct a commercial and exhibition center, additional shopping malls, residential areas, warehouses, office buildings and hotels.

Jining Trade Center



Jining Trade Center is located approximately six kilometers west of Jining , a prefecture-level city in southwestern Shandong province, and is one of the three major industrial bases in Shandong province. It is easily accessible by a number of connecting bus lines, and lies within 10 kilometers of the Jining train station and 30 kilometers of Jining Qufu airport.

Jining Trade Center is planned to cover a site area of approximately 2.0 million sq.m., and has an aggregate estimated GFA of approximately 3.0 million sq.m., which is expected to be developed in three phases. As of December 31, 2017, we had acquired land-use rights for all of Phase I and Phase II, encompassing a total site area of 975,863 sq.m., and expect a total GFA of 1,368,456 sq.m. upon full completion of Phase I and Phase II.

As of December 31, 2017, for this trade center project, we had completed the construction of wholesale trading markets, a shopping mall and a residential area, were constructing a shopping mall, a commercial center, a hotel, an office building and a commercial and exhibition center. As part of our future development plan, we are planning to construct warehouses, serviced apartments, a residential area and office buildings.

Wuzhou Trade Center

Wuzhou Trade Center is strategically located in Wuzhou, a city in eastern Guangxi near the border of Guangxi and Guangdong provinces. It is approximately 370 kilometers east of Nanning, the capital of Guangxi, and approximately 270 kilometers west of Guangzhou, the capital of Guangdong.

Wuzhou Trade Center is planned to cover a site area of approximately 1.3 million sq.m. and has an aggregate estimated GFA of approximately 2.0 million sq.m., which is expected to be developed in two phrases. As of December 31, 2017, we had acquired land-use rights for all of Phase I, encompassing a total site area of 599,642 sq.m with a total GFA of 1,114,820 sq.m. upon full completion of Phase I development.

As of December 31, 2017, for this trade center project, we had completed the construction of wholesale trading markets, shopping malls, a commercial and exhibition center, and certain supporting buildings and facilities. As part of our future development plan, we are planning to construct a residential area, an office building, serviced apartments, a hotel and additional shopping malls.

Heze Trade Center

Heze Trade Center is located in the city's central Mudan District, along National Highway 220 and is approximately two kilometers from Heze's city center.

Heze Trade Center is planned to cover a site area of approximately 8.0 million sq.m. and has an aggregate estimated GFA of approximately 12.0 million sq.m. which is expected to be developed in three phases. As of December 31, 2017, we had acquired land-use rights for all of Phase I and a portion of Phase II, encompassing a total site area of 587,239 sq.m., with a total planned GFA of approximately 729,633 sq.m. upon completion of Phase I and Phase II development.

As of December 31, 2017, for this trade center project, we had completed the construction of wholesale trading markets and certain supporting buildings and facilities, and were constructing a shopping mall. As part of our future development plan, we are planning to construct office buildings, serviced apartments, additional shopping malls and wholesale trading markets.

Jiamusi Trade Center

Jiamusi Trade Center is located in Jiamusi, the core city and transportation hub in eastern Heilongjiang Province. It is located approximately 10 kilometers west of the Jiamusi's city hall, in the north of Youyi Road (the urban main road), and one kilometer from the Ha-Tong Freeway.

Jiamusi Trade Center is estimated to cover an estimated total site area of approximately 2.0 million sq.m., and have an aggregate estimated GFA of approximately 3.0 million sq.m, which is expected to be developed several in several phases. As of December 31, 2017, we had acquired land-use rights for the Phase I development, encompassing a total site area of 484,708 sq.m., with a total planned GFA of approximately 489,433 sq.m..

As of December 31, 2017, we had completed the construction of a commercial center. As part of our future development plan, we are planning to construct wholesale trading markets, shopping malls, a hotel and certain supporting buildings and facilities.

Yulin Trade Center



Yulin Trade Center is located approximately two kilometers from Yulin, the fourth largest city in Guangxi, located along the border with Guangdong province. The trade center's northern edge is bounded by Yulin Second Ring Road. It is 3 kilometers from Guang-Kun Freeway and is within 10 kilometers of Yulin train station.

Yulin Trade Center is planned to cover a site area of approximately 1.2 million sq.m. and has an aggregate estimated GFA of approximately 2.0 million sq.m., which is expected to be developed in several phases. As of December 31, 2017, we had acquired land use rights for all of Phase I, Phase II and a portion of Phase III, encompassing a total site area of 569,706 sq.m. with a total planned GFA of approximately 746,457 sq.m. upon full completion of Phase I, Phase II and Phase III development.

As of December 31, 2017, for this trade center project, we had completed the construction of several wholesale trading markets and shopping malls, and were constructing a commercial and exhibition center and additional wholesale trading markets. As part of our future development plan, we are planning to construct a hotel, serviced apartments, a residential area, and additional wholesale trading markets.

Yantai Trade Center

Yantai Trade Center is located in the southern Zhifu district of Yantai City, west of Shenhai Highway, nine kilometers north of Yantai railway station, east of the Yantai wharf and 9.5 kilometers south of the Laishan International Airport and Rongwu Highway. The location of Yantai Trade Center has exceptional geographical and transportation advantages.

Yantai Trade Center is planned to cover a site area of approximately 1.3 million sq.m. with has an aggregate estimated GFA of approximately 2.4 million sq.m., which is expected to be developed in several phases. As of December 31, 2017, we had acquired land-use rights for all of Phase I, encompassing a total site area of 160,056 sq.m. with a total planned GFA of approximately 345,440 sq.m. upon completion.

As of December 31, 2017, for this trade center project, we had completed the construction of wholesale trading markets, and were constructing certain shopping malls, a commercial and exhibition center and certain supporting buildings and facilities. As part of our future development plan, we are planning to construct wholesale trading markets, shopping malls, an office building and serviced apartments.

Liuzhou Trade Center

Liuzhou Trade Center is located in Liujiang Town, Liuzhou City, Guangxi Zhuang Autonomous Region. It is located in the east of Xianggui railway, and in the south of Liujiang Road.

Liuzhou Trade Center is estimated to cover a site area of approximately 1.2 million sq.m. and has an aggregate estimated GFA of approximately 1.5 million sq.m., which is expected to be developed in several phases. As of December 31, 2017, we had acquired the land use rights for all of Phase I, encompassing a total site area of 259,577 sq.m., with a total planned GFA of 299,961 sq.m..

As of December 31, 2017, for this trade center project, we had completed the construction of wholesale trading markets, and were constructing additional wholesale trading markets. As part of our future development plan, we are planning to construct wholesale trading markets, shopping malls, office buildings and certain supporting buildings and facilities.

Ningxiang Trade Center



Ningxiang Trade Center is located approximately three kilometers west of Ningxiang's city center, a county in Changsha, the capital of Hunan province. National Highway 319 runs along the eastern edge of the Ningxiang Trade Center and provides Ningxiang with convenient access to other key cities in Hunan, such as Changsha, Zhuzhou and Xiangtan.

Ningxiang Trade Center is planned to cover a site area of 1.3 million sq.m., and has an aggregate estimated GFA of approximately 1.2 million sq.m., which is expected to be developed in several phases. As of December 31, 2017, we had acquired land-use rights for all of Phase I, encompassing a total site area of 301,387 sq.m. with a total planned GFA of 444,360 sq.m. upon full completion of Phase I.

As of December 31, 2017, for this trade center project, we had completed the construction of wholesale trading markets, a freight-forwarding market, a commercial and exhibition center, warehouses, a bus terminal and information center, serviced apartments and were constructing a hotel.

Mianyang Trade Center

Mianyang Trade Center is strategically located in Mianyang, the second largest city in Sichuan province, approximately 120 kilometers northeast of Chengdu, the capital of Sichuan province, along the key highway and railway that connect Sichuan province and western and northern China.

Mianyang Trade Center covers a net land area of approximately 605,084 sq.m., which is expected to be developed in several phases, and is estimated to have a total GFA of approximately 591,756 sq.m. when fully completed. As of December 31, 2017, we had acquired all the land-use rights for this project.

As of December 31, 2017, for this trade center project, we had completed the construction of wholesale trading markets and certain supporting buildings and facilities. As part of our future development plan, we are planning to construct additional wholesale trading markets and a hotel.

Other Properties

Haode Yinzuo

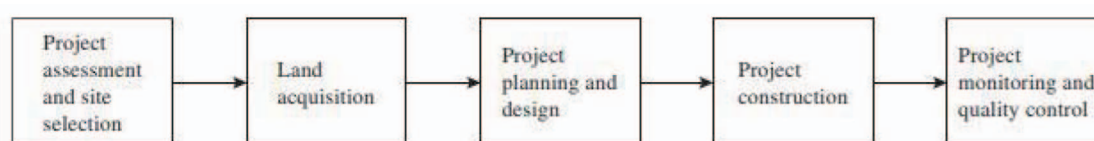


Haode Yinzuo is a high-end residential, commercial and office building project in Ganzhou. We completed the construction of Haode Yinzuo in 2012. The completed Haode Yinzuo has a total site area of approximately 6,666 sq.m. and consists of two towers, one with 30 stories and the other with 32 stories, with a total GFA of approximately 57,240 sq.m. and a total saleable GFA of 48,650 sq.m. In terms of saleable GFA, approximately 43.0% of the units in Haode Yinzuo are residential, approximately 41.0% of the units are offices and approximately 16.0% of the units are commercial.

We commenced pre-sales of units in 2010, and began delivering units to our customers in 2012. As of December 31, 2017, we sold and delivered approximately 79.7% of the aggregate saleable GFA, or 38,779 sq.m. of the residential, office and commercial units of Haode Yinzuo. We currently occupy approximately 2,000 sq.m. of office space at Haode Yinzuo for our own use.

Our Development Process

We are primarily engaged in developing and operating large-scale trade centers in China for the wholesale and retail sales of a wide range of products, including hardware, electric tools, building materials, furniture and home furnishings, home electronics, apparel, and small goods. By focusing on developing trade centers in rapidly-growing second- and third-tier cities, we seek to assist local governments in further stimulating the growth of local commerce, facilitating urbanization and, ultimately, upgrading and transforming cities. Although each project development is customized for the specific conditions of the location and designed in accordance with the requirements of the local authorities, the diagram below summarizes the major stages involved in developing and operating a project.



We have established various departments at the headquarters level to oversee and control the major steps of all of our project developments. We have also formed individual project companies to manage the day-to-day development and operational activities of individual trade centers. As part of our core ability to replicate our business model in different regions, all key decisions regarding a development project, including project assessment and site selection, land acquisitions and project planning and design, are primarily made at our headquarters. In addition, when we commence a new development project and after we establish the project company for the project, we generally dispatch a core team with extensive experience from a prior project to staff the new project company to ensure project developments are executed properly and our business model is executed consistently. In addition, this core team is supported by skilled managers and employees with relevant experience that we hire from other leading companies.

Through our past experience, we have set up a standard model to implement our project development process from site selection to project sales and marketing. Our management conveys our strategies and goals to various departments within our Group and our various project companies. Our management oversees the operation of various departments as well as project companies to ensure that they operate efficiently. We also leverage our bargaining power by centralizing negotiations with suppliers and construction companies and facilitate the sharing and efficient use of resources and expertise among various projects in areas such as design, construction and sales and marketing.

Project Assessment and Site Selection

During the project assessment and site selection stage, our initial task is to set development targets based on our growth strategies and medium-to long-term plans. As part of this process, we closely examine the PRC regulatory and economic environment and the impact the government's macro-economic policies and development plans may have on economic growth and the real estate development industry. We consider development trends in different regions of China to form preliminary concepts of areas into which we would like to expand and the number of projects we would like to develop each year. We currently primarily focus on second-tier and third-tier cities in China. The economies and consumption levels in these cities are growing quickly as they undergo

rapid urbanization. Local governments in these cities have a pressing need to support such growth and perceive the construction of our trade centers as one of the means to promote this goal. Through this process, we are able to refine our strategies and goals to take advantage of opportunities in different regions of China.

Once we set development targets, we conduct feasibility studies on potential areas of expansion and consider potential risks, investment returns, and local economic and regulatory conditions. We also initiate discussions with various local governments so that we can understand how our projects can complement their needs.

After our high-level assessment of the conditions in various cities, we then send an assessment team, generally led by key members from our strategic planning department to visit a subset of those cities. Based on our needs, we may also engage professional market research firms to provide additional factual analysis and support, such as market analysis and feasibility research on potential markets.

After the strategic planning department, design department, finance department and sales and marketing department complete their research on various candidate cities, they submit reports to our investment committee, which is currently comprised of eleven members, including our executive directors and senior management team. The investment committee will review the written reports and, after further consultation with the involved departments and any external expert we may engage, make a decision as to which cities to develop projects in.

We actively look for suitable opportunities to develop trade center projects where we can leverage our strengths and achieve attractive rates of return. In particular, we seek to establish projects in cities that satisfy the following criteria:

- promising local and regional economic growth potential and the ability of the city to positively impact the economic growth of neighboring cities;
- potential for significant market demand for a large-scale trade center to further stimulate the growth of local commerce and consolidate disorganized trading activities into a single integrated platform;
- cities with relatively large, dense populations that are centrally located;
- availability of land sites with easy access to well-developed transportation networks in areas that are not saturated by similar projects; and
- ability to build a long-term cooperative relationships with local governments that understand our value proposition and can provide regulatory support for our development projects.

We prefer to select sites in suburban areas of cities with strong urbanization and economic growth prospects. These sites are generally within sufficient proximity of city centers to have access to ample local manufacturing, commercial and logistics support while being in areas where land can be obtained at a reasonable cost. After we have identified a city in which we would like to develop our projects, we use the following criteria in assessing different potential project sites within that city:

- whether the site is, in terms of area and condition, suitable for large-scale, integrated commercial development, such as suburban area of cities with strong urbanization prospects;
- its position in the city's overall planning and long-term development plans;

- whether a proposed project on the site will help lift the economic, cultural and social development of the city and region to a higher level;
- whether the site is conveniently connected to the local transportation infrastructure; whether the site is supported by local manufacturing, trading and logistics industries;
- infrastructure and supporting facilities planned or provided by the local governments;
- the projected overall costs and expenses of a proposed project on the site; and
- zoning rules applicable to the site.

After we identify a city with land resources that satisfies our criteria, we hold further discussions with the local government, typically focusing on issues including the location and size of the land site, the general layout, major functions and constituent buildings of the proposed trade center, overall development investment and costs, financing options, proposed development timeline, and available government support such as government grants and construction of connecting and other infrastructure. These discussions guide the initial drafting of a master investment agreement. Occasionally we also enter into a non-binding circular of understanding with the local government to set out certain high-level plans regarding our proposed development plan, which generally will be superseded by the master investment agreement. Our strategic planning department, in consultation with other departments of the company, reviews the initial draft of the master investment agreement and seeks comments and suggestions from various other relevant regulatory authorities in the city to revise the draft. A finalized master investment agreement will be signed with the local government after all negotiations are concluded and an agreement with the local government is reached. We may also enter into supplemental agreements with local governments to provide for further detailed or clarified execution plans with regard to key clauses of the master investment agreement.

Land Acquisition

Under current PRC laws and regulations, land-use rights for the purposes of commercial use, entertainment and commodity residential properties in China must be granted by the government only through public tender, auction or listing-for-sale. When deciding who to grant land-use rights, the government will consider not only the tender price, but also the credit history and qualifications of the tenderer and its development proposal. For more information on the regulatory approvals needed to acquire land-use rights to our developments projects, see “Regulation—Land for Property Development.”

The government authority generally establishes and announces the conditions for the public tender, auction or listing-for-sale of the land-use rights. After we participate in the process and if our bid is chosen, we will sign a land-use right grant agreement, which sets forth key terms and conditions of the grant of land-use rights. Generally, this land acquisition process takes between three to six months to complete.

Project Planning and Design

Our design department will begin to formulate a conceptual plan for our development project before we enter into the master investment agreement with local regulatory authorities. At this time, a suitable location will have already been designated. This plan typically sets forth the conceptual layout of the trade center project including the locations, size estimates and major functional areas and key constituent buildings, such as wholesale trading markets, residential and office buildings, hotels, shopping malls and exhibition centers. We believe our practice of forming an advanced conceptual plan and presenting it to the local authorities in the early stages of our negotiations with them distinguishes us from our competitors. We believe that doing so allows the local authorities to better understand our design philosophy and how our detailed plan can urbanize and upgrade their cities.

Once we establish the conceptual plan and enter into the master investment agreement with the regulatory authorities regarding a new development project, our design team starts to formulate a master design plan which sets out detailed information regarding the development project covered by the master investment agreement. Our design department works closely with external design firms to formulate the master design plan which needs to be approved by the local authorities in charge of city planning.

As we proceed with the land acquisition process, our design department, with the support of external design firms, starts to formulate the detailed design of the particular portion of the development project to be covered by the parcel of lands we are acquiring. This detailed design sets out key architectural, landscape and external design elements of the project and is based on the master design plan which has been approved by the local regulatory authorities. Once the detailed design is approved by the regulatory authorities and we have obtained a construction work planning permit, our construction management department (with the support of the design department) will proceed to work with external architecture firms to formulate detailed construction drawings that will guide the construction work at our trade center projects. Our design department will provide additional detailed designs as we continue to acquire additional land-use rights and execute our overall development plan based on our master investment agreement with the local authorities.

Generally, we consider the factors below in planning and designing our trade center projects:

- the positioning and functions of our trade center projects and potential needs of our prospective customers;
- the urban planning requirements and considerations of the local government authorities; the neighborhood and environment surrounding the site;
- the characteristics of the site, including its location, site area, geographic nature, existing conditions and structures;
- the advice provided by our professional advisors, including architects, planning experts and sales and marketing personnel;
- information we receive from the strategic planning department and sales department regarding our customers' needs; and
- the costs of the different project designs.

The design department is responsible for selecting the architects and design firms we engage. We generally engage reputable design institutes in China with rich experience in designing large-scale trade center projects, such as Hangzhou Architecture Design Institute Ltd., Shenzhen Huasen Construction and Design Consultancy Ltd. and Beijing Sunlay Design Institute, to assist our project planning and design process. We also engage international design firms, such as WS Atkins plc, based on our project design needs. We typically use a tender process in selecting these architects and design firms and draw from a list we maintain of over 50 preferred architects and design firms. We request potential architects and design firms to provide a proposal with a fee quote. In making our decision, we consider their proposed design concepts, their reputation for reliability and quality as well as our previous experience working with them and the price of their proposed services. The design department continually monitors the progress and quality of the appointed design firms to ensure that they meet our specifications.

Project Construction

We develop and manage our projects through our construction management department at our headquarters and also through the individual construction management departments of our project companies. The construction management department at our headquarters makes strategic determinations and sets strategic parameters for our project construction process, including overall project construction planning and periodic targets, scope and size of construction work, selection of key construction contractors and pricing and the procurement of key raw materials and equipment. Construction management departments at the project company level oversee the day-to-day construction process of their respective projects. The construction management department at our headquarters coordinates with various project companies on an on-going basis through various progress meeting and reporting mechanisms.

Selection of Construction Companies

We engage third-party construction companies for site preparation, project construction, equipment installation, engineering and interior work. We generally select construction companies through a tender process and request potential construction companies to provide a proposal with a fee quote. We currently maintain a database of more than 750 construction companies as our qualified construction contractors. As of December 31, 2017, we engaged more than 150 construction contractors, with which we have been working for a period ranging from one to four years. We consider the construction companies' track record, professional qualifications, past performance, reputation for reliability, quality and safety, references, technical sophistication, proposed delivery schedule and cost in our selection process. We seek to achieve high quality in the construction process while maintaining our construction costs at a reasonable level.

The construction companies we have engaged carry a minimum Second Grade certification from Ministry of Housing and Urban-Rural Development of the PRC ("MOHURD") (中華人民共和國住房和城鄉建設部), and hold all the necessary licenses and permits. To ensure that our projects are constructed by quality construction companies only, our construction contracts prohibit assignments without our consent. Our construction management department, both at headquarters and project company levels, continues to review the qualifications and performance of the construction companies on an on-going basis throughout the course of the construction process. The review criteria include construction quality, satisfactory construction in line with specifications, safety record, compliance with laws and regulations, and site management, among others.

Construction Contract Terms

The principal terms of the agreements with our construction contractors include the scope of work, a timetable for construction, fees and payment terms. In addition, our agreements with construction companies typically contain warranties for quality and requirements for timely completion of the construction process. Our construction agreements typically provide for payments based on construction progress until a specified maximum percentage of the total contract price is paid. We typically do not make any pre-payments, but instead make payments according to the progress on a monthly basis. We review the construction progress and make payments, generally on a monthly basis, equal to a set percentage of the construction work completed in the previous month. Following governmental inspection and approval of the completed construction project, a payment of the remaining balance, up to 97% of the total amount, of the completed construction may be paid to the contractor. The remaining balance, which is withheld to cover any damages as a result of any construction defects, is typically paid, without interest, to the contractor approximately two years after the date of governmental inspection and approval. From time to time, we may also negotiate for more favorable payment terms with our construction contractors. For example, for our trade center projects in Mianyang and Yulin, our construction contractors have allowed us to start to make payments only after 70% of the construction work is completed. We generally have the contractual rights to terminate the construction contracts, with prior written notice, upon (i) mutual agreement, (ii) assignment or

sub-contracting of the construction work without our prior consent, (iii) material breach of the construction contract resulting in impossibility of due performance or (iv) a force majeure event. We generally require construction companies we engage to purchase insurance to cover risks related to construction while they perform work on our construction sites.

Procurement

Key building construction materials, such as steel and concrete, are generally procured by the construction companies we engage and we typically designate the brands and quality requirements of these key construction materials as part of our construction agreement. The risk of price fluctuation for these materials is generally borne by these construction companies so long as the increase is less than 5% of the stated contract price. In the event the price exceeds 5%, we are responsible for paying the increase in price above 5% of the stated contract price. At the headquarters level, we negotiate and arrange the purchase of certain large equipment, such as elevators, escalators and air-conditioning systems by our project companies.

Project Monitoring and Quality Control

Time Control

To monitor construction progress, we develop a master construction plan for each project, which sets out the scope and timing of each construction milestone. We adopt varying time control and management methods during different periods of the construction process. During the ground construction period, our construction management department conducts regular meetings with construction companies, and our project team works closely with the construction companies we engage to ensure strict compliance with the schedule in the master construction plan. We closely monitor weather forecasts and make preparations in advance or adjustments to the construction progress accordingly. Once the ground construction is completed and the structural construction commences, we monitor the construction progress through weekly meetings. The master construction plan is adjusted in light of any delay reported by the construction contractors with a view to completing the overall project according to the original schedule. We strictly oversee the construction progress and require construction contractors to complete the construction work on a timely basis or be subject to fines. We have not experienced any material delay in the completion of property construction.

Quality Control

Quality control is crucial to the successful development of our trade centers and to meet the requirements of our target customers. We have taken a number of measures to ensure that the quality of our projects complies with applicable laws and regulations and meets market standards.

We maintain a list of approved design consultants, architects, construction companies and other suppliers to ensure that we use only those product and service providers with proven records. Our construction management department works closely with each project company to monitor the performance of the design consultants and construction companies who we engage to work on our projects. Within all our project companies, we have an aggregate of 63 employees who perform regular on-site quality audits and report poor workmanship, sub-standard materials or other irregularities to the construction management department. These employees are required to possess the qualification and industry experience generally required for such quality control function.

We employ strict procedures for selection, inspection and testing of equipment and materials. Each project company works with third-party product inspection companies to inspect equipment and materials to ensure compliance with contractual specifications before accepting the materials on-site and approving payment. We reject materials that are below our standards or that do not comply with our specifications.

Cost Control

For each project we prepare a master budget. The budget is first formed at the project company level by our cost-control team. This budget is then reviewed by the eight-member cost-control department at the headquarters level and then ultimately approved by our Board of Directors. These employees review and verify the costs incurred in detail and compare such costs with the master budget and with similar expenses incurred at our other projects. If the actual cost is likely to exceed the initially approved budget, prior approval from senior management must be obtained. Historically, we were not materially and adversely affected by any significant increase in cost of raw materials, equipment and construction contractors. We believe that we were able to reflect any additional payments made in this regard in the sale price of the relevant properties.

Property Sales and Leases

Property Sales

After we receive a pre-sale permit from the governmental authorities, but generally before signing a sales contract, we require prospective purchasers to pay a deposit ranging from RMB50,000 to RMB200,000 to secure the property they have selected. After we receive the deposit, generally within a period of one to three months, we execute a sales contract with our customers. Such deposit is typically included as part of the down payment made by our customers when they sign the sales contract with us. Our sales contracts typically set out customary sales terms, such as specific information of the subject property, sales price, payment arrangement, delivery plan and default provisions.

Our customers generally elect to pay for their properties through a single lump-sum payment, installments without a mortgage loan or installments with a mortgage loan. If customers pay in a single lump sum, we normally require settlement upon or within one month after the signing of the sales contract. If customers pay in installments without utilizing a mortgage loan, we generally require them to pay 50% of the purchase price as a down payment upon signing of the sales contract and pay the remaining amount before or upon the delivery of the property. If customers pay in installments and also utilize a mortgage loan, we generally require them to pay 50% of the purchase price as a down payment upon signing of the sales contract and the remaining amount when the mortgage loan is drawn down. We generally deliver property to the customer after the remaining purchase price is fully settled through the mortgage loan.

A number of our customers purchase our properties through the use of mortgage loans. In line with the general practice in the property industry in China, we provide guarantees to commercial banks in respect to the mortgage loans provided to the purchasers of our properties from the time of the drawdown up until the property is duly mortgaged with the bank. As part of our guarantee arrangement with commercial banks in China, we are generally required to place a deposit equaling 0-10% of the total loan facility made available with the commercial bank as a security for our guarantee obligation. As of December 31, 2017, we had not experienced any defaults by property purchasers of their obligations under the bank loans that would trigger our obligation to the bank under guarantees we provided.

We endeavor to deliver our properties to our customers on a timely basis. We closely monitor the progress of construction of our property projects as well as conduct pre-delivery property inspections to ensure on-time delivery. Once the construction has met all the requirements of sales agreement, we deliver the completed properties and help to obtain property ownership certificates which are required under the sales contracts to customers.

Property Leases

For the years 2015, 2016 and 2017, we derived insignificant amounts of revenue from rental income, which amounted to RMB37.7 million, RMB45.1 million and RMB23.9 million, respectively. As our current development projects enter later phases of development, typically three to five years after the commencement of development, we plan to retain a proportion of trade center properties as investment properties for long-term recurring income and capital appreciation. These properties may include units of wholesale trading markets, shopping malls, office buildings and exhibition and conference centers for leasing as well as serviced apartments and hotels that we may retain for investment purposes. As of December 31, 2017, we had an aggregate of 279,237 sq.m. of properties designated as investment property.

Suppliers and Customers

Our principal suppliers are construction companies that we engage to construct our trade center projects. For the years 2015, 2016 and 2017, purchases attributable to our single largest construction contractor accounted for approximately 9.5%, 17.6% and 16.2%, respectively, of our total purchase. For the same periods, purchases attributable to our five largest construction contractors accounted for approximately 40.8%, 55.7% and 36.2%, respectively, of our total purchases.

Our principal customers are purchasers and tenants of our trade center products. For the years 2015, 2016 and 2017, revenue derived from our single largest customer as well as the five largest customers of our Group accounted for less than 30% of our total revenue.

Property Management

We provide management services for our trade centers through property management subsidiaries at project company levels. Our property management services include, among other things, security, cleaning, repair and maintenance of equipment and facilities and other supporting facilities. We generally charge our customers a pre-determined monthly fee based on the GFA of the properties they own or rent for our property management services. We are responsible for establishing property management procedures and preparing maintenance and renovation plans with respect to our shopping centers and public facilities.

We also make available a range of on-site services at our trade centers through our property sales and lease arrangements with service providers in China, such as commercial banks, telecommunications companies, catering service providers and logistic companies. As we continue to grow our business, we expect to further ramp-up our property management services operations and expand the scope of property management services to our customers. We also expect to provide property management services to hotels at our trade center projects.

Competition

The trade center industry is highly competitive and fragmented. The majority of trade center developers are local players with limited operating scale and track records, reflecting the unique historical development of the trade center industry in China. The earliest developers and operators who entered into this market in China were predominately entities affiliated with local governments. They mostly focused on developing a limited number of projects, mostly small in scale, in the local region. Over time, these markets gradually formed market clusters that subsequently fell under the

administration, and sometimes the operation, of local governments. However, operators of these trade centers generally do not build new trade centers in additional cities or different regions. As a result, very few developers in the trade center industry in China have either regional or national reach. Currently there are a small number of established trade center developers that build multiple large-scale trade centers in diverse regions across China.

As a leading large-scale trade center developer and operator in China, our national footprint positions us as a major national player facing direct competition from other established national trade center developers as well as from smaller regional developers. Our trade center projects in second- and third-tier cities are generally built on a vast scale. We believe this reflects the limited market capacity of these cities to support multiple large-scale trade centers as well as the limited capacity of our local competitors to offer trade center products with a similar scale. However, we face competition at both a national and a local level. We believe that our current main competitors on a national level include various large-scale trade center developers and operators that operate multiple large-scale trade centers in China. See “Industry Overview—Competitive Landscape.” On a local level, although we currently have the largest trade center in every city we operate, we face a number of smaller competitors.

We believe that the major competitive factors in this industry include the geographic location, management expertise, financing, access to transportation infrastructure, government support, size of land reserves and land bank, scale of the trade center development project, number and type of industry sectors featured, number and quality of supporting services and facilities, brand recognition by customers, customer services and support, creditworthiness, price and design quality. There’s no assurance that we will be able to continue competing effectively in our industry. See “Risk Factors—Risks Relating to Our Business and Industry—We face competition from other commercial property developers in China for land and customers.”

For large-scale trade centers, barriers to entry are high and competition is increasingly intense in China in light of the regulatory trend to support urbanization and trade center development. Developers and operators now compete on a number of factors, including, brand and reputation, development expertise, knowledge of the local economic environment, ability to acquire quality land and obtain favorable regulatory support, funding and financing, among others.

Properties for Our Own Use

As of December 31, 2017, we occupied office space with a total GFA of approximately 5,804 sq.m. in Shenzhen as office facilities for our headquarters. We leased office space with a GFA of approximately 200 sq.m. in Hong Kong. We occupied approximately 2,000 sq.m. of office space at Haode Yinzu.

Insurance

We carry employer’s liability to pay pension, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance as required by PRC laws. We also maintain insurance policies covering property damage due to natural hazards and general liability under property risk insurance, construction all risk insurance and public liability insurance. We do not, however, maintain property damage or third-party liability insurance on our workplace or trade center developments projects, as we generally require our construction contractors to carry such insurance as part of our arrangement with them. We also carry automobile insurance covering collision damage and various types of liability for our vehicles.

We believe our insurance practice is in line with the customary practice in the PRC real estate industry. We closely monitor the quality and safety measures adopted on our construction sites with the construction companies to lower the risks of damage to our property and liabilities that may be attributable to us. See “Risk Factors—Risks Relating to Our Business and Industry—We have limited insurance to cover our potential losses and claims.”

Employees

We had 2,360, 1,786 and 1,254 employees as of December 31, 2015, 2016 and 2017, respectively. We actively recruit skilled and qualified personnel in Chinese local markets, including students newly graduated from universities as well as employees with relevant working experience. For senior management team and selected management positions, we may also seek to recruit personnel with international experience. The remuneration package of our employees includes salary, bonuses and other cash subsidies. In general, we determine employee salaries based on each employee’s qualifications, experience, position and seniority. We have designed an annual review system to assess the performance of our employees, which forms the basis of our determinations on salary raises, bonuses and promotion. We are subject to social insurance contribution plans organized by PRC local governments. In accordance with national and local labor and social welfare laws and regulations, we are required to pay, monthly social insurance premiums covering pension insurance, medical insurance, unemployment insurance, work-related injury insurance, maternity insurance and housing reserve funds. We believe the salaries and benefits that our employees receive are competitive with market standards in each geographic location where we conduct business.

Environmental and Safety Matters

We are subject to PRC environmental protection laws and regulations. These laws and regulations govern a broad range of environmental matters, including air pollution, noise emissions and water and waste discharge. We are required to engage qualified agencies to conduct a comprehensive environmental assessment on each of our projects and to submit our environmental impact study reports to the government for approval. The PRC government will not grant us a construction permit with respect to any property project absent an acceptable environmental impact study report. We are committed to complying with these environmental protection laws and regulations. We also actively participate in the environmental assessment process and fully cooperate with accredited environmental assessment organizations.

We have taken certain measures to reduce pollution and comply with applicable environmental laws and regulations. These include energy-saving policies that reduce our electricity consumption, the implementation of a rain and sewage diversion system in certain trade centers, smoke filtering systems in the kitchens of our cafeterias and restaurants and in our backup generators, the installation of sound insulation in our backup generators and cooling machines, and the use of solar-powered water heaters. We encourage our construction contractors to use equipment and facilities and to adopt or develop new technologies in order to reduce the impact of our projects on the environment. In this regard, we have attempted to design our trade centers to reduce their impact on the environment and reduce energy costs. Upon completion of each property project, the local government authorities will also inspect the property site to ensure that we have complied with the applicable environmental protection standards.

Under PRC laws and regulations, most of the potential liabilities to the workers and visitors of our construction sites rest with the construction companies we engage. Under the Construction Law of the People’s Republic of China (中華人民共和國建築法), the construction contractor assumes responsibility for the safety of the construction site. The main contractor will take overall responsibility for the site, and the subcontractors are required to comply with the protective measures adopted by the main contractor. Under the Environmental and Hygienic Standards of Construction Work Site (建築施工現場環境與衛生標準), a contractor is required to adopt effective occupational injury control measures, to provide workers with necessary protective devices, and to offer regular physical examinations and training to workers who are exposed to the risk of occupational injuries.

To our knowledge, there has been no material non-compliance with the environmental and safety laws and regulations by us or the construction companies we have engaged from 2012 to December 31, 2017. During the same period, we did not have any environmental or safety accidents at our development projects. As of December 31, 2017, we were not aware of any material claim for personal or property damage in relation to environmental or safety accidents.

Compliance and Legal Proceedings

We have implemented the following control measures to prevent further instances of non-compliance:

- our management team has included the appropriate procedures for handling potential non-compliance in our employee training materials and handbook, and we are conducting periodic training on legal and regulatory compliance with our employees;
- we have increased the size of our legal department and hired an additional seven personnel for our legal department at the group and subsidiary levels;
- we have maintained a database that includes all key information of material licenses, permits, approvals and certificates held or required by our Group, the conditions attaching to such licenses, permits, approvals and certificates and the various times by which such conditions are to be fulfilled;
- we strictly require our project companies to closely monitor the issuance of the necessary licenses, permits, approvals and certificates for each project and to bring to the attention of the Board any matter in which the project company does not anticipate being able to receive a necessary license, permit, approval or certificate in a timely manner. Head of project companies report directly to our senior management team and are held responsible for supervising the compliance matters in the local area;
- we have introduced a policy to retain external compliance counsel to advise us on daily operations. We also have a policy to retain special counsel for major transactions based on our operating needs; and
- we conduct periodic reviews of our control system to ensure that we maintain an effective control system.

As of the date of this offering circular, (i) each of our subsidiaries in the PRC engaging in property development business holds valid qualifications required by the PRC laws, and (ii) each of our development project held by such subsidiaries are in compliance with the applicable construction scope and size restrictions. Further, (i) we did not have any material non-compliance with relevant laws, rules and regulations, (ii) none of us or any of our subsidiaries were involved in any litigation, arbitration or claim of material importance, and (iii) we had duly obtained or applied for renewal of all material and requisite licenses and permits to conduct our business as described in this section, including the license to conduct property development business in China (namely the Qualification Certificate for Property Development Enterprise or the Interim Qualification Certificate for Property Development Enterprise). Based on our directors and management team's evaluation of such enhanced internal control measures as well as our current status in terms of complying with PRC laws and regulations, we believe that such enhanced measures are adequate and effective.

REGULATION

Summary of Principal PRC Legal and Regulatory Provisions

Set out below is a summary of certain aspects of PRC legal and regulatory provisions relating to our operations and business. These include laws and regulations relating to:

- Establishment of a Real Estate Development Enterprise
- Qualification of a Real Estate Developer
- Land for Property Development
- Sale of Commodity Properties
- Transfer of Real Estate
- Mortgages of Real Estate
- Real Estate Management
- Measures on Stabilizing Property Prices
- PRC Taxation
- Foreign Currency Exchange
- Labor Protection

Establishment of a Real Estate Development Enterprise

According to the Law on Administration of Urban Real Estate of the People's Republic of China (the "Urban Real Estate Law") (中華人民共和國城市房地產管理法) promulgated by the Standing Committee of the National People's Congress, effective on January 1, 1995, as amended respectively on August 30, 2007 and August 27, 2009, a real estate developer is defined as an enterprise which engages in the development and operation of real estate for the purpose of making profits. Under the Regulation on Administration of Development of Urban Real Estate (the "Development Regulation") (城市房地產開發經營管理條例) promulgated by the State Council on July 20, 1998, as amended respectively on January 8, 2011, and March 19, 2018 an enterprise which is to engage in development of real estate must satisfy the following requirements:

- its registered capital must be RMB1 million or more; and
- it must have four or more full-time professional real estate/construction technicians and two or more full-time accounting officers, each of whom must hold the relevant qualification certificate. The authorities at the provincial level, autonomous region level or municipalities under the direct administration of the central PRC government may impose more stringent requirements regarding the registered capital and professional qualifications of real estate enterprises.

The local government of a province, autonomous region or municipality directly under the PRC central government may, based on local circumstances, impose more stringent requirements on the registered capital and the professional personnel of a real estate developer.

To establish a real estate development enterprise, the developer must apply for registration with the administration for industry and commerce. The developer must also report its establishment to the real estate development authority in the location of its registration, within 30 days of the receipt of its business license. Where a foreign-invested enterprise is to be established to engage in the development and operation of real estate, it must also comply with the relevant requirements under the PRC laws and administrative regulations regarding foreign invested enterprises and apply for approvals relating to foreign investments in China.

Under the Catalog of Guidance on Industries for Foreign Investment (外商投資產業指導目錄) promulgated by MOFCOM and National Development and Reform Commission of the PRC (“NDRC”) on March 10, 2015, the construction of villa falls within the category of industries in which foreign investment is prohibited and other real estate development falls within the category of industries in which foreign investment is permitted. The Catalog of Guidance on Industries for Foreign Investment was amended on June 28, 2017 and was effective on July 28, 2017, according to which the construction of villa is removed from the category of industries in which foreign investment is prohibited and real estate development falls within the category of industries in which foreign investment is permitted.

Subject to approval by the relevant foreign investment regulatory authorities, a foreign investor intending to engage in the development and operation of real estate may establish an equity joint venture, a cooperative joint venture or a wholly foreign owned enterprise in accordance with the PRC laws and administrative regulations regarding foreign invested enterprise.

In response to the global financial crisis and in an effort to expand domestic demand, the State Council issued the Notice for Adjusting the Proportion of Capital Fund for Fixed Assets Investment (關於調整固定資產投資項目資本金比例的通知) on May 25, 2009. Under the notice, the minimum capital ratio for protected housing projects and ordinary commodity housing projects is adjusted from 35% to 20%, and the minimum capital ratio for other real estate development projects is adjusted from 35% to 30%. On September 9, 2015, the State Council promulgated the Notice on Adjusting and Improving the Capital Fund Principle for Fixed Assets Investment (關於調整和完善固定資產投資項目資本金制度的通知), according to which the minimum capital ratio for other real estate development projects is adjusted from 30% to 25%.

On July 11, 2006, the Ministry of Construction, MOFCOM, NDRC, PBOC, State Administration for Industry & Commerce of the PRC (“SAIC”) and SAFE promulgated the Opinions on Regulating the Entry and Administration of Foreign Investment into the Real Estate Market (關於規範房地產市場外資准入和管理的意見) (the “171 document”).

According to the Opinions, a foreign investor must comply with the following requirements in order to invest in the real estate market in China:

- A foreign entity or individual purchasing real estate in China other than for self-use shall, subject to the principle of commercial existence, apply for the establishment of a foreign-invested enterprise pursuant to the regulations relevant to foreign investment in real estate, and conduct relevant operations within the authorized business scope after obtaining approvals from the relevant government authorities and upon completion of the relevant registrations.
- If the total investment amount of a foreign-invested real estate development enterprise exceeds or equals to US\$10 million, the registered capital shall not be less than 50% of the total investment amount of the enterprise. If the total investment amount is less than US\$10 million, the current rules on registered capital shall apply.

- A transfer of projects of or shares in a foreign-invested real estate development enterprise, and the acquisition of a domestic real estate development enterprise by foreign investors shall be approved by the commerce authorities in strict compliance with the relevant laws, regulations and policies. The investor should submit: (a) a letter of guarantee pledging to abide by the land grant contract, the construction land planning permit and the construction work planning permit; (b) the land-use rights certificate; (c) the certification of a change of registration issued by the relevant construction administration authorities; and (d) the certification of tax payment issued by the relevant tax authorities.
- Foreign investors acquiring a domestic real estate enterprise by way of equity transfer or other means, or acquiring domestic investors' equity interest in an equity joint venture, shall make proper arrangements for the real estate enterprise's employees and bank loan repayment. The foreign investors shall pay the transfer price in a lump sum and with their own capital. Foreign investors with unfavorable records are prohibited from involvement in such real estate activities in China.

On August 14, 2006, the General Office of MOFCOM issued a Notice on the Implementation of the Opinions on Regulating, the Entry and Administration of Foreign Investment into the Real Estate Market (關於貫徹落實〈關於規範房地產市場外資准入和管理的意見〉有關問題的通知).

The notice requires that, the registered capital of a FIREE shall not be less than 50% of its total investment if its total investment exceeds US\$3.0 million, and the registered capital of a FIREE shall not be less than 70% of its total investment if its total investment is US\$3.0 million or less.

On August 19, 2015, the Ministry of Housing and Urban-Rural Development, MOFCOM, NDRC, PBOC, SAIC and SAFE promulgated the Notice on Adjusting the Policies Concerning the Entry and Administration of Foreign Investment in the Real Estate Market (關於調整房地產市場外資准入和管理有關政策的通知), to adjust certain policies in 171 document, including:

- The ratio of registered capital to total investment of foreign-invested real estate enterprises should be governed by the relevant provisions of the Interim Provisions of the State Administration for Industry and Commerce on the Ratio of the Registered Capital to the Total Investment of a Sino-Foreign Equity Joint Venture Enterprise (國家工商行政管理局關於中外合資經營企業註冊資本與投資總額比例的暫行規定);
- The requirement on full payment of registered capital of the foreign-invested real estate enterprises before applying for onshore or offshore loans or foreign exchange settlement for foreign debt is cancelled;
- The foreign-invested real estate enterprises may process relevant foreign exchange registration for foreign direct investment directly with the banks.

On September 1, 2006, SAFE and the Ministry of Construction promulgated the Notice on Regulating the Administration of Foreign Exchange in Real Estate Market (關於規範房地產市場外匯管理有關問題的通知), which sets forth the specific regulations regarding to the procedure of purchasing real estate by foreign enterprises and individuals. The notice further requests that where a FIREE fails to pay the registered capital in full amount or fails to acquire a land-use rights certificate or to make its project development capital reach 35% of the total investments of the project, it shall not borrow any foreign debt, and the foreign exchange bureau shall not accept the registration of its foreign debt or approve the conversion of foreign debt into RMB. On May 4, 2015, SAFE promulgated the Notice of the State Administration of Foreign Exchange on Abolishing and Revising Regulatory Documents Relating to Reform of Registered Capital Registration System (國家外匯管理局關於廢止和修改涉及註冊資本登記制度改革相關規範性文件的通知), which amended the aforesaid notice to cancel the requirement on full payment of the registered capital by a FIREE to borrow foreign debt.

When a foreign enterprise or individual merges a domestic real estate enterprise by way of equity transfer or by any other means or takes over the equity shares from the Chinese shareholder in a joint venture, if it/he fails to pay the transfer price in a lump sum with its/his own fund, the foreign exchange bureau shall not accept the registration or change registration of its/his foreign exchange.

On May 23, 2007, MOFCOM and SAFE issued the Notice on Further Strengthening and Regulating the Approval and Administration of Foreign Direct Investments in the Real Estate Industry (the “No. 50 Notice”) (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 was amended on October 28, 2015. Under the Notice, local commercial authorities should reinforce the approval and supervision process over foreign investment in real estate enterprises, and strictly control foreign fund from investing in high quality real estate development projects. For establishment of a foreign invested real estate enterprise, land-use rights, house or other construction ownership right should be obtained, or at least has entered into pre-contract purchase agreement with the relevant land administrative authorities, land developers, or the owners of the house or other constructions, otherwise the establishment will not be approved by the authorities. For existing foreign invested company who intends to engage in real estate development or operation business or intends to engage in the operation or development of new real estate projects, they should undertake relevant procedures to expand business scope or enlarge the operation scale with the approval authority.

No. 50 Notice strictly controls the acquisition or merger of domestic real estate enterprises by means of round trip investment (includes the same de facto controller). It also prohibits Chinese or foreign investors in foreign-invested real estate joint ventures to reach any fixed return related term, or any term to the same effect, for either party.

The local MOFCOM administrative authority should make a record to MOFCOM after a foreign-invested real estate company is approved to establish. The local SAFE administrative authority and designated foreign exchange bank will not conduct foreign exchange purchase and settlement process for capital projects of FIREEs who fail to complete the record with the MOFCOM or to pass the annual review. On October 28, 2015, MOFCOM issued the Decision on Modifying Certain Regulations and Regulatory Documents (關於修改部分規章和規範性文件的決定), according to which pass of the annual review will no longer be required to conduct foreign exchange purchase and settlement process for capital projects of FIREEs.

SAFE issued the Circular Regarding the Publication of the List of the First Batch of Foreign-Invested Property Development Projects that Have Filed with MOFCOM (“Circular No. 130”) (關於下發第一批通過商務部備案的外商投資房地產項目名單的通知) on July 10, 2007, further regulating foreign investment in real estate sector in China. According to Circular No. 130, on or after June 1, 2007, real estate enterprises with foreign investment as filed with MOFCOM (including due to establishment and capital increase) will not be permitted to borrow money from overseas, including shareholder loans and foreign commercial loans, or will not be approved to settle foreign exchange of foreign debt. Further, for those which obtain foreign investment approval certificates on or after June 1, 2007 but fail to file with MOFCOM, neither foreign exchange registration nor foreign exchange alteration registration will be effected with SAFE or its branches, and as a result, foreign exchange under capital projects will not be settled or purchased.

The Circular No. 130 was abolished on May 13, 2013 by the Notice on Distributing the Provisions on Foreign Exchange Administration over Direct Investment Made by Foreign Investors in China and its Supporting Documents (國家外匯管理局關於印發《外國投資者境內直接投資外匯管理規定》及配套文件的通告) (“Notice No. 21”) which was promulgated by SAFE on May 10, 2013. However, the restriction measures on the foreign debt of foreign-invested real estate enterprises stipulated in the Circular No. 130 have been reflected in the Measures for the Administration of Foreign Debt Registration (外債登記管理辦法) (“Notice No. 19”) issued by SAFE on April 28, 2013, amended respectively on April 26, 2016 and June 9, 2016.

On June 18, 2008, MOFCOM issued the Circular on Better Implementation of the Filing of Foreign Investment in the Real Estate Industry (關於做好外商投資房地產業備案工作的通知) (“Circular No. 23”). According to Circular No. 23, MOFCOM entrusts provincial MOFCOM departments to verify materials on records of FIREEs. Circular No. 23 requires that the establishment (including the increase of registered capital) of a FIREE shall comply with the project company principle of engaging in one approved real estate project only.

On November 22, 2010, the General Office of MOFCOM issued the Notice on Strengthening Management to Registration of Foreign Investment in the Real Estate Sector (關於加強外商投資房地產業審批備案管理的通知). Foreign invested real estate enterprises shall not generate revenues through purchasing and selling completed real estate properties and/or real estate properties under construction. Local commerce administration authorities shall not accept registration of investment companies involving development and management of real estate.

On June 24, 2014, MOFCOM and SAFE jointly issued the Circular Regarding the Improvement of Registration of Foreign-Invested Real Estate Industry (關於改進外商投資房地產業備案工作的通知), which adopts an electronic registration system to simplify the registration process and emphasizes the post-registration governance.

On November 6, 2015, MOFCOM and SAFE jointly issued the Circular Regarding the Further Improvement of Filing of Foreign Investment in the Real Estate Industry (關於進一步改進外商投資房地產業備案工作的通知), which cancels website announcement procedure on the FIREEs filing with the MOFCOM and emphasizes the post-registration governance.

Qualifications of a Real Estate Developer

Under the Provisions on Administration of Qualifications of Real Estate Developers (the “Provisions on Administration of Qualifications”) (房地產業開發企業資質管理規定) promulgated by the Ministry of Construction on March 29, 2000 and amended on May 4, 2015, a real estate developer must apply for registration of its qualifications according to such Provisions on Administration of Qualifications. An enterprise may not engage in property development without a qualification classification certificate for real estate development. The Ministry of Construction oversees the qualifications of real estate developers with national operations, and local real estate development authorities at or above the county level oversee the qualifications of local real estate developers. In accordance with the Provisions on Administration of Qualifications, real estate developers are classified into four classes.

- Class 1 qualifications are subject to preliminary examination by the construction authorities at the provincial level and final approval of the Ministry of Construction. A class 1 real estate developer is not restricted as to the scale of its real estate projects and may undertake a real estate development anywhere in the country.
- Approval measures of Class 2 or lower qualifications are formulated by the construction authorities at the provincial level. A real estate developer of class 2 or lower may undertake a project with a GFA of less than 250,000 sq.m. and the specific scale is subject to confirmation by the construction authorities at the provincial level.

Under the Provisions on Administration of Qualifications, the real estate development authorities will examine applications for registration of qualifications submitted by real estate developers by considering the professional personnel in their employ, financial condition and operating results. A real estate developer that passes the qualification examination will be issued a qualification certificate of the relevant class by the qualification examination authority. A developer of any qualification classification may only engage in the development and operation of real estate within its approved scope of business and may not engage in business which is limited to another classification.

Pursuant to the Provisions on the Administration of Qualifications, the qualifications of each class of real estate developments are as follows:

- ***Class 1 qualification:*** (1) over five years of operating experience in real estate development is required; (2) in the past three years, the cumulative GFA completed shall be not less than 300,000 sq.m. or the required capital investment for developing corresponding GFA has been invested; (3) the passing rate of quality of construction work is 100% for five consecutive years; (4) GFA of over 150,000 sq.m. of building construction has been completed or the required capital investment for developing corresponding GFA has been invested in the previous year; (5) the professional management team shall consist of no less than 40 persons with titles and majoring in architecture, construction, finance, real estate and economics, while the number of management staff with professional titles of intermediate level or above shall be no less than 20 persons and there shall be no less than four accountants holding professional qualification certificates; (6) the person-in-charge of, among others, engineering technology, finance and statistics shall hold professional titles of the intermediate level or above; (7) there shall be a proper quality control system in place, and in respect of the sale of commodity residential property, the systems of Residential Quality Guarantee and Residential User Manual shall be implemented; and (8) there shall not be any occurrence of any major accident relating to construction quality.
- ***Class 2 qualification:*** (1) over three years of operating experience in real estate development is required; (2) in the past three years, the cumulative GFA completed shall be not less than 150,000 sq.m. or the required capital investment for developing corresponding GFA has been invested; (3) the passing rate of quality of construction work is 100% for three consecutive years; (4) GFA of over 100,000 sq.m. of building construction has been completed or the required capital investment for developing corresponding GFA has been invested in the previous year; (5) the professional management team shall consist of no less than 20 persons with titles and majoring in architecture, construction, finance, real estate and economics, while the number of management staff with professional titles of intermediate level or above shall be no less than 10 persons and there shall be no less than three accountants holding professional qualification certificates; (6) the person-in-charge of, among others, engineering technology, finance and statistics shall hold professional titles of the intermediate level or above; (7) there shall be a proper quality control system in place, and in respect of the sale of commodity residential property, the systems of Residential Quality Guarantee and Residential User Manual shall be implemented; and (8) there shall not be any occurrence of any major accident relating to construction quality.
- ***Class 3 qualification:*** (1) over two years of operating experience in real estate development is required; (2) the cumulative GFA completed shall be not less than 50,000 sq.m. or the required capital investment for developing corresponding GFA has been invested; (3) the passing rate of quality of construction work is 100% for two consecutive years; (4) the professional management team shall consist of no less than 10 persons with titles and majoring in architecture, construction, finance, real estate and economics, and the number of management staff with professional titles of intermediate level or above shall be no less than five persons and there shall be no less than two accountants holding professional qualification certificates; (5) the person-in-charge of, among others, engineering technology and finance shall hold professional titles of the intermediate level or above and the person in charge of other departments, including statistics, shall hold professional titles of the primary level or above; (6) there shall be a proper quality control system in place, and in respect of the sale of commodity residential property, the systems of Residential Quality Guarantee and Residential User Manual shall be implemented; and (7) there shall not be any occurrence of any major accident relating to construction quality.

- **Class 4 qualification:** (1) over one year of operating experience in real estate development is required; (2) the passing rate of quality of construction work completed shall be 100%; (3) the professional management team shall consist of no less than five persons with titles and majoring in architecture, construction, finance, real estate and economics, and there shall be no less than two accountants holding professional qualification certificates; (4) the person-in-charge of engineering technology shall hold professional titles of the intermediate level or above and the person-in-charge for finance shall hold professional titles of the primary level or above, and professional statistician(s) shall be appointed; (5) in respect of the sale of commodity residential property, the systems of Residential Quality Guarantee and Residential User Manual shall be implemented; and (6) there shall not be any occurrence of any major accident relating to construction quality.

In addition, pursuant to the Provisions on Administration of Qualifications, a newly-established real estate developer shall make application with the competent authorities for an interim qualification certificate within 30 days from the date of the business license. A developer applying for an interim qualification certificate shall fulfill the requirements of class 4 qualification or above. The validity period of the certificate is one year. Regulatory authorities of real estate development may extend the validity of the interim qualification certificate depending on the operation of the developer, provided that the extension shall not exceed two years. In the event that no development project has been carried out within one year since the issuance date of the interim qualification certificate, the validity of the interim qualification certificate shall not be extended.

No entity or individual may alter, lease, lend, transfer or sell its/his qualification certificate. In case of merger, division or any change of name, legal representative or main personnel in charge of management and technologies, enterprises shall re-apply for qualification grade or apply for change formalities with the original examination and approval authorities.

The qualification of a property developer should be subject to annual inspection. The Ministry of Construction or its entrusted institution is responsible for carrying out the annual inspection of real estate developers with Class 1 qualification. The construction authorities at the provincial level formulate annual inspection measures for real estate developers with Class 2 or lower qualifications.

Development of a Real Estate Project

In October 2004, the NDRC issued the Interim Provisions on Approving Foreign Investment Projects (外商投資項目核准暫行管理辦法), according to which, approval of the NDRC or its branches shall be required for foreign investment projects. On May 17, 2014, the NDRC issued the Administrative Measures for Approval and Record-filing of Foreign Investment Projects (外商投資項目核准和備案管理辦法), which supersedes the Interim Provisions on Approving Foreign Investment Projects, was promulgated by the NDRC on May 17, 2014 and was amended on December 27, 2014.

According to the Administrative Measures for Approval and Record-filing of Foreign Investment Projects and the Notice of the State Council on Promulgating the Catalog of Investment Projects Approved by the Government (2016 Version) (the “Catalog”) (國務院關於發佈政府核准的投資項目目錄(2016本)的通知), which was promulgated and effective on December 12, 2016, two methods are developed for the management of foreign investment projects, namely, approval and record-filing; the investment projects specified in the Catalog shall be approved by the NDRC or other competent authorities; the foreign investment projects other than those specified in the Catalog shall be filed with the competent investment department of the local governments.

Under the Interim Regulation Concerning the Grant and Assignment of the Right to Use State-owned Urban Land (the “Interim Regulation on Grant and Assignment”) (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 by the State Council on May 19, 1990, China adopted a system to grant and assign the right to use state-owned land. A land user must pay a land premium to the state as consideration for the grant of the right to use a land site within a specified period of time, and the land user may assign, lease out, mortgage or otherwise commercially exploit the land use rights within the term of use. Under the Urban Real Estate Law and the Interim Regulation on Grant and Assignment, the land administration authority at the city or county level may enter into a land grant contract with the land user to provide for the grant of land use rights. The land user must pay the land premium as provided by the land grant contract. After payment in full of the land premium, the land user may register with the land administration authority and obtain a land-use rights certificate which evidences the acquisition of land use rights. The Urban Real Estate Law and the Development Regulation provide that land use rights for a site intended for real estate development must be obtained through grant except for land use rights which may be obtained through premium-free allocation by the PRC government pursuant to the PRC laws or the stipulations of the State Council. Government-allocated land is not allowed to be transferred unless the transfer is approved by the relevant PRC government authorities and the land premium as determined by the relevant PRC government authorities has been paid.

When carrying out the feasibility study for a construction project, the construction or the developer entity must make a preliminary application for construction on the relevant site to the relevant land administration authority in accordance with the Measures for Administration of Examination and Approval for Construction Land (建設用地審查報批管理辦法) promulgated by the Ministry of Land and Resources on March 2, 1999, as amended respectively on November 30, 2010, and November 29, 2016 and the Measures for Administration of Preliminary Examination of Construction Project Land (建設項目用地預審管理辦法) promulgated by the Ministry of Land and Resources in July 2001, as amended in October 2004, November 2008 and November 2016. After receiving the preliminary application, the land administration authority will carry out preliminary examinations of various aspects of the construction project in compliance with the overall zoning plans and land supply policy of the government, and will issue a preliminary approval in respect of the project site if its examination proves satisfactory. The land administration authority at the relevant city or county will sign a land grant contract with the land user and issue an approval for the construction land to the construction entity or the developer.

According to the Urban Real Estate Law, a land user who obtains land use rights under the grant system must develop the land according to the land usage as indicated in the land grant contract and must commence the development within the time frame agreed to under the land grant contract.

According to the Regulation on Idle Land Administration (閒置土地處置辦法) promulgated by the Ministry of Land and Resources on April 28, 1999, as amended on June 1, 2012, it shall be idle land which the land user fails to commence developing after one year from the construction commencement date stipulated in the state-owned construction land grant contract or in the approval of premium-free allocation. The land may also be treated as idle land and may be subject to land idle fee or forfeiture, if the developed land area is less than one-third of the total land area under the land grant contract or the sum already expended on the development of the land is less than one-fourth of the total investment of the project, and the suspension of development of the land has lasted for one year or more.

According to the Regulation on Idle Land Administration, if the land user fails to commence developing the land after one year from the construction commencement date, then the local land administration authority, with approval by the local government, shall charge the land user a “land idle fee” of 20% of the land premium, which is not permitted to be disbursed from the cost. If the land user fails to commence development of the relevant land after two years from the deadline, with approval by the local government, the land user’s land-use rights shall be forfeited by local land administration authority without compensation. However, the foresaid penalties do not apply if the failure to commence development and construction is due to force majeure or caused by government actions.

Where the land user reserves or speculates lands on purpose by violating laws or regulations, or breaching contractual obligations or land allotment letter, the local land administration authority shall not accept its new land-use application or registration of transfer, lease, charge and change of its idle land. Relevant local land-use administration departments shall inform finance administration departments of the information of idle land.

On January 3, 2008, the State Council issued a Notice on Promoting Economization of Land Use (關於促進節約集約用地的通知), which urges the full and effective use of existing construction land. The notice also emphasizes the strict enforcement of the current rules on idle land. If a piece of land has been idled for two years or more, it must be taken back free of charge in accordance with laws and regulations, and rearranged for any other uses; if the land does not meet the statutory conditions for being taken back, it must be timely dealt with and fully used through changing usage, replacement by parity value, temporary usage or incorporation into government reserves. If a piece of land has been idled for one year or more but less than two years, an idle land fee must be collected at a price of 20% of the transfer or allotment price. Financial institutions shall not grant loans to illegal land-use projects and such projects shall not be approved for public listing.

Under the Measures for Control and Administration of Grant and Assignment of Right to Use Urban State-owned Land (城市國有土地使用權出讓轉讓規劃管理辦法) promulgated by the Ministry of Construction on December 4, 1992, as amended on January 26, 2011, the grantee under a land grant contract, i.e. a real estate developer, must further apply for a permit for construction site planning from the relevant municipal planning authority. After obtaining such permit, a real estate developer will organize the necessary planning and design work. Planning and design proposals in respect of a real estate development project are again subject to relevant reporting and approval procedures required under the Law of the People's Republic of China on Urban and Rural Planning (中華人民共和國城鄉規劃法) promulgated by the Standing Committee of the National People's Congress on October 28, 2007, effective from January 1, 2008 and amended on April 24, 2015, and local statutes on municipal planning. Upon approval by the authorities, a permit for construction works planning will be issued by the relevant municipal planning authority. According to the Law of the People's Republic of China on Urban and Rural Planning, a construction entity shall return the land or compensate relevant parties if it gets the approval of land-use right without a permit for construction works planning. Such land-use right approval shall be forfeited by the relevant authority. If a construction entity starts a project construction without obtaining a planning permit or violates the provisions of the planning permit, it will be punished by local planning administration authorities by way of stopping construction, imposing a fine based on construction costs or removing the completed construction.

According to the Regulation 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), promulgated by the State Council on January 21, 2011, local government shall decide expropriation of buildings based on public interests. Construction entities shall be prohibited from participating in relocation activities.

When the site has been properly prepared and is ready for the commencement of construction works, the developer must apply for a permit for commencement of works from the construction authorities at or above the county level according to the Measures for Administration of Granting Permission for Commencement of Construction Works (建築工程施工許可管理辦法) promulgated by the Ministry of Construction on October 15, 1999, as amended on July 4, 2001. The Measures for Administration of Granting Permission for Commencement of Construction Works (建築工程施工許可管理辦法) promulgated by the Ministry of Housing and Urban-Rural Development in June 2014, supersedes the Measures on Construction Permission and has the similar requirements.

The development of a real estate project must comply with various laws and legal requirements on construction quality, safety standards and technical guidance on architecture, design and construction work, as well as provisions of the relevant contracts. On January 30, 2000, the State Council promulgated and implemented the Regulation on the Quality Management of Construction Projects (建設工程質量管理條例), and amended this regulation on October 7, 2017, which sets out the

respective quality responsibilities and liabilities for developers, construction companies, exploration companies, design companies and construction supervision companies. After completion of construction works for a project, the real estate developer must organize an acceptance examination by relevant government authorities and experts according to the Development Regulation and the Interim Provisions on Inspection Upon Completion of Buildings and Municipal Infrastructure (房屋建築工程和市政基礎設施工程竣工驗收暫行規定) promulgated by the Ministry of Construction on June 30, 2000. The Provisions on Inspection Upon Completion of Buildings and Municipal Infrastructure (房屋建築和市政基礎設施工程竣工驗收規定) promulgated by the Ministry of Housing and Urban-Rural Development in December 2013, supersedes the Acceptance Examination Measures and has the similar requirements. The developer must also report details of the acceptance examination according to the 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) promulgated by the Ministry of Construction on April 4, 2000, as amended on October 19, 2009. A real estate development project may not be delivered until and unless it has satisfactorily passed the necessary acceptance examination. Where a property project is developed in phases, an acceptance examination may be carried out for each completed phase.

There are several laws and regulations regulating environment protection in the real estate industry in the PRC, including Environmental Protection Law of the People's Republic of China (中華人民共和國環境保護法), Law of the People's Republic of China on Prevention and Control of Pollution From Environmental Noise (中華人民共和國環境噪聲污染防治法), Law of the People's Republic of China on Appraising of Environment Impacts (中華人民共和國環境影響評價法), Regulation of Environment Protection in Construction Projects(建設項目環境保護管理條例), Law on the Prevention and Control of Environmental Pollution by Solid Wastes of the People's Republic of China (中華人民共和國固體廢物污染環境防治法) and Decision of the State Council on Several Issues Concerning Environmental Protection (國務院關於環境保護若干問題的決定). According to such laws and regulations, a real estate developer shall submit a report of environmental impacts before receiving approval from relevant authority to start the construction. A construction enterprise shall, upon completion of a construction project, file an application with the competent department of environmental protection administration for acceptance checks on completion of matching construction of environmental protection facilities required for the construction project.

There are several laws and regulations in the PRC regarding to the civil air defense project construction, including Law of the People's Republic of China on National Defense (中華人民共和國國防法), Civil Air Defense Law of the People's Republic of China (中華人民共和國人民防空法), Property Law of the People's Republic of China (中華人民共和國物權法) and Measures of the Development and Utilization of Civil Air Defense Construction during the peacetime (人民防空工程平時開發利用管理辦法). According to such laws and regulations, basements that will be used for air defense in time of war shall be constructed in new buildings of cities for civil use. If any construction project cannot have basements due to any geological reason, fees for substitute site construction shall be paid. Investors of air defense construction shall be entitle to any benefits generated from its usage and shall manage such construction in the peacetime. Civil use of air defense construction shall be registered in relevant air defense authority.

Several laws and regulations specific fire protection in real estate development, including Fire Protection Law of the People's Republic of China (中華人民共和國消防法) and Provisions of Supervision and Management of Fire Protection Construction (建設工程消防監督管理規定). According to such laws and regulations, a real estate project shall get approval from or filing with relevant public security and fire protection authorities for fire protection design before the construction is started and subject to a fire protection as-built acceptance inspection.

Land for Property Development

In April 1988, the National People's Congress amended the Constitution of the People's Republic of China (中華人民共和國憲法) to permit the transfer of land-use rights for value. And in December 1988, the Standing Committee of the National People's Congress amended the Land Administration Law (中華人民共和國土地管理法) to permit the transfer of land-use rights for value.

On May 19, 1990, the State Council issued the Interim Regulation on Grant and Assignment of Right to the Use of State-owned land in Urban Areas (城鎮國有土地使用權出讓和轉讓暫行條例), which prescribes different maximum terms of granted land-use rights for different uses of land as follows: (i) land for commerce, tourism and entertainment: 40 years; (ii) land for residence: 70 years; (iii) land for industry: 50 years; (iv) land for education, science, technology, culture, public health and sports: 50 years; and (v) land for comprehensive utilization or other purposes: 50 years. The State may not resume possession of lawfully granted land-use rights prior to expiration of the term of grant. If the public interest requires the resumption of possession by the State under special circumstances during the term of grant, compensation must be paid by the State. Subject to compliance with the terms of the land grant contract, a holder of land-use rights may exercise substantially the same rights as a land owner during the grant term, including holding, leasing, transferring, mortgaging and developing the land for sale or lease. Upon paying in full the land grant fee pursuant to the terms of the contract, the grantee may apply to the relevant land bureau for issuance of the land-use rights certificate. Upon expiration of the term of grant, renewal is possible subject to the execution of a new contract for the grant of land-use rights and payment of a new land grant fee. If the term of the grant is not renewed, the land-use rights and ownership of any buildings on the land will revert to the State without compensation.

Individuals and entities may acquire land-use rights in different ways, two of which are most important, i.e. land transfers from land users who have already obtained land-use rights and land grants from local land authorities.

Real estate development companies may acquire land-use rights from land users that have already obtained the land-use rights by entering into a land assignment contract or by way of capital contribution. Under the Land Administration Law, any change to be lawfully made in land-use rights shall be registered.

As to the land grants, on May 9, 2002, the Ministry of Land and Resources promulgated the Rules Regarding the Grant of State-Owned Construction Land-Use Rights By Way of Tender, Auction and Listing-For-Sale (the “Rules”) (招標拍賣掛牌出讓國有建設用地使用權規定), which was implemented on July 1, 2002 and was amended on September 28, 2007. Pursuant to the Rules, all land for commercial use, tourism, entertainment and commodity residential housing must be granted by way of tender, auction or listing for sale.

On September 24, 2003, the Ministry of Land and Resources promulgated the Notice on Strengthening the Land Supply Management and Facilitating the Continuous and Healthy Development of Property 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), as amended on December 3, 2010, which provides that land supply for luxury commodity housing shall be strictly controlled.

According to the Opinions on Certain Issues Relating to Voluntary Examination and Rectifying of Land Market (關於進一步治理整頓土地市場秩序中自查自糾若干問題的處理意見) promulgated by Ministry of Land and Resources on October 13, 2003, land must be restored to its original use if the development of such land fails to comply with the overall land-use requirements, unless such land has been developed for construction and restoration is impossible to achieve, in which case the overall land-use requirements shall be modified so the respective amount of basic farmland, cultivated land and land for building will remain unchanged. Similarly, restoration of land to farmland or to its original use is required when a land development project lacks construction feasibility or is short of project funding, even though a proper approval is in place. Idle land that has been supplied for construction purposes shall be disposed of according to relevant stipulation governing idle land. However, exceptions are allowed when pre-approval has been granted by local authorities, or if a project development contract has been executed and between local authorities and developers prior to July 1, 2002. On March 18, 2004, the Ministry of Land and Resources together with the Ministry of

Supervision promulgated the Notice of Enforcing and Supervising the Transfer of Operative Land-Use Rights Through Tenders, Bidding and Public Auction (關於繼續開展經營性土地使用權招標拍賣掛牌出讓情況執法監察工作的通知), which expressively required that after August 31, 2004, no transfer of land-use rights will be allowed in the form of agreement.

On November 18, 2009, the Ministry of Finance, Ministry of Land and Resources, PBOC, the Ministry of Supervision of the PRC and the National Audit Office of the PRC jointly issued a Notice on Further Strengthen the Management of Revenue and Expenditure from Land Granting (關於進一步加強土地出讓收支管理的通知), to require a minimum down payment of 50% of the land premium relating to land purchases from the PRC government. The notice also provides that the installment period stipulated in the relevant land grant contracts may not exceed one year, provided that, for special projects, upon collective approval by the relevant government authorities, the installment period stipulated in the relevant land grant contracts can be two years. Developers will not be permitted to buy new land if they fail to pay off such land premium in time. The new rules also forbid local governments from giving discounts to developers or allowing developers to delay payments except as stipulated by the State Council.

On March 8, 2010, the Ministry of Land and Resource of the PRC issued the Notice on Several Issues concerning the Reinforcement on Provision and Supervision over the Land-Use for Property Development (關於加強房地產用地供應和監管有關問題的通知), which shortens the time for payment of the land price by successful bidder of land. On April 17, 2010, the State Council issued the Notice on Resolutely Curbing the Rise of Housing Prices in Certain Cities (關於堅決遏制部分城市房價過快上漲的通知), according to which, when real estate development enterprises participate in the auction, development and construction of land, their shareholders shall not provide loans, lending, guarantee or other relevant financing activities to them in violation of regulations.

On September 21, 2010, the Ministry of Land and Resources and the Ministry of Construction issued the Notice on Further Strengthening the Control of Land Transfer (關於進一步加強房地產用地和建設管理調控的通知) regarding land authorities to prohibit real estate developers and their controlling shareholders who have engaged in illegal activities (such as obtaining land-use rights through fraudulent means, transferring land-use rights improperly, holding land which has been idled for more than one year due to the fault of the developer or the controlling shareholders) from participating in land bidding process until the illegal activities have been rectified.

On January 26, 2011, the State Council issued the Notice on Issues Relating to Further Regulating the Control of Property 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 specifies that if a real estate developer fails to obtain the construction permits or fails to commence the construction within two years from the designation of land for real estate development, the granted land-use rights will be forfeited and an idle land penalty will be imposed. A real estate developer is further restricted from transferring land and real estate development projects if the amount of real estate development investment (excluding the land grant fee) incurred is less than 25% of the total investment amount in respect of the subject project. The Ministry of Land and Resources issued the Notice of Diligently Carrying Out Real Estate Land-Use Management and Regulation (關於做好2012年房地產用地管理和調控重點工作的通知) on February 15, 2012, requiring land users to submit written reports to land and resources departments at the time of or prior to project commencement and completion.

On February 26, 2013, the State Council issued the “Notice on Further Implementing Regulation and Control of Real Property Markets” (國務院辦公廳關於繼續做好房地產市場調控工作的通知) and required strict implementation of certain on-going restrictive measures with respect to residential properties, including that (i) the restriction area should cover the relevant cities’ entire administrative area; the restrictive measures should apply to all the newly established or second-hand residential properties in such cities; and the qualification review of the purchasers should be conducted before the execution of the purchase agreement or subscription agreement; (ii) the minimum down payment of the total purchase price and the minimum mortgage lending interest rate for a second residential property may be further raised in cities where the housing prices are increasing at an excessively high

rate; (iii) the individual income tax rate for selling any self-owned residential properties should strictly be 20%, if the original value of such properties could be verified through taxation or real estate registration records; and (iv) the issuance the pre-sale certificate may be suspended if the pre-sale price is unreasonably high and the developer refuses to accept the direction of the relevant government authority; or the project is not subject to the pre-sale revenue supervision.

On September 29, 2014, the PBOC and the CBRA jointly issued the “Notice on Further Improving Housing Financial Services” (關於進一步做好住房金融服務工作的通知), which requires that: (i) For a household that purchases the first ordinary housing unit for its own use with loans, the minimum down payment ratio is 30%, the lower limited for loan rate is 70% of the benchmark loan rate; (ii) Where a household that owns a housing unit and has paid off the relevant housing loans applies for loans to purchase another ordinary commodity housing unit to improve its living conditions, the banking financial institution shall implement the policy for the purchase of the first housing unit with loans.

Sale of Commodity Properties

Under the Measures for Administration of Sale of Commodity Properties (商品房銷售管理辦法) promulgated by the Ministry of Construction on April 4, 2001, sale of commodity properties can include both sales before the completion of the properties (the “pre-sale”) and sales after the completion of the properties (the “post-completion sale”). Commodity buildings may be put to post-completion sale after they have passed the clearance examination and satisfied the various preconditions for such sale. Before the post-completion sale of a commodity building, the developer must, among other things, submit the real estate development project manual and other documents evidencing the satisfaction of preconditions for post-completion sale to the real estate development authority for its record.

Any pre-sale of commodity buildings must be conducted in accordance with the Measures for Administration of Pre-sale of Urban Commodity Buildings (the “Pre-sale Measures”) (城市商品房預售管理辦法) promulgated by the Ministry of Construction in November 1994, as amended in August 2001 and in July 2004, and the Development Regulation. The Pre-sale Measures provide that any pre-sale of commodity buildings is subject to specified procedures. According to the Development Regulation and the Pre-sale Measures, a pre-sale permit must be in place before a commodity building may be put to pre-sale. Specifically, a developer intending to sell a commodity building before its completion must apply to the real estate development authority for a permit for pre-sale. A commodity building may be sold before completion only if:

- the purchase price has been paid in full for the grant of the land-use rights involved and a land-use rights certificate has been properly obtained;
- a permit for construction works planning and a permit for commencement of works have been properly obtained;
- the funds invested in the development of the commodity buildings put to pre-sale represent 25% or more of the total investment in the project and the progress of works and the completion and delivery dates have been properly ascertained;
- a permit for pre-sale of commodity buildings has been obtained through pre-sale registration; and
- The proceeds of pre-sale of commodity buildings must be used to the relevant project construction.

According to the Measures for Administration of Sale of Commodity Properties (商品房銷售管理辦法), the real estate developer shall not sell commodity properties by means of rebated sale or any such means in disguised forms. The real estate developer may not sell uncompleted commodity properties by the after-sale lease guarantee or by any such means in disguised forms.

According to the Notice on Promoting the Stable and Sound Development of the Real Estate Market (關於促進房地產市場平穩健康發展的通知) promulgated by the General Office of the State Council on January 7, 2010, local governments shall decide the minimum scale of pre-sales rationally based on local practice and may not issue separate pre-sale permits by floor or unit.

On April 13, 2010, the MOHURD issued the Notice on Further Regulating the Real Estate Market and Improving the Commodity Housing Pre-sale System (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), which set forth certain measures to enhance the regulation of pre-sales of commodity housing. Real estate developers are strictly prohibited from pre-selling commodity housing without obtaining pre-sale permits. Within 10 days after obtaining the relevant pre-sale permits, real estate developers are required to make a public announcement on all information relating to the units available for pre-sale and the price of each unit.

As to the post-completion sale, commodity properties may be put up for post-completion sale only when the preconditions for such sale have been satisfied. Under the Measures for Administration of Sale of Commodity Properties (商品房銷售管理辦法), the sale of commodity properties after the completion shall meet the following conditions:

- the real estate developer has a business license and a qualification certificate for real estate development;
- the land-use right certificates or approval documents of land using have been obtained;
- the construction planning permit and the construction commencement permit have been obtained;
- the commodity properties have been completed, inspected and accepted; the relocation of the residents has been completed;
- the supplementary essential facilities such as the supply of water, electricity, heating and gas, and communications are ready for use, and other public facilities are ready for use or the schedule of construction and delivery date of such facilities have been specified; and
- the property management plan has been confirmed.

The Provision 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. According to the provision, 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 provision requires real estate operators to clearly indicate the prices and relevant fees of commodity properties, as well as other factors affecting the prices of commodity properties to the public. With respect to the real estate operators that have received property pre-sale permit or have completed the filing procedures for the sales of completed properties, real estate operators shall announce all the commodity properties available for sale in a lump within the specified time limit. Furthermore, with regard to a property that has been sold out, real estate operators are obliged to disclose such information and to disclose the actual transaction price. Real estate operators cannot sell commodity properties with price higher than the explicit marked price or charge any other fees which has not been explicitly marked. Moreover, real estate operators may neither mislead purchasers with false or irregular price marking, nor engage in price fraud by using false or misleading price marking methods.

Transfer of Real Estate

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) promulgated by the Ministry of Construction on August 7, 1995, as amended on August 15, 2001, a real estate owner may sell, bequeath or otherwise legally transfer real estate to another person or legal entity. When transferring a building, the ownership of the building and the land-use rights to the site on which the building is situated are transferred together. The parties to a transfer must enter into a real estate transfer contract in writing and register the transfer with the real estate administration authority having jurisdiction over the location of the real estate within 90 days of the execution of the transfer contract.

Where the land-use rights were originally obtained by grant, the real property may only be transferred on the condition that:

- the land premium has been paid in full for the grant of the land-use rights as provided by the land grant contract and a land-use right certificate has been properly obtained; and
- in the case of a project in which buildings are being developed, development representing more than 25% of the total investment has been completed; or
- in case of a whole land lot development project, construction works have been carried out as planned, water supply, sewerage, electricity supply, heat supply, access roads, telecommunications and other infrastructure or utilities have been made available, and the site has been leveled and made ready for industrial or other construction purposes.
- in case of where the real property has been completed in construction, the property ownership certificate shall have been obtained.

If the land-use rights were originally obtained by grant, the term of the land-use rights after transfer of the real estate will be the remaining portion of the original term provided in the land grant contract after deducting the time that has been used by the former land users. In the event that the assignee intends to change the use of the land provided in the original grant contract, consent must first be obtained from the original land-use rights grantor and the planning administration authority at the relevant city or county and an agreement to amend the land grant contract or a new land grant contract must be signed in order to, inter alia, change the use of the land and adjust the land premium accordingly.

If the land-use rights were originally obtained by allocation, such allocation may be changed to land-use rights grant if approved by the government vested with the necessary approval power as required by the State Council. After the government authorities vested with the necessary approval power approve such change, the grantee must complete the formalities for the grant of the land-use rights and pay the land premium according to the relevant statutes.

Leases of Buildings

The National People's Congress promulgated the Contract Law of the People's Republic of China (中華人民共和國合同法) (the "Contract Law") on March 15, 1999, which takes effect from October 1, 1999. The Contract Law defines a leasing contract as a contract whereby the lesser delivers to the lessee the lease item for it to use or accrue benefit from, and the lessee pays the rent.

The lease term may not exceed 20 years. If the lease term exceeds 20 years, the portion of the lease term beyond the initial twenty year period is invalid. At the end of the lease term, the parties may renew the lease, provided that the renewed term may not exceed 20 years commencing on the date of renewal. Where the lease term is six months or longer, the lease shall be in writing. If the parties fail to adopt a writing form, the lease is deemed an indefinite lease.

Under the Urban Real Estate Law and the Measures for Administration of Leases of Commodity Buildings (商品房屋租賃管理辦法) promulgated by the MOHURD on December 1, 2010, being effective from February 1, 2011, parties to a lease of a building must enter into a lease contract. China has adopted a system to register the leases of real properties. When a lease contract is signed, amended or terminated, the parties must register the details with the real estate administration authority at the city or county in which the building is situated.

Mortgages of Real Estate

Under the Property Law of the People's Republic of China (中華人民共和國物權法), the Urban Real Estate Law, the Security Law of the People's Republic of China (中華人民共和國擔保法) promulgated by the Standing Committee of the National People's Congress on June 30, 1995, and the Measures for Administration of Mortgages of Urban Real Estate (城市房地產抵押管理辦法) promulgated by the Ministry of Construction on May 9, 1997, as amended on August 15, 2001, when a mortgage is created on the ownership of a building legally obtained, a mortgage must be simultaneously created on the land-use rights of the land on which the building is situated. When a mortgage is created on land obtained by way of grant, a mortgage must be simultaneously created on the ownership of the building which is on the land. The mortgagor and the mortgagee must sign a mortgage contract in writing. China has adopted a system to register mortgages of real estate. Within 30 days after a real estate mortgage contract has been signed, the parties to the mortgage must register the mortgage with the real estate administration authority at the location where the real estate is situated. If a mortgage is created on the real estate in respect of which a property ownership certificate has been obtained legally, the registration authority will, when registering the mortgage, make an entry under "third party rights" on the original property ownership certificate and then issue a certificate of third party rights to the mortgagee. If a mortgage is created on the commodity building put to pre-sale or on works in progress, the registration authority will, when registering the mortgage, record the details on the mortgage contract. If construction of a real property is completed during the term of a mortgage, the parties involved will re-register the mortgage of the real property after issuance of the certificates evidencing the rights and ownership to the real estate.

The PBOC issued a 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 tighten the requirements for banks to provide loans for the real property business as follows:

- Property development loans may be granted to property developers who are qualified for property development, rank high in credibility and have no overdue payment for construction. Such loans shall be given in full support of residential housing projects which conform to the purchasing capacity of families with medium-to-low income, and shall be property restricted where projects involve building properties of large size and/or cover large area, such as luxury commodity houses and villas. For property developers with commodity properties of high vacancy rate and debt ratio, strict approval procedures must be applied for their new property development loans and their activities must also be subject to close monitoring.
- Commercial banks may not grant loans to property developers without a "land-use rights certificate," "construction land planning permit," "construction work planning permit" and "construction work commencement permit."
- While property developers apply for bank loans, their own capital, i.e. owner's equity, shall not be less than 30% of the total investment required for the project. Commercial banks are prohibited from lending to property developers solely for the payment of land premiums. A loan for real estate development made by a commercial bank may only be used for a local real estate development project, and shall not be used in a cross-region way.

- Commercial banks may only provide housing 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 by the borrower remains to be 20%. In respect of his loan application for additional purchase of residential unit(s), the percentage of the down-payment by the borrower should be approximately increased.
- When a borrower applies for a mortgage loan for an individual commercial use building, the mortgage ratio may not be more than 60%. In addition, the term of loan may not be more than 10 years and the commodity building must be duly completed and accepted after the relevant governmental inspection.
- The down-payment requirement was subsequently increased to 30% of the property price for residential units with a unit floor area(套型建築面積) of 90 sq.m. or more, effective on June 1, 2006. See “- Measures on Stabilizing Property Prices” below.

In a Circular on Facilitating the Continuous and Healthy Development of Property Market (關於促進房地產市場持續健康發展的通知) issued by the State Council on August 12, 2003, a series of measures were adopted by the government to control the property market. They included, among others, strengthening the construction and management of low-cost affordable houses, increasing the supply of ordinary commodity residential houses and controlling the construction of high quality commodity houses. Besides, the government also staged a series of measures on the lending for residential development.

They included, among others, strengthen efforts in housing provident fund collection and the granting of loans, improving the guarantee mechanism of individual home loans and strengthening the monitoring over property loans. It is expected that the circular will have a positive effect on the development of the PRC property market in the long run by facilitating a continuously healthy growth of the property market in China.

Pursuant to the Guidance on Risk Management of Property Loans Granted by Commercial Banks (商業銀行房地產貸款風險管理指引) issued by CBRC on August 30, 2004, commercial banks may not provide any loan in any form for a project without the land-use rights certificate, construction land-use planning permit, construction work planning permit and construction work commencement permit. Any property developer applying for property development loans must have invested at least 35% of capital required for the development and a commercial bank should maintain a strict project approval mechanism for processing applications for property development loans.

Under the Notice of the PBOC on Adjusting the Housing Credit Policies of Commercial Banks and Deposit Interest Rate of the Excess Part of the Reserve (中國人民銀行關於調整商業銀行住房信貸政策和超額準備金存款利率的通知) issued by PBOC on March 16, 2005 and effective from March 17, 2005, the minimum amount of down payment for an individual residence shall be increased from 20% to 30% of the purchase price for properties in cities where the property market is considered to be overheating.

On May 24, 2006, the General Office of the State Council issued an opinion developed by the Ministry of Construction (and relevant departments) on Adjustment of Housing Supply Structure and Stabilization of Property Prices (關於調整住房供應結構穩定住房價格的意見). According to the opinion, in order to curtail the rapid rise in property prices, from June 1, 2006, the minimum amount of down payment for individual housing shall not be less than 30%. However, considering the housing needs of low- and middle-income earners, the minimum down payment for self-occupied housing with a GFA of less than 90 sq.m. per unit remains unchanged, and shall not be less than 20%.

On September 27, 2007, PBOC and CBRC jointly issued the Notice on Strengthening the Administration of Commercial Real Estate Credit Loans (關於加強商業性房地產信貸管理的通知) to further regulate the management of credit loans for commercial real estate. These measures include:

- prohibiting commercial banks from lending to projects with an internal capital ratio (owners' equity) of less than 35%, or without a land-use rights certificate, construction land-use planning permit, construction planning permit and a construction permit;
- prohibiting commercial banks from lending to property developers solely for the payment of land premiums;
- for commodity properties that has been vacant for three years, a commercial bank shall not accept them as collateral for a loan. In principle, a loan for real estate development made by a commercial bank may only be used for a local real estate development project, and shall not be used in a project of different location. For a loan, the use of which is really needed in a non-local real estate development project and for which the relevant risk control measures have been implemented, a commercial bank shall report on it to the regulatory authority for archival purposes before the loan is made;
- requiring banks to support funding needs of borrower purchasing their first small and medium self-occupied flat, and to grant loans only to individuals who have purchased flats the main structure of which have been topped out;
- the minimum down payment for a first unit of self-occupied flat with a GFA of less than 90 sq.m. per unit shall not be less than 20%. The minimum amount of down payment for a first unit of self-occupied flat with a GFA of over 90 sq.m. per unit shall not be less than 30%. The minimum down payment for the second unit or more payable by an individual who has obtained a mortgage to purchase the first flat shall not be less than 40%, the loan interest rate shall not be less than 1.1 times the prevailing basis rate issued by PBOC, and the minimum amount of down payment and interest rate shall significantly increase with the number of flats purchased;
- commercial properties purchase by loans shall have been completed and passed completion acceptance inspection; and for commercial properties, the minimum down payment shall not be less than 50%, the loan term shall not exceed 10 years and the loan interest rate shall not be less than 1.1 times the prevailing basis rate issued by PBOC. For combined commercial and residential properties, the minimum down payment shall not be less than 45% and the term and interest rate shall be determined according to the administrative regulations of commercial property loans.

According to the Supplementary Notice of the PBOC and CBRC on Strengthening the Administration of Commercial Real Estate Credit Loans (關於加強商業性房地產信貸管理的補充通知) issued on December 5, 2007, the number of loans granted to a borrower shall be determined on the basis of loans granted to the borrower's family (including the borrower, his/her spouse and his/her underage children).

According to the requirement under a notice issued by PBOC and CBRC on Promoting Economical and Intensive Utilization of Land Through Financing (關於金融促進節約集約用地的通知) on July 29, 2008, when the land and resource authority confirms that a developer has only developed less than 1/3 of the whole area or has only invested less than 1/4 of the total investment after the lapse of one full year from the date of commencing the construction of a real estate project as stipulated in the land transfer contract, a financial institution shall be prudent in granting loans to it and rigidly control extended loans or rolling credits to it. When the land and resource authority confirms that the construction use land for a real estate project has been idled for two years or longer, it is prohibited to grant any loan a real estate development for the given project or other loans with the construction use land of such project as collateral (including the asset protection business).

On October 22, 2008, PBOC promulgated the Notice on Several Issues Regarding the Expansion of Downward Floating Interest Rate for Commercial Individual Housing 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), which provides that, effective from October 27, 2008, the

float-down range for interest rate for individual residential mortgage loans is expanded and the ratio of down payments is adjusted. As a result, the minimum interest rate for individual residential mortgage loans is 70% of the benchmark loan interest rate and the minimum down payment ratio is adjusted to 20%.

On December 20, 2008, the General Office of the State Council issued the Opinion on Promoting the Healthy Development of Real Estate Market (國務院辦公廳關於促進房地產市場健康發展的若干意見). The opinion provides that in order to expand domestic demand and encourage purchase of ordinary residential housing, residents who purchase ordinary self occupied housing for the first-time by borrowing a mortgage loan shall enjoy preferential policies in relation to loan interest rates and down payment. For residents who have already borrowed a mortgage loan and purchased self-occupied housing for the first-time, if the GFA per person of that first housing is lower than the local average, such residents may still enjoy the preferential policies in relation to loan interest rates and down payment when they purchase a second self occupied house. For any other application on mortgage loans for purchasing a second or subsequent housing unit, the interest rate shall be determined by the commercial banks based on the benchmark interest rate and the banks' risk assessments.

On January 7, 2010, the General Office of the State Council issued the Notice on Promoting the Steady and Healthy Development of the Real Estate Market (關於促進房地產市場平穩健康發展得通知), provides that the families (including the debtors, their spouses and their juvenile children) who have bought a residential house by the loans and are applying for loans to buy a second residential house or more residential houses, the down payments of the loans should not be lower than 40%.

On April 17, 2010, the State Council issued the Notice on Resolutely Curbing the Rise of Housing Prices in Certain Cities (關於堅決遏制部分城市房價過快上漲的通知), which increases (i) the amount of down payment to 30% of the property price for the purchase of the first property over 90 sq. m.; (ii) the amount of down payment to 50% of the property price for the purchase of the second property and the mortgage interest rate to be no less than 1.1 times the benchmark rate in China and (iii) the amount of down payment and the mortgage interest rate for additional properties significantly as determined by the banks in accordance with their risk management policies.

According to the Notice on Issues concerning the Improvement of Differential Housing Credit Policies (關於完善差別化住房信貸政策有關問題的通知) jointly issued by of the PBOC and CBRC on September 29, 2010, all commercial banks shall suspend granting housing loans to families for purchasing the third or more housing units; commercial banks shall also suspend the granting of housing loans to non-local residents who cannot provide local tax payment proof or proof of social insurance payment for one year or longer.

For the purchase of commodity housing with loans, the down payment shall be adjusted to more than 30% of the total price. For the real estate developers which leave any land idle, change the usage and nature of land, delay the time of initiating project and completion of construction, hold back housing units for future sale, or have other records of violations of laws or regulations, all commercial banks shall suspend granting loans to them for new projects development and suspend the extension of loans.

On January 26, 2011, the General Office of the State Council issued the Notice on Issues Relating to Further Regulating the Control of Property 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), according to which, the minimum down payment in respect of mortgage loans on purchases of second residential properties by families is increased to 60% of the purchases price and the applicable mortgage rate must be at least 1.1 times of the relevant benchmark lending rate published by the PBOC.

On September 29, 2014, the PBOC and CBRC jointly issued the Notice on Further Improving Housing Financial Services (關於進一步做好住房金融服務工作的通知), according to which, for a family that applies for a loan to purchase the first ordinary owner-occupied residential property, the minimum down payment ratio shall be 30%, and mortgage rate shall be no less than 0.7 times of the

relevant benchmark lending rate; where a family, which owns an existing residential house for which the relevant mortgage loan has been paid off, applies for a new loan to purchase another ordinary commodity housing for the purpose of improving living conditions, the relevant financial institutions shall adopt the lending policies of the first owner-occupied property.

The PBOC, Ministry of Housing and Urban-Rural Development and CBRC issued the Notice on Matters Concerning Personal Housing Loan Policies (關於個人住房貸款政策有關問題的通知) on March 30, 2015. According to the Notice, where a household, which already owns one housing property and has not paid off the relevant housing loan, applies for another commercial personal housing loan to purchase another ordinary housing property for the purpose of improving living conditions, the minimum down payment ratio is adjusted to 40%. In case of purchasing ordinary housing properties using housing accumulation fund loans by first-time buyers, the minimum down payment ratio is 20%; where a household, which already owns one housing property and has paid off the relevant housing loan, applies for another housing accumulation fund loan to purchase another ordinary housing property for the purpose of improving living conditions, the minimum down payment ratio is 30%.

According to the Notice on the Adjustment to the Down Payment Ratio for Personal Housing Provident Fund Loans (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) promulgated by the Ministry of Housing and Urban-Rural Development, Ministry of Finance and PBOC on August 27, 2015, and effective from September 1, 2015, where a household, which already owns one housing property and has paid off the relevant housing loan, applies for another housing accumulation fund loan to purchase another ordinary housing property for the purpose of improving living conditions, the minimum down payment ratio is adjusted from 30% to 20%. Beijing, Shanghai, Guangzhou and Shenzhen may decide on such ratio at their own discretion based on the state's policy and local condition.

On September 24, 2015, the PBOC and the CBRC jointly issued the Notice on Issues concerning the Further Improvement of Differentiation on Housing Credit Policies (關於進一步完善差別化住房信貸政策有關問題的通知), according to which, for the first purchase of ordinary housing with commercial loans, the minimum down payment shall be adjusted to not less than 25% of the purchase price in cities where no purchase restriction policy is adopted. According to the Notice on Matters concerning the Adjustment of the Personal Housing Loans Policies (關於調整個人住房貸款政策有關問題的通知), issued by the PBOC and CBRC on February 1, 2016, in cities where no "property purchase control" is implemented, the minimum down payment for all commercial housing loans used for first purchases of ordinary housing shall be 25% in principle, and may be lowered by up to 5% by local governments. When a borrower who has already purchased a first home and has not repaid in full the relevant housing loan applies for another commercial housing loan to purchase another ordinary house, the minimum down payment is adjusted to 30%.

Real Estate Management

According to the Regulation on Property Management (物業管理條例) promulgated by the State Council on June 8, 2003 and amended respectively on August 26, 2007, February 6, 2016 and March 19, 2018, an enterprise engaging in property management activities shall have the independent corporation capacity. The competent construction administrative department of the State Council shall, jointly with the relevant departments, establish the mechanism for encouraging honesty and punishing the dishonesty, and enforce the administration of the credit in the property management industry.

Insurance

There is no mandatory provision in PRC laws, regulations and government rules which require a property developer to take out insurance policies for its real estate developments.

According to the common practice of the property industry in China, construction companies are usually required to submit insurance proposals in the course of tendering and bidding for construction projects. Construction companies must pay for the insurance premium at their own costs and take out insurance to cover their liabilities, such as third party's liability risk, employer's liability risk, risk of non-performance of contract in the course of construction and other kinds of risks associated with the construction and installation works throughout the construction period. The insurance coverage for all these risks will cease immediately after the completion and acceptance upon inspection of construction.

Measures on Stabilizing Property Prices

The General Office of the State Council promulgated a Circular on Stabilizing Housing Prices (關於切實穩定住房價格的通知) on March 26, 2005, introducing measures to be taken to restrain the housing price from increasing too fast and to promote a stable development of the real estate market. On April 30, 2005, the Ministry of Construction, NDRC, the Ministry of Finance, the Ministry of Land and resources, PBOC, the State Taxation Bureau and CBRC jointly issued the Opinions on Stabilizing Housing Prices (關於做好穩定住房價格工作的意見) with the following guidance:

- Where the housing price is growing too fast, while the supply of ordinary commodity houses at medium or low prices and low-cost affordable houses is insufficient, the housing construction should mainly involve projects of ordinary commodity houses at medium or low prices and low cost affordable houses. The construction of low-density, high quality houses should be strictly controlled. The relevant local government authorities are authorized to impose conditions on planning and design such as building height, plot ratio and green space and to impose such requirements as sale price, type and GFA as preconditions on land assignment. The local governments are also required to strengthen their supervision of real estate developments in their jurisdictions.
- Where the price of land for residential use and the price for residential housing are growing too fast, the proportion of land supply for residential use to the total land supply should be appropriately raised, and the land supply for the construction of ordinary commodity houses at medium or low prices and low-cost affordable houses should be especially increased. Land supply for villa construction should continue to be suspended, and land supply for high quality housing property construction should be strictly restricted.
- Commencing from June 1, 2005, a business tax upon transfer of a residential house by an individual within two years from his/her purchase will be levied on the gain from such sale. For an individual to transfer an ordinary residential house after two years from his/her purchase, the business tax will be exempted. For an individual to transfer a property other than an ordinary residential house after two years from his/her purchase, the business tax will be levied on the difference between the price of such sale and the original purchase price.
- Ordinary residential houses with medium or small GFAs and at medium or low prices may be granted preferential treatment such as planning permits, land supply, credit and taxation. Houses enjoying these preferential policies must satisfy the following conditions in principle: the plot ratio is above 1.0, the GFA of one single unit is less than 120 sq.m., and the actual transfer price is lower than 120% of the average transfer price of comparable houses at comparable locations. The local governments at the provincial level may, based on their actual local circumstances, formulate specific standards for ordinary residential houses that may enjoy the preferential policies.
- Transfer of uncompleted commodity properties by any pre-sale purchaser is forbidden.

In addition, purchasers are required to buy properties in their real names. Any commodity property pre-sale contract must also be filed with the relevant government agencies electronically immediately after its execution.

On May 24, 2006, the Ministry of Construction, NDRC, the Ministry of Supervision, the Ministry of Finance, the Ministry of Land and Resources, PBOC, the National Bureau of Statistics, the State Taxation Bureau and CBRC jointly issued the Opinions on Adjusting Housing Supply Structure and Stabilization of Housing Prices (關於調整住房供應結構穩定住房價格意見的通知). The Opinions reiterated the existing measures and introduced new measures to further curb fast increase in property prices development of the PRC property market. These measures, among the others, include:

- requiring that at least 70% of the land supply approved by a local government for residential property development for any given year must be used for developing low to medium-cost and small to medium-size units and low-cost rental properties;
- requiring that at least 70% of GFA of residential projects approved or constructed on or after June 1, 2006 must consist of units with a unit floor area less than 90 sq.m. per unit (including affordable housing) and that projects which have received project development approvals prior to that date but have not obtained construction permits must adjust their planning in order to be in conformity with this new requirement, with the exception that municipalities under direct administration of the PRC central government and provincial capitals and certain cities may deviate from such ratio under special circumstances upon approval from the Ministry of Construction;
- prohibiting commercial banks from lending funds to real estate developers with an internal capital ratio, calculated by dividing the internal funds by the total project capital required for the relevant projects, of less than 35%, restricting the extension of loans and the grant of revolving credit facilities to property developers holding a large amount of idle land and vacant commodity properties, and prohibiting commercial banks from taking commodity properties which have been vacant for more than three years as security for their loans; and
- imposing a business tax levy on the entire sales proceeds from re-sale of properties if the holding period is shorter in large cities and to promote healthy
- than five years, effective from June 1, 2006, as opposed to two years as such levy was initially implemented from June 2005; where an individual transfers a property other than an ordinary residential property after five years from his/her purchase, the business tax will be levied on the difference between the price for such re-sale and the original purchase price.

On December 20, 2008, the General Office of the State Council issued the rules on the Opinion on Promoting the Healthy Development of Real Estate Market (關於促進房地產市場健康發展的若干意見), which provides that in order to expand domestic demand and encourage consumption in ordinary residential housing, a business tax relief policy for real property transfers will be implemented for one year in relation to residential property conveyance. Business tax is exempted for any transfer of ordinary housing purchased and held by individuals for at least two years, as opposed to five years previously; any transfer of ordinary housing purchased by individuals for less than two years is subject to business tax based on the difference between the sale price from such transfer and the original purchase price, as opposed to the full sale price. Any transfer of non-ordinary housing purchased by individuals for at least two years, as opposed to five years previously, is subject to business tax based on the difference between the gain from such transfer and the original purchase price. Any transfer of non-ordinary housing purchased by individuals for less than two years remains subject to business tax based solely on the sale price from such transfer. The above-mentioned policy is tentatively scheduled to be enforced until December 31, 2009.

On October 22, 2008, PBOC promulgated the Notice on Several Issues Regarding the Expansion of Downward Floating Interest Rate for Commercial Individual Housing 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) which provides that, as of October 27, 2008, the float-down range for interest rate for commercial individual housing loans will be expanded and the ratio of down payments will be modified. The minimum interest rate for commercial individual housing loans will be 70% of the benchmark loan interest rate and the minimum down payment ratio will be adjusted to 20%. Related matters are as follows:

- Loan interest rate and down payment ratio granted by the financial institutions to their clients shall be determined based on the following factors: whether or not it is the first time for the borrower to buy the house, whether or not the house is used for self occupancy, whether or not the house type and GFA conform to an ordinary residential house, and other risk factors such as the borrower's credit record and repayment capacity.
- Financial institutions may provide preferential treatments on loan interest rate and down payment ratio to residents for their first purchase of ordinary self-occupied houses and improved ordinary self-occupied houses. For non-self-occupied houses and non-ordinary residential houses, financial institutions may properly raise the loan conditions.
- As to commercial individual housing loans granted, financial institutions shall determine the interest rate for the outstanding portion thereof, in accordance with Section 1 of this notice, on the basis of reasonable assessment of loan risks and according to the original loan contracts. The down payment ratio under the original loan contracts shall remain effective.
- The policy that the borrower's monthly expenditure on repayment of housing loans shall not exceed 50% of his/her monthly income remains unchanged.

Pursuant to the Circular of the General Office of the State Council on Notice on Issues Relating to Further Regulating the Control of Property 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) dated January 26, 2011, generally, municipalities, provincial capitals and cities with high housing prices will implement purchase restrictions for a specified period. In principle, (i) a local residential family that already holds one house or a non-local residential family that is able to provide evidence of local tax or social insurance payment for a required period is limited to purchasing one additional house (including the new commodity residential house or a second hand one); and (ii) a local residential family that holds two or more houses, a non-local residential family that holds one or more houses or a non-local residential family that cannot provide the local payment of tax and/or social insurance for a required period shall be suspended from purchasing any other commodity residential houses.

On February 26, 2013, The State Council General Office of the PRC promulgated the Notice on Further Regulation and Control of Real Estate Market (關於繼續做好房地產市場調控工作的通知), introducing five policy measures to control the real estate market, including: a) improving the accountability system for stabilization of house prices; b) strictly controlling over house purchase for speculation; c) increasing the supply of ordinary residential houses and the land supply of residential houses; d) accelerating the planning and construction of subsidized housing projects; e) tightening the market regulations and forecast management; and f) accelerating the establishment and optimization of the long-term mechanism for the healthy development of the real estate market.

The highlights of the measure for "control over house purchase for speculation" under the notice are as follows:

- Continuous enforcement of stringent restrictions on commodity housing purchases;

- For cities with soaring house prices, the local branches of the PBOC may further increase the proportion of down payments and interest rates for second-home buyers according to the price control targets and policy requirements for newly-constructed commodity housing of the local governments;
- The taxation department and the housing and urban-rural development department shall work closely together to impose personal income tax on the sales of self-owned houses. A tax rate of 20% on the proceeds from the transfer shall be strictly levied upon verification of the value of the houses based on tax collection and housing registration data.

The notice also stipulated that if the number of small-and medium-sized units of a general commodity housing project accounted for more than 70% of the total units to be constructed, the banking financial institutions shall give priority to the financing need of the development of the project subject to credit conditions. In addition, the local authorities shall strengthen the pre-sale fund management and improve their regulatory systems. For overpriced pre-sale commodity housing projects in breach of the guidance of the housing and urban-rural development department or the regulations on pre-sale fund, the approval and issuance of the pre-sale permits may be suspended.

PRC Taxation

PRC Deed Tax

Under the Provisional Regulation on the Deed Tax of the People's Republic of China (中華人民共和國契稅暫行條例) which took effect on October 1, 1997, deed tax applies to entities and individuals that accept the transfer of land-use rights and the ownership of houses within the territory of the PRC.

The transfer of land-use rights and the ownership of houses refer to the following acts:

- Assignment of the right to use state-owned land;
- Transfer of land-use rights, including the transfer by means of sale, gift and exchange, excluding the transfer of the right contract for the management of rural collective land;
- Purchase and sale of houses;
- Gift of houses; and
- Exchange of houses.

The transfer of land-use rights and the ownership of houses by the means of the following methods are also deemed to be governed by the above regulation, as stipulated by the Implementation Rule of Provisional Regulation on the Deed Tax (中華人民共和國契稅暫行條例細則):

- Using land-use rights and ownership of a house as investment;
- Setting off debt with land-use rights and the ownership of house;
- Obtaining land-use rights and the ownership of a house as a prize; and
- Obtaining land-use rights and the ownership of a house by the way of purchasing in advance.

The rate of deed tax will, within the range of 3-5%, be determined by the PRC government agencies of provincial, autonomous region and municipal level in light of the actual conditions of the underlying properties respective areas and shall be reported to the Ministry of Finance and the State Administration of Taxation.

The deed tax will be reduced or exempted under the following circumstances:

- For the acceptance of land and houses by state agencies, institutions, social organizations and military units for office, teaching, medical service, scientific research and military facilities, the deed tax will be exempted;
- For the initial purchase of state-owned residential houses by urban and township workers and staff members according to the provisions of relevant laws and regulations, the deed tax will be exempted;
- For the purchase of residential houses in replacement of houses damaged or destroyed due to force majeure, the tax will, upon approval, be reduced or exempted according to the circumstances; and
- Any other types of reduction or exemption provided by the Ministry of Finance.

Reduction or exemption of deed tax will not be applicable if the relevant land or house and the change of use is no longer within the above mentioned scope, and an amount of tax equivalent to the tax reduction or exemption should be repaid.

On September 29, 2010, the Ministry of Finance, the Ministry of Construction and the State Administration of Taxation promulgated the Notice on the Adjustment of the Deed Tax and Personal Income Tax Preferential Policies in Real Estate Transactions (關於調整房地產交易環節契稅個人所得稅優惠政策的通知), which provides that deed tax rate is reduced to 1% for first-time individual buyer who purchases an ordinary residential property with a GFA of less than 90 sq.m. as the family's sole property.

Income Tax

According to the EIT Law enacted by the National People's Congress on March 16, 2007 and amended on February 24, 2017, and relevant implementation rules enacted by the State Council on December 6, 2007, both in effect from January 1, 2008 onwards, a uniform income tax rate of 25% will be applied towards PRC enterprises, foreign investment enterprises and foreign enterprises which have set up production and operation facilities in the PRC. The PRC EIT Law also permits enterprises to continue to enjoy their existing tax incentives, adjusted by certain transitional phase-out rules, under which enterprises that were subject to an enterprise income tax rate of 15% prior to January 1, 2008 may continue to enjoy the lower rate and gradually transition to the new enterprise income tax rate within five years after the effective date of the PRC EIT Law, that is 18% in 2008, 20% in 2009, 22% in 2010, 24% in 2011 and the new statutory enterprise income tax rate of 25% from 2012 onwards. In addition, under the phase-out rules, enterprises established before the promulgation date of the PRC EIT Law and which were granted tax holidays (such as a two-year exemption and three years of reduction by 50% and a five-year exemptions and five years of reduction by 50%) under the then effective tax laws or regulations may continue to enjoy their tax holidays until their expiration.

Under the implementation rules of EIT Law, in effect from January 1, 2008, a withholding tax of 10% will be applicable to dividends paid by foreign-invested enterprises to foreign investors, unless otherwise stipulated in tax treaties concluded between Chinese government and other jurisdictions. However, due to Arrangement between the PRC and Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排) on August 21, 2006, a company incorporated in Hong Kong will be subject to a withholding tax at a rate of 5% on dividends it receives from a company incorporated in the PRC if it holds a 25% interest or more in the PRC company. In addition, the PRC State Administration of Taxation promulgated a tax notice on October 27, 2009, or Circular 601, which provides that tax treaty benefits will be denied to "conduit" or shell companies without business substance, and a beneficial ownership analysis will be used based on a "substance-over-the-form" principle to determine whether or not to grant tax treaty benefits.

According to the implementation rules of the EIT Law, if an enterprise incorporated outside the PRC has its “de facto management body” located within the PRC, such an enterprise may be recognized as a PRC tax resident enterprise and subject to enterprise income tax at the rate of 25%. According to the PRC EIT Law, dividends received by a qualified PRC tax resident enterprise from another qualified PRC tax resident enterprises are exempted from enterprise income tax.

On March 6, 2009, the State Administration of Taxation promulgated the Measures for the Treatment of Enterprise Income Tax on Real Estate Development and Operation Businesses (房地產開發經營業務企業所得稅處理辦法), which regulates the revenue, cost of sales, fees deduction, accounting of costs and tax treatment of specific matters of enterprises engaging in the real estate business in the PRC in relation to the imposition of corporate income tax.

Business Tax

Pursuant to the Provisional Regulation of the People’s Republic of China on Business Tax (中華人民共和國營業稅暫行條例) enacted by the State Council on December 13, 1993 and revised on November 10, 2008, and its Detailed Implementation Rules on the Provisional Regulation of the People’s Republic of China on Business Tax (中華人民共和國營業稅暫行條例實施細則) issued by the Ministry of Finance on December 15, 2008 and revised on October 28, 2011, the tax rate on transfers of immovable properties, their superstructures and attachments is 5%.

The Ministry of Finance and the State Administration of Taxation issued the Notice on Adjusting Business Tax Policies for Personal Housing Property Transfers (關於調整個人住房轉讓營業稅政策的通知) on March 30, 2015. According to the Notice, business tax will be fully levied on housing properties purchased by individuals for less than two years; in the case of non-ordinary housing properties purchased by individuals for longer than two (inclusive) years, business tax will be levied on the portion of sale income deducting the purchase price; and ordinary housing properties purchased by individuals for longer than two (inclusive) years will be exempted from business tax.

According to the Notice on Strengthening the Administration of Enterprise Income Tax on Non-resident Enterprises’ Equity Transfer Incomes issued by the State Administration of Taxation in December 2009, if a non-resident enterprise transfers its shares in a foreign enterprise which holds shares in a PRC resident enterprise, this transfer may be subject to EIT at the rate of 10%, provided, if such non-resident enterprise is deemed by the relevant PRC authorities to have indirectly transferred its shares in the PRC resident enterprises through an arrangement without reasonable commercial purposes that results in the abuse of organizational structure.

According to the Circular on Printing and Issuing the Pilot Program for Transition from Business Tax to Value Added Tax jointly issued by the MOF and State Administration of Taxation on November 16, 2011, the MOF and the State Administration of Taxation introduced two new band rates of 11% (transportation and construction industries) and 6% (part of modern service industries) on the basis of the standard value-added tax rate of 17% and the lesser value-added tax rate of 13% first commenced in Shanghai on January 1, 2012. Furthermore, nine cities and provinces have also officially applied to participate, specifically Tianjin, Chongqing, Jiangsu, Anhui, Fujian, Xiamen, Shenzhen, Hunan and Hainan in accordance with the Circular on Implementing the Pilot Policy of Transition on business tax to value-added tax in eight cities and provinces including Beijing jointly issued by the MOF and State Administration of Taxation.

The policy was implemented on November 1, 2012 according to the Circular for Taxpayers Handling the Taxes Issues in Shenzhen as a Pilot City on Transition from business tax to value-added tax issued by Shenzhen Municipal Office of the State Administration of Taxation and Administration of Local Taxation of Shenzhen Municipality on August 31, 2012. The transportation and part of the modern service industries are included in the scope of business tax to value-added tax. The advertisement and storage and other logistics services provided by our Company are subject to the policy of the transition from business tax to value-added tax.

On March 23, 2016, the MOF and the State Administration of Taxation jointly issued the “Notice on Overall Implementation of the Pilot Program of Replacing Business Tax with Value-added Tax” (財政部、國家稅務總局關於全面推開營業稅改征增值稅試點的通知), under which the business tax was totally replaced by value-added tax in an All-round Manner. In particular, the provision of services in transportation, construction or real property lease, the sale of real property are subject to the rate of 11%; the provision of advisement and other modern services are subject to the rate of 6%.

Value Added Tax

Any entity or individual engaged in the sale of goods, the provision of specified services or the importation of goods in the PRC is generally required to pay value added tax on the added value derived during the process of manufacture, sale or service provided, according to the Interim Regulation on the Value Added Tax of the PRC (中華人民共和國增值稅暫行條例) promulgated by the State Council on December 13, 1993 and amended on November 5, 2008, February 6, 2016 and November 19, 2017 and this regulation’s implementing rules. Unless stated otherwise, for taxpayers who are selling goods, providing labor services or leasing services for tangible movable assets or importing goods, the value added tax rate shall be 17%. For taxpayers who are providing services related to transportation, postal services, basic telecommunications, construction, leasing of property, selling any real property, or transfer any land use rights, the value added tax rate shall be 11%.

According to the Notice of the MOF and the SAT on the Adjustment of VAT Tax Rate (財政部、稅務總局關於調整增值稅稅率的通知) promulgated by the MOF and the SAT on April 4, 2018 with effect from May 1, 2018, if the taxpayer has sales or imports goods subject to value added tax and the original value added tax rate is 17% and 11%, the tax rate shall be adjusted to 16% and 10%.

Land Appreciation Tax

Under the LAT Regulation promulgated by the State Council on December 13, 1993 and revised on January 8, 2011, and its implementation rules, LAT applies to both domestic and foreign investors, irrespective of whether they are corporate entities or individuals. LAT is payable on the appreciation in value representing the balance of the proceeds received on sales, after deducting various prescribed items. LAT is charged at progressive rates ranging from 30% to 60%. Apart from the aforementioned deductions, property developers enjoy an additional deduction, which is equal to 20% of the payment made for acquisition of land-use rights and the costs of land development and the construction of new buildings or related facilities. An exemption from payment of LAT may be available if the taxpayer constructs ordinary residential apartments and the appreciation amount does not exceed 20% of the sum of deductions allowed under PRC law. If, however, the appreciation amount exceeds 20% of the sum of allowable deductions, such an exemption is not available and the taxpayer will be liable to LAT on the full appreciation amount, after taking account of the allowable deductions. The allowable deductions include the following items:

- Payment made to acquire land-use rights;
- Costs and expenses related to land development and the construction of the properties;
- Construction costs and charges in the case of newly constructed buildings and facilities or assessed value in the case of old buildings and structures;
- Taxes in connection with the transfer of real estate; and
- Other items stipulated by the Ministry of Finance (including 20% deduction of the first two items mentioned above in relation to property development).

LAT is charged at progressive rates ranging from 30% to 60% of the appreciation value (i.e., the balance as described above).

<u>Appreciation value</u>	<u>LAT rates (%)</u>
For the portion	
Not exceeding 50% of allowable deductions	30
Over 50% but not more than 100% of allowable deductions	40
Over 100% but not more than 200% of allowable deductions.....	50
Over 200% of allowable deductions.....	60

An exemption from payment of LAT may be available if the taxpayer constructs ordinary standard residential apartments and the appreciation amount does not exceed 20% of the sum of deductions allowed under PRC law.

According to the implementation rules of LAT Regulation, a provision of LAT may be made before the completions of construction of the tax payer transfers the proceeds of pre-sale. The provision rate may be determined by Local government subject to the minimum requirement set forth by the State Administrative of Taxation.

Urban Land-use Tax

Pursuant to the Provisional Regulation Governing Land-Use Tax in Cities and Towns of the People's Republic of China (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, on January 8, 2011 and December 17, 2013, land-use taxes in respect of urban land is to be levied according to the area of relevant land. The annual tax shall be between RMB0.2 and RMB10 per sq.m. of urban land. According to the Approval on Land-Use Tax Exemption of Foreign Investment Enterprises (關於外商投資企業徵免土地使用稅問題的批覆) issued by the State Administration of Taxation on March 27, 1997, land-use fees instead of land-use taxes were to be collected from foreign-invested enterprises. However, the Provisional Regulation Governing Land-Use Tax in Cities and Towns of the People's Republic of China (中華人民共和國城鎮土地使用稅暫行條例) was revised by the State Council on December 31, 2006. As of January 1, 2007, land-use taxes are to be collected from foreign-invested enterprise. The annual tax is between RMB0.6 and RMB30.0 per sq.m. of urban land. On June 1, 2007, the State Administration of Taxation promulgated the Approval on Levy of Urban Land-Use Tax of Foreign Investment Enterprises and Foreign Enterprise (關於外商投資企業和外國企業徵收城鎮土地使用稅問題的批覆) and restated the above points.

Real Estate Tax

Before January 1, 2009, there are two parallel tax systems in China for enterprises engaged in real estate development and investment in China. Such tax applicable for domestic enterprises, organizations and individuals is real estate tax which is calculated on the remaining original book value of the real estate after 10% to 30% deduction of the original book value depending on where the real estate is located, at a rate of 1.2%, or on the rental income derived by the real estate at a rate of 12% according to the Provisional Rules on Real Estate Tax of the People's Republic of China (中華人民共和國房產稅暫行條例) promulgated by the State Council on September 15, 1986 and amended on January 8, 2011. While foreign invested enterprises, foreign enterprises and foreign individuals are required to pay urban real estate tax on land and buildings owned by them in the urban areas of China. According to the Provisional Rules on Urban Real Estate Tax of the People's Republic of China (中華人民共和國城市房地產稅暫行條例) promulgated by the State Council on August 8, 1951, the urban real estate tax is charged at a rate of 1.5% annually based on standard prices for property or 15% annually based on rental income.

By issuance of PRC State Council Order 546(中華人民共和國國務院令2008第546號) on December 31, 2008, the State Council unifies the two parallel real estate tax systems by abolishing the urban real estate tax. Starting from January 1, 2009, all enterprises, organizations and individuals that own or use real estate in China shall subject to real estate tax by using the calculation method as mentioned in the Provisional Rules on Real Estate Tax of the People's Republic of China (中華人民共和國房產稅暫行條例) promulgated by the State Council on September 15, 1986.

Stamp Duty

Under the Provisional Regulation on Stamp Duty of the People's Republic of China (中華人民共和國印花稅暫行條例) promulgated by the State Council on August 6, 1988, effective on October 1, 1988 and revised on January 8, 2011, for property rights transfer instruments, including those in respect of property ownership transfer, the rate of stamp duty shall be 0.05% of the amount stated therein; for permits and certificates relating to rights, including property ownership certificates and land-use rights certificates, stamp duty shall be levied on an item basis of RMB5 per item.

Urban Maintenance and Construction Tax and Education Surcharge

Under the Provisional Regulation on Urban Maintenance and Construction Tax of the People's Republic of China(中華人民共和國城市維護建設稅暫行條例) promulgated by the State Council on February 8, 1985 and amended on January 8, 2011, any taxpayer, whether an entity or individual, of product tax, value-added tax or business tax shall be required to pay urban maintenance and construction 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 and a town, and 1% for a taxpayer whose domicile is not in any urban area or county or town.

Under the Provisional Provisions on Imposition of Education Surcharge (徵收教育費附加的暫行規定) promulgated by the State Council on April 28, 1986 and revised on June 7, 1990, August 20, 2005 and January 8, 2011, a taxpayer, whether an entity or individual, of product tax, value-added tax or business tax shall pay an education surcharge at a rate of 3% on the total amount of consumption tax, value-added tax and business tax paid by such entity, unless such obliged taxpayer is instead required to pay a rural area education surcharge as stipulated under the Notice of the State Council on Raising Funds for Schools in Rural Areas (關於籌措農村學校辦學經費的通知).

Foreign Currency Exchange

Prior to December 31, 1993, a quota system was used for the management of foreign currency. Any enterprise that used foreign currency in the normal course of its operations was required to obtain a quota from the local SAFE office before it could convert Renminbi into foreign currency through the Bank of China or other designated banks. Such conversion had to be effected at the official rate set up by SAFE on a daily basis. Renminbi could also be converted into foreign currency at swap centers. The exchange rates used by swap centers were largely determined by the demand for and supply of the foreign currency and the Renminbi requirements of enterprises in the PRC. Any enterprise that wished to buy or sell foreign currency at a swap center had to obtain an advanced approval from SAFE.

On December 28, 1993, the PBOC, under the authority of the State Council, promulgated the Notice of the PB OC Concerning Further Reform of the Foreign Currency Control System (中國人民銀行關於進一步改革外匯管理體制的公告), effective on January 1, 1994 and revoked on August 28, 2009. The notice announced the abolition of the foreign exchange quota system, the implementation of conditional convertibility of Renminbi in current account items, the establishment of the settlement and payment system of foreign exchange by banks, and the unification of the official Renminbi exchange rate and the market rate for Renminbi established at swap centers. On June 20,

1996, the PBOC promulgated the Regulation on the Administration of the Settlement, Sale and Payment of Foreign Exchange (結匯、售匯及付匯管理規規定), which set out detailed provisions regulating the trading of foreign exchange by enterprises, economic organizations and social organizations in the PRC.

The principal regulation governing foreign currency exchange in the PRC is the Regulation on the Control of Foreign Exchange (the “Foreign Exchange Regulation”) (中華人民共和國外匯管理條例), promulgated by the State Council in January 1996, as amended in January 1997 and August 2008. Under the regulation, Renminbi are freely convertible for payments of current account items, such as trade and service-related foreign exchange transactions and dividend payments, but are not freely convertible for capital expenditure such as direct investment, loans or investments in securities outside the PRC unless the approval of SAFE is obtained in advance.

Under the Foreign Exchange Regulation, foreign-invested enterprises in the PRC may purchase foreign currency for trade and service-related foreign exchange transactions without the approval of the SAFE by providing commercial documents evidencing these transactions. They may also remit foreign currency (subject to a cap approved by SAFE) to satisfy foreign exchange liabilities or to pay dividends. However, the relevant PRC government authorities, which have significant administrative discretion in implementing the laws, may restrict or eliminate the ability of foreign-invested enterprises to purchase and remit foreign currencies in the future. In addition, foreign exchange transactions involving direct investment, loans and investments in securities outside the PRC are subject to limitations and require approvals from SAFE.

On October 21, 2005, SAFE promulgated the Circular Concerning Relevant Issues on the Foreign Exchange Administration of Raising Funds through Overseas Special Purpose Vehicle and Investing Back in China by Domestic Residents (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), which became effective on November 1, 2005 (“Circular No. 75”). The notice requires PRC domestic resident natural persons (境內居民自然人) to register or file with the local SAFE branch in the following circumstances: (i) before establishing or controlling any company outside the PRC for the purpose of capital financing, (ii) after contributing their assets or shares of a domestic enterprise into overseas special purpose vehicles, or raising funds overseas after such contributions, and (iii) after any major change in the share capital of the special purpose vehicle without any round-trip investment being made. On July 14, 2014, SAFE promulgated the Circular Concerning Relevant Issues on the Foreign Exchange Administration of Offshore Investing and Financing and Round-Trip Investing by Domestic Residents through Special Purpose Vehicles (the “Circular No. 37”) (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規管理有關問題的通知), for the purpose of simplifying the approval process, and for the promotion of the cross-border investment. The Circular No. 37 supersedes the Circular No. 75 and revises and regulates the relevant matters involving foreign exchange registration for round-trip investment. Under the Circular No. 37, in the event the change of basic information of the registered offshore special purpose vehicle such as the individual shareholder, name, operation term, etc., or if there is a capital increase, decrease, equity transfer or swap, merge, spin-off or other amendment of the material items, the domestic resident shall complete the change of foreign exchange registration formality for offshore investment. In addition, according to the procedural guideline as attached to the Circular No. 37, the principle of review has been changed to “the domestic individual resident is only register the SPV directly established or controlled (first level).” According to Circular of the State Administration of Foreign Exchange on Further Simplifying and Improving the Direct Investment-related Foreign Exchange Administration Policies (“國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知”) promulgated by the SAFE on February 13, 2015 and became effective from June 1, 2015, the initial foreign exchange registration for establishing or taking control of a special purpose vehicle by domestic residents can be filed with a qualified bank, instead of the local branch of the SAFE.

Under the 171 document, no offshore or Chinese domestic loan is allowed and the foreign exchange administration shall not approve the conversion of foreign loans into RMB if the foreign-invested real estate corporations have not paid their registered capital in full, or have not obtained the land-use rights certificate, or their internal fund for a development project is less than 35% of the total investment.

In accordance with the 171 document, MOFCOM and SAFE jointly issued No. 50 Notice on May 23, 2007. Under the No. 50 Notice, the local SAFE administrative authority and designated foreign exchange bank will not conduct foreign exchange purchase and settlement process for foreign-invested real estate company who fails to satisfy the MOFCOM for filing requirement or to pass the joint annual examination of foreign-invested enterprises.

On July 10, 2007, the General Department of SAFE issued Circular No. 130. According to Circular No. 130, registration regarding the establishment of foreign-invested real estate enterprises shall be made with MOFCOM. However, such real estate enterprises with foreign investment as filed with MOFCOM will not be permitted to borrow money from overseas, including through shareholder loans and foreign commercial loans. Further, for those which fail to file with MOFCOM after June 1, 2007, neither foreign exchange registration, foreign exchange alteration registration nor sale and purchase of foreign exchange under capital account will be effected with SAFE or its branches.

The Circular No. 130 was abolished on May 13, 2013 by Notice No. 21 which was promulgated by SAFE on May 10, 2013. However, the restriction measures on the foreign debt of foreign-invested real estate enterprises stipulated in the Circular No. 130 have been reflected in Notice No. 19 issued by SAFE on April 28, 2013.

On August 29, 2008, SAFE issued the “Notice of the General Department of the SAFE on Improving on Relevant Business Operations Issues Concerning the Administration of the Payment and Settlement of Foreign Exchange Capital of Foreign-Invested Enterprises” (國家外匯管理局綜合司關於完善外商投資企業外匯資金支付結匯管理有關業務操作問題的通知) (the “Notice 142”) which regulates the conversion by a foreign-invested enterprise of foreign currency into Renminbi by restricting how the converted Renminbi may be used. The Notice 142 requires that the Renminbi funds converted from the foreign currency capital of a foreign-invested enterprise may only be used for purposes within the business scope of the relevant foreign invested companies approved by the applicable governmental authority and cannot be used for equity investments or acquisitions within the PRC unless specifically provided for otherwise. In addition, SAFE strengthened its supervision over the flow and use of Renminbi funds converted from the foreign currency capital of a foreign-invested enterprise. An offshore holding company that uses foreign exchange to invest in real estate businesses in the PRC is typically required to conduct the real estate operations through PRC subsidiaries that were established as foreign-invested real estate companies and invest in such foreign-invested PRC subsidiaries through equity contribution. In addition, it is required to complete the requisite filing procedures with MOFCOM before it can remit any funds from offshore. The use of such Renminbi capital may not be changed without SAFE’s approval, and may not, in any case, be used to repay or prepay Renminbi loans if such loans have not been used.

The Notice 142 was abolished by the Notice on Reforming the Administrative Approach Regarding the Settlement of the Foreign Exchange Capitals of 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), which was promulgated by SAFE on March 30, 2015. According to the Notice, a foreign-invested enterprise may, according to its actual business needs, settle with a bank the portion of the foreign exchange capital in its capital account for which the relevant foreign exchange bureau has confirmed monetary contribution rights and interests (or for which the bank has registered the account-crediting of monetary contribution). For the time being, foreign-invested enterprises are allowed to settle 100% of their foreign exchange capitals on a discretionary basis; a foreign-invested enterprise shall truthfully use its capital for its own operational purposes within the scope of business; where an ordinary foreign-invested enterprise makes domestic equity investment with the amount of foreign exchanges settled, the invested enterprise shall first go through domestic re-investment registration and open a corresponding Account for Foreign Exchange Settlement Pending Payment with the foreign exchange bureau (bank) at the place of registration.

According to the Notice on Further Improving and Adjusting Management Policies on Foreign Exchange of Direct Investment (關於進一步改進和調整直接投資外匯管理政策的通知) (the “Notice 59”), promulgated by the SAFE on November 19, 2012, effective from December 17, 2012 and

amended on May 4, 2015, foreign investors are no longer required to obtain approval from the SAFE to re-invest in China by using legal income generated in China. No approval from the SAFE is required for opening the bank account, payment into account, settlement of the foreign exchange and for the purchase and external payment of foreign exchange in relation to direct foreign investments in China. Also, domestic transfer of foreign exchange under direct investment account is no longer subject to approval by the SAFE. In addition, the foreign invested entities are permitted to remit funds to their offshore parent companies.

Labor Protection

The Labor Contract Law of the People's Republic of China (中華人民共和國勞動合同法) promulgated on June 29, 2007 and amended on December 28, 2012, and the Implementation Rules of the Labor Contract Law of the People's Republic of China (中華人民共和國勞動合同法實施條例) promulgated on September 18, 2008, set out specific provisions in relation to the execution, the terms and the termination of an employment contract and the rights and obligations of the employees and the employers. At the time of hiring, the employer shall truthfully inform the employee as to the scope of work, working conditions, working place, occupational hazards, work safety, salary and other matters which the employee requests to be informed about.

Employers in the PRC are required to contribute, on behalf of their employees, to a number of social security funds, including funds for basic pension insurance, for unemployment insurance, for basic medical insurance, for work-related injury insurance, for maternity insurance and for housing accumulation fund. These payments are made to local administrative authorities and an employer who fails to contribute may be fined and be ordered to make up for the missed contributions. The various laws and regulations that govern the employers' obligation to contribute to the social security funds include the Social Insurance Law of the People's Republic of China (中華人民共和國社會保險法) promulgated by the Standing Committee of the National People's Congress on October 28, 2010 and effective on July 1, 2011; the Interim Regulation on the Collection and Payment of Social Security Funds (社會保險費徵繳暫行條例), which was promulgated by the State Council on January 22, 1999 and became effective on the same date; the Interim Measures concerning the Maternity Insurance(企業職工生育保險試行辦法) which was promulgated by the Ministry of Labor on December 14, 1994 and became effective on January 1, 1995; the Regulation on Occupational Injury Insurance (工傷保險條例), which was promulgated by the State Council on April 27, 2003 and amended on December 20, 2010; and the Regulation on Management of the Housing Accumulation Fund(住房公積金管理條例), which was promulgated and became effective on April 3, 1999 and was then amended on March 24, 2002

MANAGEMENT

Board of Directors

Our Board currently comprises eight Directors, including three executive Directors, one non-executive Directors and three independent non-executive Directors.

Name	Age	Position/Title
WANG Jianli.....	58	Chairman and Executive Director
WANG Dewen	39	Executive Director and Chief Executive Officer
HUANG Dehong	39	Executive Director
YUAN Bing	49	Non-executive Director
ZHAO Lihua.....	75	Independent Non-executive Director
WANG Lianzhou.....	78	Independent Non-executive Director
LAM Chi Yuen Nelson.....	49	Independent Non-executive Director

Executive Directors

Mr. WANG Jianli (王健利), aged 58, has been the Chairman of the Group and executive Director since August 25, 2014 and is primarily responsible for formulating the overall development and strategic plans of our Group. Mr. Wang has over 20 years of experience in the development and operation of large-scale trade centers. As disclosed in the Company's prospectus dated October 18, 2013, since 1995, Mr. Wang Jianli, together with his siblings and their families (the "Wang Family Group"), has engaged in the development and operation of trade center projects. As one of the key members of the Wang Family Group, Mr. Wang has been directly involved in the Group's development and operation of trade center projects since 1995. Except for the foregoing, Mr. Wang did not have any management role within the Group prior to the appointment of the positions. Mr. Wang has been a member of the 11th Jiangxi Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會議江西省第十一屆委員會) (the "Jiangxi CCPCC") and a member of the 11th Jiangxi Federation of Industry&Commerce ((江西省第十一屆工商業聯合會) ("Jiangxi FIC") since January 2013, an executive member of the 3rd Ji'an Committee of the Chinese People's Political Consultative Conference ((中國人民政治協商會議吉安市第三屆委員會) ("Ji'an CCPCC") since September 2011 and the chairman of the Federation of Industry & Commerce of Ji'an City (吉安市工商業聯合會) since April 2008. Mr. Wang was also as a member of each of the 9th and the 10th Jiangxi CCPCC and a member of each of the 9th and the 10th Jiangxi FIC from December 2002 to January 2013, and a member of the 2nd Ji'an CCPCC from December 2006 to September 2011. Mr. Wang has received numerous awards, including the outstanding member of the Committee of the Chinese People's Political Consultative Conference of Ji'an City for the year 2013 (2013年度吉安市優秀市政協委員) in December 2013; an honorary citizen of Ji'an City (吉安市柴警市民) in March 2005; and the outstanding contributor to the building of socialism with Chinese characteristics in Jiangxi Province ((江西省優秀中國特色社會主義事業建設者獎章) in December 2004. Mr. Wang is the uncle of Mr. Wang Dewen, an executive Director and the chief executive officer of the Company, and Mr. Huang Dehong, an executive Director of the Company, and Mr. Wang Dekai, the chief operating officer of the Company.

Mr. WANG Dewen (王德文), aged 39, has been an executive Director since 2015, and has been the chief executive officer of the Company since 2014. Mr. Wang Dewen is primarily responsible for the overall business operations and management of our Group. Mr. Wang Dewen has over nine years of experience in the development and operation of large-scale trade centers. From October 2009 to December 2012, Mr. Wang Dewen served as the president of China South City Xi'an Company Limited (西安華南城有限公司), a subsidiary of China South City Holdings Limited, a company listed on the main board of the Stock Exchange (stock code: 1668). In this role, he was primarily responsible for project management and operation. From January 2008 to October 2009, he served as the chairman and general manager of Jingdezhen Howard Commercial and Trade Center Development Company Limited

((景德鎮豪德貿易廣場開發有限公司) and was primarily responsible for project management and operation. He also served as the general manager of Shenzhen Howard Investment Co., Ltd. (深圳市豪德投資有限公司) from July 2006 to October 2009 and was primarily responsible for the company's management and operation. Prior to that, he served as the project manager of the investment banking department of China Great Wall Securities Company Limited (長城證券有限責任公司) from August 2004 to May 2005 and the analyst of research department of Guosen Securities Co., Ltd. (國信證券股份有限公司) from September 2003 and August 2004. Mr. Wang Dewen is the nephew of Mr. Wang Jianli, an executive Director and Chairman of the Group, and a cousin of Mr. Huang Dehong, an executive Director of the Company and Mr. Wang Dekai, the chief operating officer of the Company.

Mr. HUANG Dehong (黃德宏), aged 39, has been an executive Director since 2013 and is primarily responsible for the day to day management of the business of our Group. Mr. Huang has over ten years of experience in the trade center development and operations industry. He has been the director of Ningxiang Hydoo Guangcai Trade Center Development Company Limited since July 2009, the general manager of Ningxiang Hydoo Guangcai Trade Center Development Company Limited since December 2010 and the director and general manager of Wuzhou Hydoo Commercial and Trade Center Development Company Limited since April 2012. He was also the deputy general manager of Ningxiang Hydoo Guangcai Trade Center Development Company Limited from July 2009 to December 2010. From January 2006 to June 2009, he served as the executive deputy general manager of Shuozhou Howard Commercial and Trade Center Development Company Limited ((朔州豪德貿易廣場開發有限公司), and was responsible for assisting the general manager with the company's operations and management. Mr. Huang graduated from Sun Yat-sen University with a diploma in law in June 1998. Mr. Huang is the nephew of Mr. Wang Jianli, an executive Director and Chairman of the Group, and a cousin of Mr. Wang Dewen, an executive Director and chief executive officer of the Company and Mr. Wang Dekai, the chief operating officer of the Company.

Non-executive Directors

Mr. YUAN Bing (袁兵), aged 49, has been a non-executive Director in 2011 and is primarily responsible for providing strategic advice and guidance on the business and operations of our Group. Mr. Yuan has more than 15 years of experience in the investment banking industry and has extensive knowledge in corporate financing, listings and mergers and acquisitions transactions. Mr. Yuan joined Hony Capital in April 2009 and has served as managing director of the investment department of its Hong Kong office since January 2010. Mr. Yuan has been a non-executive director of Haichang Holdings Ltd. (海昌控股有限公司) since August 2012, whose shares are listed on the Main Board of the Stock Exchange (stock code: 2255). Prior to joining Hony Capital, Mr. Yuan served as managing director of the direct investment department of Morgan Stanley Asia Limited from October 2006 to 2009. Before that, Mr. Yuan served as managing director of the PRC enterprises corporate financing department of Morgan Stanley Asia Limited from April 2004 to June 2006. Mr. Yuan also served as the vice president of Credit Suisse First Boston (Hong Kong) Limited from September 2001 to March 2004. Mr. Yuan received a bachelor of arts degree in English from Nanjing University in July 1990. He also obtained a master's degree in international relations in June 1993 and a juris doctorate's degree in June 1998 from Yale University.

Independent Non-executive Directors

Mr. ZHAO Lihua (趙立華), aged 75, has been an independent non-executive Director since 2014. He graduated from Hunan University in 1965 with a bachelor's degree majoring in physics. He was a visiting scholar of the University of Wisconsin-Madison in the United States from August 1979 to August 1981. He was a visiting professor of the University of Hanover in Germany in 1989 and the vice president of Hunan University from March 1992 to March 2000. He served as the chairman of the board of Hebei Huda Technology & Education Development Co., Ltd. (河北湖大科技教育發展股份有限公司) from March 2000 to October 2002 and the chief supervisor of Sinosafe General Insurance Co. Ltd. (華安財產保險股份有限公司) from July 2003 to June 2011. Mr. Zhao has been an independent non-executive director of China Glass Holdings Limited (中國玻璃控股有限公司) since

June 2011, whose shares are listed on the Growth Enterprise Market of the Stock Exchange (stock code: 3300). He was formerly an independent non-executive director of China Fiberglass Co., Ltd. ((中國玻纖股份有限公司) from July 2003 to April 2011, whose shares are listed on the Shanghai Stock Exchange (stock code: 600176).

Mr. WANG Lianzhou (王連洲), aged 78, has been an independent non-executive Director since 2013. He acted as an independent director of Great Wall Fund Management Co. Ltd., and the director of the editorial committee of Securities Investment Fund Yearbook. He also acted as an independent director of China Asset Management Co., Ltd and the independent supervisor of Baoying Fund Management Co. Ltd., and the president of the Trust and Fund Institution of the People's University of China. He previously worked at finance and economy committee of National People's Congress ("NPC Finance and Economy Committee") and was responsible for coordinating the work between the NPC Finance and Economy Committee and the relevant departments of the PRC central government and to launch the legislation on economic matters. He successively served as the vice chief and the chief of the finance group of the NPC Finance and Economy Committee office, the deputy director of the office and economic law office, bureau-level inspector of research institute. He also served as the group leader in drafting the Securities Law, Trust Law, and Investment Fund Law of China, consistently dedicating to the construction of legal system for capital market.

Mr. LAM Chi Yuen Nelson (林智遠), aged 49, has been an independent non-executive Director since 2013. He has extensive experience in professional accountancy in Hong Kong. Currently, he is the chairman of Nelson CPA Limited. He has been appointed as a non-official non-executive director of the Urban Renewal Authority Board of Hong Kong SAR since May 2013. He has been the independent non-executive director of China Resources Cement Holdings Limited, a company listed on the Stock Exchange (stock code: 1313), since August 2008. He has also been appointed as a member of the Financial Reporting Review Panel since July 2013 and a member of the Air Transport Licensing Authority since August 2013. Mr. Lam is a practicing fellow member of the Hong Kong Institute of Certified Public Accountants, a fellow member of the Association of Chartered Certified Accountants and a member of several professional bodies in Australia, the USA and the United Kingdom, including CPA Australia, the American Institute of Certified Public Accountants and the Institute of Chartered Accountants of England and Wales. He is also a CFA charter holder and a fellow member of the Hong Kong Institute of Directors. Mr. Lam received a bachelor of business administration degree in accounting from the Hong Kong Baptist University (formerly known as Hong Kong Baptist College) in January 1992, a master of business administration degree from the Hong Kong University of Science and Technology in November 1998 and a master of science degree in finance from the Chinese University of Hong Kong in November 2001.

Senior Management

Mr. WANG Dewen (王德文), aged 39, has been the executive Director since 2015, and has been the chief executive officer of our Company since 2014. For details of Mr. Wang Dewen's biographical details, please refer to the disclosure as set out in the sections headed "Management—Executive Directors" in this offering circular.

Mr. WANG Dekai (王德開), aged 41, has been the chief operating officer of our Company since August 2014, and is primarily responsible for the daily operation and management of the Group. Mr. Wang has over 17 years of experience in the development and operation of large-scale trade and logistics centers. From February 2000 to May 2006, he served as the chairman and the general manager of Henan Xinyang Commercial and Trade Center Development Company Limited (河南信陽貿易廣場開發有限公司), and was primarily responsible for the company's management and operation. From June 2006 to October 2009, he served as the chairman and the deputy general manager of Liaoning Chaoyang Howard Commercial and Trade Center Development Company Limited (遼寧朝陽豪德貿易廣場開發有限公司), and was primarily responsible for the project management and operation. From November 2009 to July 2012, he also served as the chairman and general manager of Jining Howard Lunan Modern Trade Center Development Company Limited (濟寧豪德魯南現代物流城開發有限公司), and was responsible for the project management and operation. After that, from

August 2012 to July 2014, he served as the general manager of Mianyang Western Trade Center Development Company Limited (綿陽西部現代物流城開發有限公司), and was responsible for the project management and operation. Mr. Wang Dekai is the nephew of Mr. Wang Jianli, the Chairman and an executive Director of the Group, a cousin of Mr. Wang Dwen, an executive Director and the chief executive officer of the Company, and Mr. Huang Dehong, an executive Director of the Company.

Mr. JIA Xinjiang (賈信江), aged 63, has been vice president of our Company since September 2014, and is primarily responsible for the overall financial operations of our Group. He has also been appointed as the president of Shenzhen Qianhai Hydo Finance Holding Company Limited since June 2015, and is primarily responsible for the overall business operations and management of the finance affairs. Mr. Jia is a senior economist. He obtained bachelor degrees in science of Marxist Basic Theory from Jiangxi University (江西大學) and in finance from the Economics Department of Zhengzhou University (鄭州大學), and a master degree in finance from Hunan College of Finance and Economics (湖南財經學院). Mr. Jia has 36 years of experience in management and operations of banking business, including 21 years of experience in central bank and 15 years of experience in commercial banks. He has deep understanding on China's financial markets, and is familiar with the China's monetary credit policy and financial regulations, as well as the methods of managing commercial bank business, risk-management and internal control. Prior to joining our Group, Mr. Jia served as the director of corporate banking department of Ping An Bank Company Limited (a joint-stock commercial bank whose shares are listed on the Shenzhen Stock Exchange (stock code: 000001), "Ping An Bank") from September 2012 to September 2013, and was responsible for the corporate banking business of its Chengdu branch, Chongqing branch, Kunming branch, Wuhan branch and Haikou branch. From May 2007 to September 2012, Mr. Jia served as both the director of corporate banking department of Ping An Bank and the general manager of Ping An Bank's management department in Shenzhen, and was responsible for the overall operations of business department in Ping An Bank's business in the southern part of China. From May 2005 to May 2007, Mr. Jia served as the deputy president of the Shenzhen branch of China CITIC Bank Corporation Limited (a joint-stock commercial bank whose shares are listed on both the Stock Exchange (stock code: 0998) and Shanghai Stock Exchange (stock code: 601998)), and was responsible for corporate banking, credit operations and foreign exchange business. From April 2004 to May 2005, Mr. Jia served as the deputy president of the Guangzhou branch of China Everbright Bank Co., Ltd. (a joint commercial bank whose shares are listed on both the Stock Exchange (stock code: 6818) and Shanghai Stock Exchange (stock code: 601818), "CCB"), and was responsible for corporate banking, asset management and operation management. From September 1998 and April 2004, Mr. Jia served as the deputy president of the Shenzhen branch of CCB, and was responsible for credit management, risk review, corporate banking, retail business and integrated management. From February 1993 to September 1998, Mr. Jia held several positions in the Jiangxi branch of People's Bank of China, including the assistant to president and deputy president, and was responsible for foreign exchange management, financing planning management and issuance of currency management. From October 1977 to February 1993, Mr. Jia held several positions in the Shangrao district branch of People's Bank of China, including deputy president and president, and was responsible for financing planning, credit management, integrated management and the overall management.

Mr. CHAN Sze Hon (陳思翰), aged 44, has been the chief financial officer of our Group since 2014 and is primarily responsible for the overall financial affairs of our Group. Mr. Chan is a certified public accountant of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. Mr. Chan holds a Bachelor of Arts Degree in Accountancy from City University of Hong Kong and a Master Degree in Corporate Finance from The Hong Kong Polytechnic University. He has over 20 years of experience in accounting and financial management and had worked for Deloitte Touche Tohmatsu in Hong Kong for over 8 years. Prior to joining the Company, Mr. Chan had held various positions with companies listed on the Stock Exchange. From October 2012 to June 2014, Mr. Chan was the chief financial officer and company secretary of Wuzhou International Holdings Limited (stock code: 1369). From 2009 to 2012, Mr. Chan has been an executive director, company secretary and chief financial officer of Fantasia Holdings

Group Co., Limited (stock code: 1777). Mr. Chan was the independent non-executive director of each of BLU SPA Holdings Limited, currently known as SkyNet Group Limited (stock code: 8176) and China Mining Resources Group Limited (stock code: 340) from 2007 to 2012 and 2007 to 2011, respectively. From 2007 to 2012, Mr. Chan also served as an independent non-executive director of ERA Information & Entertainment Limited, currently known as ERA Mining Machinery Limited, a company whose shares were listed on the Stock Exchange and delisted in 2012. Mr. Chan was an executive director, chief financial officer and company secretary of Greater China Holdings Limited, currently known as Greater China Financial Holdings Limited (stock code: 431) from 2005 to 2008, and later re-designated as a non-executive director from 2008 to 2015. Prior to that, Mr. Chan worked in Deloitte Touche Tohmatsu from 1995 to 2004, where he held various positions such as staff accountant, senior accountant and manager.

Mr. HUANG Wenbin(黃文濱), aged 54, has been the vice president of the Company since 2011 and is primarily responsible for sales and marketing management of the Group. Mr. Huang has 22 years of experience in sales and marketing. Prior to joining the Group, Mr. Huang was the vice general manager of Hong Kong Howard Group Company Limited from February 2005 to November 2011, and was principally in charge of the sales and marketing of trade center projects. Mr. Huang was also the deputy general manager of Jining Hydoo Logistics Center Development Company Limited from May 2010 to November 2011, and was responsible for sales and marketing of the Jining Trade Center. Concurrently, Mr. Huang served as deputy general manager of China South City Xi'an Company Limited(西安華南城有限公司)in charge of marketing from January 2010 to October 2011, and was responsible for sales and marketing management. Mr. Huang served as the deputy general manager of Jingdezhen Howard Trade Center Development Company Limited (景德鎮豪德貿易廣場開發有限公司) from January 2001 to June 2005. He also acted as the deputy general manager of Jiangxi Howard Group Bioengineering Industrial Co., Ltd. (江西豪德集團生物工程實業有限公司) from November 1998 to December 2000 and the deputy general manager of Ganzhou Lifa Metal Products Company Limited (贛州利發金屬製品有限公司) from March 1994 to November 1998.

Mr. ZHAO Yande (趙彥德), aged 41, has been a vice president of the Company since 2011, and a general manager of the Ganzhou project of our Group since December 2012. From November 2011 to November 2012, Mr. Zhao served as the vice president of construction management of our Company and was primarily responsible for the overall construction management of the Group. Mr. Zhao has more than 16 years of experience in construction management. Prior to joining the Group, he was also the deputy general manager of Jining Hydoo Logistics Center Development Company Limited from February 2010 to November 2011 and was responsible for construction management of the Jining Trade Center. Concurrently, Mr. Zhao acted as the deputy general manager of construction in China South City Xi'an Company Limited (西安華南城有限公司) from October 2009 to October 2011, and was responsible for managing the construction of the entire project. From November 2008 to October 2009, Mr. Zhao acted as the deputy general manager of construction in Jingdezhen Howard Trade Center Development Company Limited (景德鎮豪德貿易廣場開發有限公司), and was responsible for managing the construction of the entire project. From May 2006 to November 2008, Mr. Zhao worked for Shenzhen China Overseas Construction Limited (深圳中海建築工程有限公司), and was responsible for managing the construction of the Futian Shangri-La Hotel, Kerry Plaza and Zhuhai Silver Bay projects. From July 2000 to May 2006, Mr. Zhao worked for China State Construction International Holdings Ltd., and was responsible for managing the reconstruction of Kowloon Hospital, the 101 Area project and other projects. Mr. Zhao received a bachelor's degree in construction management from Chongqing University in July 2000, and a master of science degree in project management from the Hong Kong Polytechnic University in December 2007.

Mr. CHEN Zhongmin (陳忠民), aged 63, has been the vice president of the Company since 2011 and is primarily responsible for the overall project plan and architectural design management of the Group. Mr. Chen has more than ten years of experience in city planning, architectural design, commercial real estate development and operations management. Prior to joining our Group, Mr. Chen acted as the chief planner of Hong Kong Howard Group Company Limited from April 2007 to November 2011, and was responsible for site selection, design and planning of all the projects of the group. Concurrently, Mr. Chen acted as the executive deputy general manager of Jining Hydo Logistics Center Development Company Limited from February 2010 to November 2011 and was responsible for the daily management of the company and the design of Jining Trade Center. From April 2006 to April 2007, he was the general manager of Shenzhen Minghao Investment Company Limited (深圳市銘豪投資公司), and was responsible for the property development and operations of the project companies, especially Muyang project. From August 2002 to February 2006, he successively served as the deputy general manager of Quanying Weiye (Beijing) Investment Management Company Limited (全贏偉業(北京)投資管理有限公司), the general manager of Henan Luohe Quanying Weiye Estate Company Limited (河南漯河全贏偉業置業有限公司) and the deputy general manager, executive deputy general manager and general manager of Henan Pingdingshan Trade Center Development Company Limited (河南平頂山貿易廣場開發有限公司), and was responsible for the project development. Mr. Chen was the director and architect of the design department of Jiangxi Ganzhou Architecture Design Institute, the director of Ganzhou City Planning and Survey Design Institute, the director of Ganzhou City Planning Bureau, a member of the Management Committee of China Association of City Planning and vice president of the Jiangxi Association of City Planning. Mr. Chen was granted the title of senior engineer in city planning by the Professional Title Reform Leading Group (職稱改革領導小組) of Jiangxi province in September 1997. Mr. Chen graduated from Jiangxi Normal University (江西師範大學) with a diploma in arts in February 1977.

Mr. ZHOU Zhiyuan (周志元), aged 45, has been the vice president of the Company since 2012 and is primarily responsible for the construction and cost management of the Group. Mr. Zhou has nine years of experience in construction management. From December 2010 to December 2012, he served as the general manager of the planning and construction management department of Kaisa Group Holdings Ltd.(佳兆業集團控股有限公司), responsible for project development, planning and operation and the construction management of the group. During the same period, he concurrently served as the general manager of Taijian Construction Engineering Co., Ltd. (泰建建築工程有限公司) under the group. He also served as the deputy general manager of Liyu Construction Design Company (麗雨建築設計公司) under the group, responsible for decoration, landscape design and management from June 2012 to December 2012. From March 2010 to November 2010, he served as the deputy general manager of Changsha Kaifu Wanda Plaza Investment Company Limited (長沙開福萬達廣場投資有限公司), in charge of the construction work. From July 2007 to February 2010, he successively served as the chief of general housing management center and project general manager of Dongguan Vanke Real Estate Co., Ltd(東莞萬科房地產有限公司), and was responsible for its project development and construction management. From July 2004 to July 2007, he served as the construction manager of Guangdong Century City Group Company Limited (廣東世紀城集團有限公司), in charge of its project development and construction management. Mr. Zhou received a bachelor of science degree in water conservancy and hydropower engineering construction from Tsinghua University in July 1995.

Mr. XIAO Junxian (肖俊賢), aged 67, has been the vice president of the Group since 2017 and is primarily responsible for the Group's risk control and management affairs. Mr. Xiao is a senior economist. He has served as the special assistant to the chairman of the Group from November 2012 to March 2017. He has more than five years of experience in risk control management in the Group. Prior to joining the Group, Mr. Xiao served as vice president of Hong Kong Howard Group Co., Ltd. from November 2006 to November 2012. He was mainly responsible for the preliminary investigation

of new projects and the communication and coordination with the government. Mr. Xiao has thirty years of experience in banking management and risk review. From November 2001 to November 2006, Mr. Xiao served as the general auditor of the Bank of China Shaoguan and Qingyuan Branch (in Guangdong Province, the provincial office). From November 1997 to November 2001, Mr. Xiao served as the general auditor of the Bank of China Jieyang Branch. From November 1991 to November 1997, Mr. Xiao served as the bank president of Jiedong branch of the Bank of China Jieyang branch. From November 1981 to November 1991, Mr. Xiao served as the bank president of Jiexi County Branch of Bank of China Jieyang Branch.

Mr. WANG Xiangui (王顯貴), aged 60, has been the director of the project development department of the Company since 2010 and is primarily responsible for the project development of the Group. Mr. Wang has more than 19 years of experience in project development of trade centers. From January 2010 to November 2010, Mr. Wang served as the manager of project development department of Hong Kong Hydoo Group Investment Company Limited and was responsible for the project development of the company. From August 1995 to November 2010, he was the manager of project development department of Hong Kong Howard Group Company Limited, and was responsible for the project development. He was awarded the title of the outstanding entrepreneur with social responsibility of Weifang city in December 2010.

Company Secretary

Mr. CHAN Sze Hon (陳思翰), aged 44, has been the company secretary and an authorised representative of the Company since July 2, 2017. For Mr. Chan Sze Hon's biographical details, please refer to "—Senior Management" above.

Board Committees

We have established three committees, namely, the audit committee, the remuneration committee and the nomination committee, to handle particular responsibilities of our board and our affairs. All of our board committees are established with defined written terms of reference which have been uploaded to the website of the SEHK and our website, and are provided with sufficient resources to discharge their duties.

Audit Committee

We established our audit committee on September 27, 2013 in compliance with Rule 3.21 and Rule 3.22 of the Listing Rules and with written terms of reference in compliance with the CG Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules and the roles and the responsibilities delegated to the audit committee by the Board. The revised terms of references has been adopted by the Board on December 29, 2015 to comply with the New CG Code which became effective on January 1, 2016. The primary duties of the audit committee are to review our financial information, to oversee the financial reporting process and internal control system of our Group, to oversee the audit process, to make recommendation on the appointment, re-appointment and removal of external auditor and perform other duties and responsibilities as assigned by our board. The audit committee consists of two independent non-executive Directors, Mr. Lam, Chi Yuen Nelson (being the chairman of the audit committee) and Mr. Zhao Lihua and one non-executive Director.

Remuneration Committee

We established our remuneration committee on September 27, 2013 with written terms of reference in compliance with the CG Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules and the roles and the responsibilities delegated to the remuneration committee by the Board. The primary duties of the remuneration committee are to make recommendations to the policy and structure of the remuneration for our directors and senior management and to review and approve the compensation payable to the directors and members of senior management. The

remuneration committee comprises two independent non-executive directors and one executive director. The current three members are Mr. Wang Lianzhou, the chairman of the remuneration committee and the independent non-executive Director; Mr. Lam, Chi Yuen Nelson, the independent non-executive director; and Mr. Wang Jianli, the executive director.

Nomination Committee

We established our nomination committee on September 27, 2013 with written terms of reference in compliance with the requirements of the CG Code and Corporate Governance Report as set out in the Appendix 14 to the Listing Rules and the roles and the responsibilities delegated to the nomination committee by the Board. The primary duties of the nomination committee are to review the structure, size and composition of our board and to make recommendations to the board on the appointment and removal of directors. In the nomination procedures, the nomination committee makes reference to criteria including reputation of candidates for integrity, accomplishment and experience, professional and educational background. The nomination committee comprises two independent non-executive directors and one executive director. The current three members are Mr. Zhao Lihua, the chairman of the nomination committee and an independent non-executive director; Mr. Wang Lianzhou, an independent non-executive director; and Mr. Wang Jianli, an executive director.

Compensation of Directors and Management

Our directors and senior management of our Company receive compensation in the form of salaries, bonuses, contributions to pension schemes, long-term incentives (including share-based compensation), housing and other allowances and benefits in kind subject to applicable laws, rules and regulations. We also reimburse them for expenses which are necessarily and reasonably incurred for providing services to us or executing their functions in relation to our operations.

The aggregate amount of compensation (including any fees, salaries, allowances, benefit in kind, pension scheme contributions, equity-settled share-based payments and bonus) paid to our directors for the years ended December 31, 2015, 2016 and 2017 were approximately RMB10.5 million, RMB10.6 million and RMB10.4 million (approximately US\$1.6 million), respectively. The aggregate amount of compensation (including salaries, pension scheme contribution, equity-settled share-based payments and bonus) paid to the five highest paid individuals of our Group for the years ended December 31, 2015, 2016 and 2017 were approximately RMB16.1 million, RMB21.9 million and RMB15.5 million (approximately US\$2.4 million), respectively.

From 2015 to 2017, no remuneration was paid to our directors or the five highest paid individuals as an inducement to join or upon joining us or as compensation for loss of office. None of our Directors waived any emoluments during the same period.

PRINCIPAL SHAREHOLDERS

The following table sets forth information regarding beneficial ownership of our ordinary shares as of December 31, 2017 by (i) our directors and senior management and (ii) those persons known by us to beneficially own 5% or more of our outstanding shares.

Name of shareholder	Corporate interest	Share options and convertible notes	Total shares interested	Approximate percentage of the issued share capital of the Company ⁽¹⁾
Directors and senior management				
—	—	—	—	—
Principal shareholders				
Most Trend	2,070,000,000 ⁽²⁾	—	2,070,000,000 ⁽²⁾	51.56%
Mr. Wong Choi Hing.....	2,070,000,000 ⁽²⁾	5,800,000 ⁽¹¹⁾	2,070,000,000 ⁽²⁾	51.56%
Mr. Wang Quanguang.....	2,070,000,000 ⁽²⁾	—	2,070,000,000 ⁽²⁾	51.56%
Mr. Wang Desheng.....	2,070,000,000 ⁽²⁾	—	2,070,000,000 ⁽²⁾	51.56%
Mr. Wang Dekai.....	2,070,000,000 ⁽²⁾	4,000,000 ⁽¹¹⁾	2,070,000,000 ⁽²⁾	51.56%
Mr. Wong Sheung Tak.....	2,370,000,000 ⁽²⁾⁽¹⁰⁾	4,000,000 ⁽¹¹⁾	2,370,000,000 ⁽²⁾⁽¹⁰⁾	59.13%
Top Amuse Holdings Limited.....	600,000,000	—	600,000,000	14.94%
Hony Capital Fund 2008, L.P.	600,000,000 ⁽³⁾	—	600,000,000 ⁽³⁾	14.94%
Hony Capital Fund 2008 GP, L.P.	600,000,000 ⁽⁴⁾	—	600,000,000 ⁽⁴⁾	14.94%
Hony Capital Fund 2008 GP Limited ...	600,000,000 ⁽⁵⁾	—	600,000,000 ⁽⁵⁾	14.94%
Hony Group Management Limited.....	600,000,000 ⁽⁶⁾	—	600,000,000 ⁽⁶⁾	14.94%
Hony Managing Partners Limited.....	600,000,000 ⁽⁷⁾	—	600,000,000 ⁽⁷⁾	14.94%
Exponential Fortune Group Limited	600,000,000 ⁽⁸⁾	—	600,000,000 ⁽⁸⁾	14.94%
Mr. Zhao John Huan	600,000,000 ⁽⁹⁾	—	600,000,000 ⁽⁹⁾	14.94%
Eminent Ascend	300,000,000 ⁽¹⁰⁾	—	300,000,000 ⁽¹⁰⁾	7.47%

Note:

- (1) The percentage shareholding is calculated on the basis of 4,014,844,000 shares issued as at December 31, 2017.
- (2) These shares are held by Most Trend. The entire issued share capital of Most Trend is wholly-owned by the Ultimate Controlling Shareholders. By virtue of an acting-in-concert declaration executed by the Ultimate Controlling Shareholders on March 22, 2013, the Ultimate Controlling Shareholders, among other things, confirmed that since January 1, 2010, they had been operating the Group collectively and would through discussions reach consensus among themselves before reaching any commercial decisions on an unanimous basis. As such, the Ultimate Controlling Shareholders together control 51.56% interest in the issued share capital of the Company through Most Trend.
- (3) Top Amuse Holdings Limited (“Top Amuse”) is wholly-owned by Hony Capital Fund 2008, L.P., hence Hony Capital Fund 2008, L.P. is deemed to be interested in the 600,000,000 shares held by Top Amuse.
- (4) Hony Capital Fund 2008, L.P. is controlled by Hony Capital Fund 2008 GP, L.P., hence Hony Capital Fund 2008 GP, L.P. is deemed to be interested in the 600,000,000 shares held by Top Amuse.
- (5) Hony Capital Fund 2008 GP, L.P. is controlled by Hony Capital Fund 2008 GP Limited, hence Hony Capital Fund 2008 GP Limited is deemed to be interested in the 600,000,000 shares held by Top Amuse.
- (6) Hony Capital Fund 2008 GP Limited is controlled by Hony Group Management Limited, hence Hony Group Management Limited is deemed to be interested in the 600,000,000 shares held by Top Amuse.
- (7) Hony Managing Partners Limited controls 80% of the shares of Hony Group Management Limited, hence Hony Managing Partners Limited is deemed to be interested in the 600,000,000 shares held by Top Amuse.
- (8) Hony Managing Partners Limited is controlled by Exponential Fortune Group Limited, hence Exponential Fortune Group Limited is deemed to be interested in the 600,000,000 shares held by Top Amuse.
- (9) Mr. Zhao John Huan controls 49% of Exponential Fortune Group Limited, hence Mr. Zhao John Huan is deemed to be interested in the 600,000,000 shares held by Top Amuse.
- (10) Eminent Ascend is wholly-owned by Mr. Wong Sheung Tak, hence Mr. Wong Sheung Tak is deemed to be interested in the 300,000,000 shares held by Eminent Ascend.
- (11) This represents the Options granted pursuant to the Pre-IPO Share Option Scheme. Details of the Pre-IPO Share Option Scheme are set out in the section headed “Pre-IPO Share Option Scheme” on pages 40 to 43 of this annual report.

RELATED PARTY TRANSACTIONS

From time to time, our Group has entered into a number of transactions with our related parties. We believe that each of our related party transactions was entered into in the ordinary course of business on fair and reasonable commercial terms in our interest and the interest of our shareholders as a whole. For further information, please refer to our financial reports for the years ended December 31, 2015, 2016 and 2017 included elsewhere in this offering circular. Following our listing on the SEHK and as part of our effort to reduce the related party transactions, we have established policies and procedures to identify related parties and all related party transactions are required to be approved by our Board.

Transactions with Related Parties

The following is a summary of the significant transactions carried out between the Group and our related parties during the years ended December 31, 2015, 2016 and 2017:

	For the year ended December 31,			
	2015	2016	2017	
	RMB'000	RMB'000	RMB'000	US\$'000
Receivables from related parties				
Receivables from a joint venture.....	—	18,874	17,778	2,732
Receivables from an associate.....	—	—	4,000	615
Key management personnel remuneration				
Contribution to defined contribution retirement plans.....	462	516	511	79
Wages, salaries and other benefits in kind.....	23,500	30,170	25,862	3,975
Equity settled share-based payments	554	—	—	—

One of our Controlling Shareholders personally guaranteed RMB12 million (approximately US\$1.8 million) of our bank loans. However, as the personal guarantee is not secured by any of our assets and is conducted on normal commercial terms or better, the personal guarantee is fully exempted from shareholders' approval, annual review and all disclosure requirements pursuant to Rule 14A.90 of the Listing Rules.

DESCRIPTION OF MATERIAL INDEBTEDNESS

To finance our capital expenditure and working capital requirements and to fund certain of our acquisitions, we have entered into financing arrangements with various financial institutions. We had total borrowings of approximately RMB3,763.9 million (approximately US\$578.5 million) as of December 31, 2017, summarized as follows:

	As of December 31, 2017			
	Onshore		Offshore	
	(in RMB million)	(in US\$ million)	(in RMB million)	(in US\$ million)
On demand or within 1 year (including current portion of long term borrowings)	1,201.9	184.7	1,049.6	161.3
Between 1 and 2 years	364.8	56.1	393.5	60.5
Between 2 and 5 years	679.1	104.4	—	—
After 5 years	75.0	11.5	—	—
Total	2,320.8	356.7	1,443.1	221.8

Set forth below is a summary of the material terms and conditions of these loans and other material indebtedness.

PRC Loan Agreements

We and certain of our PRC subsidiaries have entered into short- and long-term loan agreements with local branches of various commercial banks in China, including Bank of China, Industrial and Commercial Bank of China, Agricultural Bank of China, Ping An Bank and Bank of Lanzhou. These loans have terms ranging from one to five years. As of December 31, 2017, the aggregate outstanding amount under these loans totaled approximately RMB2,063.6 million (US\$317.2 million), of which RMB1,201.9 million (US\$184.7 million) was due within one year of such date. These loans are secured by our properties in the PRC.

Interest

Our bank loans bear interest at floating rates calculated with reference to the PBOC benchmark interest rate. Floating interest rates are generally subject to review by the lenders monthly, quarterly, semi-annually or annually. Other loans are subject to fixed interest rates. Interest payments generally are payable either monthly or quarterly and must be made on each payment date as provided in the particular loan agreement. As of December 31, 2017, the weighted average interest rate on the outstanding amount under these PRC loan agreements was 5.62% per annum and interest rates on these loans ranged from 2.12% to 9.03% per annum.

Financial Covenants

Under a number of our loans, certain of our PRC subsidiaries have agreed to comply with financial covenants, including (i) the total liabilities to total assets ratio not exceeding an agreed number that ranges from 60% to 70%, (ii) the contingent liabilities to net assets ratio not exceeding 70%, (iii) the actual earnings received from property projects not below 30% of the estimated amount, (iv) reductions in credit ratings, and (v) early repayment of principal to be triggered when 60% of the gross sellable area for the relevant property project is sold. In the event we fail to comply with the financial covenants in the loans, the relevant lending bank will be entitled to demand additional guarantees under the loans and if we cannot provide additional guarantees to the satisfaction of the lending banks, it may be entitled to accelerate payments under the loan.

As at the date of this offering circular, none of our subsidiaries are currently not in compliance with the financial covenants under our bank loans.

Dividend Restrictions

Pursuant to the PRC loans with certain of our lenders, some of our PRC subsidiaries have also agreed not to declare or make payment of dividends or other distributions if profit after tax in the relevant fiscal year is insufficient to offset accumulated losses from previous years or if the relevant subsidiary cannot make timely payments of principal or interest after the dividend payments.

Events of Default

Our PRC loan agreements contain certain customary events of default, such as failure to pay the amount payable on the due date, unauthorized use of loan proceeds, failure to obtain the lender's approval for an act that requires its approval, material breach of the terms of the loan agreement and acceleration of repayment obligations under other loan or financing documents. Upon the occurrence of an event of default, the lenders may terminate the loan agreement and demand immediate repayment of principal of the loan and any accrued but unpaid interests and other application compensation.

Security

Our obligations under our loan agreements are secured by our properties in the PRC and pledged cash. In particular, our secured bank loans totaled RMB2,033.9 million (US\$312.6 million) as of December 31, 2017, of which RMB1,476.6 million (US\$226.9 million) was secured by our completed properties held for sale, RMB1,120.0 million (US\$172.1 million) was secured by our properties under development for sale, RMB720.2 million (US\$110.7 million) was secured by our investment properties, RMB619.8 million (US\$95.3 million) was secured by or properties held for future development for sale, RMB367.1 million (US\$56.4 million) was secured by our property, plant and equipment, and RMB325.4 million (US\$50.0 million) was secured by pledged cash.

Contingent Liabilities

We make arrangements with PRC commercial banks so that such banks may provide mortgage facilities to our customers to purchase our properties. In accordance with market practice, we are required to provide guarantees to these banks in respect of mortgages provided to our customers. Guarantees for such mortgages are generally discharged at the earlier of: (i) the due registration of the mortgage interest held by the commercial bank upon the subject property, or (ii) the settlement of mortgage loans between the mortgagee banks and the purchasers. In addition, we are required by the banks to place a security deposit to secure our guarantee obligations. If a purchaser defaults on the mortgage loan, we are typically required to purchase the underlying property by paying off the mortgage loan along with any accrued and unpaid interest and any applicable penalty as set forth in the underlying loan agreement. If we fail to do so, the mortgagee banks will auction the underlying property and recover the balance from us if the outstanding loan amount exceeds the net foreclosure sale proceeds. Such amount may also be settled through withholding the security deposit we place with the banks. In line with industry practice, we do not conduct independent credit checks on our customers but rely on the credit checks conducted by the mortgagee banks. As of December 31, 2017, our maximum amount of guarantees provided to banks for mortgage facilities granted to our customers amounted to RMB2,512.0 million (US\$386.1 million).

US\$160 million 13.75% Senior Notes Due 2018

On December 15, 2015, we issued an aggregate principal amount of US\$100 million of senior notes which bear interest at 13.75% per year, payable semi-annually, and will mature on December 15, 2018 (the “2018 Notes”). On September 14, 2016, we issued a further US\$60 million aggregate principal amount of 2018 Notes, which formed part the same series as the 2018 Notes. The 2018 Notes are our senior obligations which rank at least *pari passu* in right of payment with all our other unsecured, unsubordinated indebtedness.

The Subsidiary Guarantors and the JV Subsidiary Guarantors have agreed to jointly and severally guarantee the performance of our obligations under the 2018 Notes. The Capital Stock of the initial Subsidiary Guarantors have been pledged to secure our obligations under the 2018 Notes. The covenants of the 2018 Notes are similar to the covenants of these New Notes.

US\$60 million 11.0% Senior Notes Due 2019

On August 30, 2016, we issued an aggregate principal amount of US\$60 million of senior notes which bear interest at 11.0% per year, payable semi-annually, and will mature on August 30, 2019 (the “2019 Notes”). The 2019 Notes are our senior obligations which rank at least *pari passu* in right of payment with all our other unsecured, unsubordinated indebtedness.

The Subsidiary Guarantors and the JV Subsidiary Guarantors have agreed to jointly and severally guarantee the performance of our obligations under the 2019 Notes. The Capital Stock of the initial Subsidiary Guarantors have been pledged to secure our obligations under the 2019 Notes. The covenants of the 2019 Notes are similar to the covenants of these New Notes.

Intercreditor Agreement

We, the relevant pledgors and the security agent of each of the 2018 Notes and the 2019 Notes have entered into an intercreditor agreement which governs the equal priority and *pro rata* entitlements in and to the collateral under the 2018 Notes and the 2019 Notes, the conditions for the release or grant of any Lien on such collateral, and the conditions for enforcement on such collateral.

Consent Solicitation

On September 18, 2017, we conducted a consent solicitation process and received the requisite consents to effect certain amendments to 2018 Notes and the 2019 Notes to grant us greater flexibility to pursue business opportunities and implement future business plans, including through the disposal of non-core assets or businesses, and minority investments in internet businesses.

Corporate Bonds

In 2016, we issued certain unlisted bonds with an aggregate principal amount of HK\$11.5 million (approximately US\$1.5 million) bearing interest from 5.0% to 8.0% per year. In 2017, we issued certain unlisted bonds with an aggregate principal amount of RMB260.0 million (approximately US\$40.0 million) bearing interest of 7.5% per year.

DESCRIPTION OF THE NEW NOTES

For purposes of this “Description of the New Notes,” the term “Company” refers only to Hydo International Holding Limited, and any successor obligor on the New Notes, and not to any of its Subsidiaries. Each Subsidiary of the Company which Guarantees (as defined below) the New Notes is referred to as a “Subsidiary Guarantor,” and each such Guarantee is referred to as a “Subsidiary Guarantee.” Each Subsidiary of the Company that in the future provides a JV Subsidiary Guarantee (as defined below) is referred to as a “JV Subsidiary Guarantor.”

The New 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 New Notes, the Intercreditor Agreement, the Security Documents, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any). 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 New Notes, the Intercreditor Agreement, the Security Documents, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any). It does not restate those agreements in their entirety. Whenever particular sections or defined terms of the Indenture not otherwise defined herein are referred to, such sections or defined terms are incorporated herein by reference. Copies of the Indenture will be available for inspection on or after the Original Issue Date at the corporate trust office of the Trustee at 39/F, Champion Tower, 3 Garden Road, Central, Hong Kong.

Brief Description of the New Notes

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

In addition, on the Original Issue Date, subject to the limitations described in “Risk Factors—Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral,” the New Notes will be secured by a pledge of the Collateral as described below under the caption “—Security” and will:

- be entitled to the benefit of a lien on the Collateral (subject to any Permitted Liens and the Intercreditor Agreement (as defined below) and shared on a *pari passu* basis with (i) the holders of the 2018 Notes, (ii) the holders of the 2019 Notes and (iii) any other creditors with respect to Permitted *Pari Passu* Secured Indebtedness); and
- rank effectively senior in right of payment to unsecured obligations of the Company and the Subsidiary Guarantor Pledgors with respect to the value of the Collateral pledged by the Company and the Subsidiary Guarantor Pledgors securing the New Notes (subject to any priority rights of such unsecured obligations pursuant to applicable law).

The New Notes will mature on May 9, 2020, unless earlier redeemed pursuant to the terms thereof and the Indenture.

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

The New Notes will bear interest at 12.00% per annum from the Original Issue Date or from the most recent interest payment date to which interest has been paid or duly provided for, payable semiannually in arrears on May 9 and November 9 of each year (each an “Interest Payment Date”), commencing November 9, 2018. Interest on the New Notes will be paid to Holders of record at the close of business on April 24 or October 25 immediately preceding an Interest Payment Date (each, a “Record Date”), notwithstanding any transfer, exchange or cancellation thereof after a Record Date and prior to the immediately following Interest Payment Date. So long as the New Notes are held in global form, each payment in respect of the Global New Note will be made to the person shown as the holder of the New Notes in the Register at the close of business (of the relevant clearing system) on the Clearing System Business Day before the due date for such payments, where “Clearing System Business Day” means a weekday (Monday to Friday, inclusive) except December 25 and January 1. Interest on the New Notes will be calculated on the basis of a 360-day year composed of twelve 30-day months.

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

The New 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 New Notes, but the Company may require payment by the Holders of a sum sufficient to cover any transfer tax or other similar governmental charge payable in connection therewith.

All payments on the New 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 c/o Citibank, N.A., Dublin Branch, One North Wall Quay, Dublin 1, Ireland) and the New 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 to the address of the Holders as such address appears in the New Note register. Interest payable on the New Notes held through Euroclear or Clearstream will be available to Euroclear or Clearstream participants on the Business Day following payment thereof.

The Subsidiary Guarantees and the JV Subsidiary Guarantees

The initial Subsidiary Guarantors that will execute the Indenture on the Original Issue Date will be Hongkong Hydoos Holding Limited (香港毅德控股有限公司), Trade Logistics Enterprises Limited (業運企業有限公司), Abundant Idea Investments Limited (訊溢投資有限公司), Hongkong China Hydoos Logistic Limited (香港中國毅德物流有限公司), Hongkong Deshang Bright Ocean Limited (香港德尚時光海有限公司), Hongkong Hydoos Group Investment Company Limited (香港毅德集團投資有限公司), Copious Epoch Limited (世溢有限公司), Union Capital Holdings Limited (滙聯集團有限公司), Jiayue Limited (佳粵有限公司) and Hongkong Hydoos Financial Holding Limited (香港毅德金融控股有限公司). These Subsidiary Guarantors consist of all of the Company's Restricted Subsidiaries other than the Non-Guarantor Subsidiaries (defined below). None of Zhuo Ying Limited (卓盈有限公司) (the "Initial Other Non-Guarantor Subsidiary") and the Restricted Subsidiaries organized under the laws of the PRC (collectively, the "PRC Non-Guarantor Subsidiaries," and together with the Initial Other Non-Guarantor Subsidiary, the "Initial Non-Guarantor Subsidiaries") will be a Subsidiary Guarantor on the Original Issue Date.

No future Restricted Subsidiaries organized under the laws of the PRC will provide a Subsidiary Guarantee or JV Subsidiary Guarantee at any time in the future. Although the Indenture contains limitations on the amount of additional Indebtedness that Restricted Subsidiaries (including Non-Guarantor Subsidiaries (as defined below)) may incur, the amount of such additional Indebtedness could be substantial. In the event of a bankruptcy, liquidation or reorganization of any Non-Guarantor Subsidiary, such Non-Guarantor Subsidiary will pay the holders of its debt and its trade creditors before it will be able to distribute any of its assets to the Company.

In the case of a Restricted Subsidiary that is, or is proposed by the Company or any Restricted Subsidiary to be, established after the Original Issue Date or any entity (1) that is incorporated in any jurisdiction other than the PRC and (2) in respect of which the Company or any Restricted Subsidiary (x) in the case of a Restricted Subsidiary, is proposing to sell, whether through the sale of existing shares or the issuance of new shares, no less than 20.0% of the Capital Stock of such Restricted Subsidiary or (y) in the case of any other entity, is proposing to purchase the Capital Stock of such entity such that it becomes a Subsidiary and designate such entity as a Restricted Subsidiary, the Company may, concurrently with such sale or purchase, provide a JV Subsidiary Guarantee instead of a Subsidiary Guarantee for (a) such Restricted Subsidiary and (b) the Restricted Subsidiaries of such Restricted Subsidiary that are organized in any jurisdiction other than the PRC, if the following conditions, in the case of both (a) and (b), are satisfied:

- as of the date of execution of the JV Subsidiary Guarantee (as defined below), no document exists that is binding on the Company or any of the Restricted Subsidiaries that would have the effect of (i) prohibiting the Company or any of the Restricted Subsidiaries from providing such JV Subsidiary Guarantee or (ii) requiring the Company or any of the Restricted Subsidiaries to deliver or keep in place a Guarantee on terms that are more favorable to the recipients of such Guarantee than the JV Subsidiary Guarantee;
- such sale or issuance of Capital Stock is made to, or such purchase of Capital Stock is made from, an Independent Third Party at a consideration that is not less than (in the case of a sale or issuance) or no more than (in the case of a purchase) the appraised value of such Capital Stock determined by an independent appraisal firm of recognized international standing appointed by the Company;

- concurrently with providing the JV Subsidiary Guarantee, the Company shall or shall cause such JV Subsidiary Guarantor to deliver to the Trustee and, in the case of Security Documents, also to the Security Agent:
 - (i) (A) a duly executed JV Subsidiary Guarantee (the “JV Subsidiary Guarantee”) of such JV Subsidiary Guarantor and each Restricted Subsidiary of such JV Subsidiary Guarantor that is not organized under the laws of the PRC, and (B) a duly executed supplemental indenture to the Indenture pursuant to which such JV Subsidiary Guarantor and each such Restricted Subsidiary of such JV Subsidiary Guarantor will Guarantee the payment of the New Notes, each of which provides, among other things, that the aggregate claims of the Trustee under such JV Subsidiary Guarantee and all JV Subsidiary Guarantees provided by the Restricted Subsidiaries and shareholders of such JV Subsidiary Guarantor will be limited to the applicable JV Entitlement Amount;
 - (ii) a duly executed Security Document that pledges in favor of the Security Agent for itself and for the benefit of the Holders, the holders of the 2018 Notes, the holders of the 2019 Notes and any other creditors with respect to Permitted Pari Passu Secured Indebtedness the Capital Stock of such JV Subsidiary Guarantor held by the Company or any Subsidiary Guarantor, but not the Capital Stock of the direct or indirect Subsidiaries of such JV Subsidiary Guarantor;
 - (iii) an Officers’ Certificate certifying a copy of the Board Resolution to the effect that such JV Subsidiary Guarantee has been approved by a majority of the disinterested members of the Board of Directors; and
 - (iv) a legal opinion by a law firm of recognized international standing confirming that under New York law such JV Subsidiary Guarantees are valid, binding and enforceable against the JV Subsidiary Guarantors providing such JV Subsidiary Guarantees (subject to customary qualifications and assumptions);
- as of the date of the execution of the JV Subsidiary Guarantee, after giving effect to the issuance or sale of Capital Stock in such JV Subsidiary Guarantor, the Non-Guaranteed Portion with respect to all of the JV Subsidiary Guarantors then existing and their respective Restricted Subsidiaries does not exceed 10.0% of Total Assets; and
- all capital contributions (by way of transfer of cash or other property or any payment for property or services for the use of others or otherwise) to be made into a JV Subsidiary Guarantor from the date of the sale of existing Capital Stock or issuance of new Capital Stock or purchase of Capital Stock as referred to above, shall be made directly or by contribution of assets or services having an equivalent Fair Market Value by (i) the Company and its Restricted Subsidiaries and (ii) such Independent Third Party that purchased or sold the for Capital Stock of the JV Subsidiary Guarantor in proportion to their respective direct or indirect ownership percentages of the Capital Stock of such JV Subsidiary Guarantor or on a basis more favorable to the Company.

As of December 31, 2017:

- the Company and its consolidated subsidiaries had total consolidated bank and other borrowings of approximately RMB2,063.6 million (US\$317.2 million), including short-term indebtedness of RMB1,201.9 million (US\$184.7 million);
- the Company and the Subsidiary Guarantors (on an unconsolidated basis) had no bank and other borrowings; and

- the Non-Guarantor Subsidiaries had total bank and other borrowings in the amount of RMB2,063.6 million (US\$317.2 million).

In addition, as of December 31, 2017, the Initial Non-Guarantor Subsidiaries had capital commitments and contingent liabilities of approximately RMB791.9 million (US\$121.7 million) and RMB2,512.0 million (US\$386.1 million), respectively.

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

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

will be a general obligation of such JV Subsidiary Guarantor;

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

The Company will cause each of its future Restricted Subsidiaries (other than Persons organized under the laws of the PRC), promptly upon such future Restricted Subsidiary becoming a Restricted Subsidiary, to execute and deliver to the Trustee a supplemental indenture to the Indenture, pursuant to which such Restricted Subsidiary will Guarantee the payment of the New Notes as either a Subsidiary Guarantor or a JV Subsidiary Guarantor. Notwithstanding the foregoing sentence, the Company may elect to have any future Restricted Subsidiary organized outside the PRC not provide a Subsidiary

Guarantee or JV Subsidiary Guarantee (each a “New Non-Guarantor Subsidiary,” together with the Initial Other Non-Guarantor Subsidiary, the “Other Non-Guarantor Subsidiaries”), *provided* that, after giving effect to the Consolidated Assets of such Restricted Subsidiary, the Consolidated Assets of all Other Non-Guarantor Subsidiaries do not account for more than 10.0% of Total Assets.

In the case of a Subsidiary Guarantor with respect to which the Company or any Restricted Subsidiary is proposing to sell, whether through the sale of existing shares or the issuance of new shares, no less than 20.0% of the Capital Stock of such Subsidiary Guarantor, the Company may concurrently with 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 Subsidiaries (such that they will no longer Guarantee the New Notes) and (b) instruct the Security Agent to (i) discharge the pledge of the Capital Stock granted by each such New Non-Guarantor Subsidiary and (ii) discharge the pledge of Capital Stock made by the Company or any Subsidiary Guarantor over the shares it owns in each such New Non-Guarantor Subsidiary (in each case, without any requirement to seek the consent or approval of the Holders of the New Notes), *provided* that after the release of such Subsidiary Guarantees, the Consolidated Assets of all Other Non-Guarantor Subsidiaries (including the New Non-Guarantor Subsidiaries) do not account for more than 10.0% of Total Assets. A Subsidiary Guarantee of a Subsidiary Guarantor may only be released pursuant to this paragraph if as of the date of such proposed release, no document exists that is binding on the Company or any of the Restricted 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.

Each Restricted Subsidiary that Guarantees the New Notes after the Original Issue Date other than a JV Subsidiary Guarantor is referred to as a “Future Subsidiary Guarantor” and upon execution of the applicable supplemental indenture to the Indenture will be a “Subsidiary Guarantor.”

In addition, subject to the limitations described in “Risk Factors—Risks Related to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral,” the Subsidiary Guarantee of each Subsidiary Guarantor Pledgor:

- will be entitled to the benefit of a lien on the Collateral (subject to any Permitted Liens and the Intercreditor Agreement and shared on a *pari passu* basis with (i) the holders of the 2018 Notes, (ii) the holders of the 2019 Notes and (iii) any other creditors with respect to Permitted Pari Passu Secured Indebtedness) 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).

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

Under the Indenture and any supplemental indenture to the Indenture, as applicable, each of the Subsidiary Guarantors and JV Subsidiary Guarantors (if any) will jointly and severally Guarantee the due and punctual payment of the principal of, premium, if any, and interest on, and all other amounts payable under, the New Notes; *provided* that any JV Subsidiary Guarantee provided by any JV Subsidiary Guarantor will, together with all the JV Subsidiary Guarantees provided by the Subsidiaries and shareholders of such JV Subsidiary Guarantor, in the aggregate, be limited to the applicable JV Entitlement Amount. The Subsidiary Guarantors and JV Subsidiary Guarantors will (1) agree that their respective obligations under the Subsidiary Guarantees and the JV Subsidiary Guarantees, as the case may be, will be enforceable irrespective of any invalidity, irregularity or

unenforceability of the New Notes or the Indenture and (2) waive their right to require the Trustee to pursue or exhaust its legal or equitable remedies against the Company prior to exercising its rights under the Subsidiary Guarantees and the JV Subsidiary Guarantees, as the case may be. Moreover, if at any time any amount paid under a New Note is rescinded or must otherwise be restored, the rights of the Holders under the Subsidiary Guarantees and the JV Subsidiary Guarantees, as the case may be, will be reinstated with respect to such payment as though such payment had not been made. All payments under the Subsidiary Guarantees and the JV Subsidiary Guarantees, as the case may be, will be made in U.S. dollars.

Under the Indenture, and any supplemental indenture thereto, 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 insolvency, fraudulent conveyance or fraudulent transfer or similar laws affecting the rights of creditors generally; and
- each JV Subsidiary Guarantee provided by any JV Subsidiary Guarantor will, together with all the JV Subsidiary Guarantees provided by the Subsidiaries and shareholders of such JV Subsidiary Guarantor, in the aggregate, be limited to an amount which is the lower of (i) the applicable JV Entitlement Amount and (ii) an amount not to exceed the maximum amount that can be Guaranteed by the applicable JV Subsidiary Guarantor without rendering the JV Subsidiary Guarantee, as it relates to such JV Subsidiary Guarantor, voidable under applicable law relating to fraudulent conveyance or fraudulent transfer or similar laws affecting the rights of creditors generally.

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

The obligations of each Subsidiary Guarantor under its Subsidiary Guarantee 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. Similarly, the obligations of each JV Subsidiary Guarantor under its JV Subsidiary Guarantee may be limited, or possibly invalid, under applicable laws. The Guarantee of a Subsidiary Guarantor or a JV Subsidiary Guarantor may be voided or subject to review under applicable insolvency or fraudulent transfer laws, or subject to a lawsuit by or on behalf of creditors of such Subsidiary Guarantor or JV Subsidiary Guarantor. See "Risk Factors—Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral—The Subsidiary Guarantees or JV Subsidiary Guarantees may be challenged under applicable financial assistance, insolvency corporate benefit or fraudulent transfer or unfair preference laws, which could impair the enforceability of the Subsidiary Guarantees or JV Subsidiary Guarantees."

Release of the Subsidiary Guarantees and JV Subsidiary Guarantees

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

- upon repayment in full of the New Notes;
- upon a defeasance as described under "—Defeasance—Defeasance and Discharge;"

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

Replacement of Subsidiary Guarantees with JV Subsidiary Guarantees

A Subsidiary Guarantee given by a Subsidiary Guarantor may be released following the sale or issuance by the Company or any Restricted Subsidiary of Capital Stock in (a) such Subsidiary Guarantor or (b) any other Subsidiary Guarantor that, directly or indirectly, owns a majority of the Capital Stock of such Subsidiary Guarantor, in each case where such sale or issuance, whether through the sale of existing shares or the issuance of new shares, is for no less than 20.0% of the issued Capital Stock of the relevant Subsidiary Guarantor, *provided* that the following conditions are satisfied or complied with:

- as of the date of such proposed release, no document exists that is binding on the Company or any Restricted Subsidiary that would have the effect of (i) prohibiting the Company or any Restricted Subsidiary from releasing such Subsidiary Guarantee, (ii) prohibiting the Company or any Restricted Subsidiary from providing such JV Subsidiary Guarantee or (iii) requiring the Company or any Restricted Subsidiary to deliver or keep in force a replacement Guarantee on terms that are more favorable to the recipients of such Guarantee than the JV Subsidiary Guarantee;
- such sale or issuance of Capital Stock is made to an Independent Third Party at a consideration that is not less than the appraised value of such Capital Stock as determined by an independent appraisal firm of recognized international standing appointed by the Company;
- concurrently with the release of such Subsidiary Guarantee, the Company shall or shall cause such JV Subsidiary Guarantor to deliver to the Trustee, and in the case of the Security Documents, also to the Security Agent:
 - (A) a duly executed JV Subsidiary Guarantee of such JV Subsidiary Guarantor and each Restricted Subsidiary of such JV Subsidiary Guarantor that is not organized under the laws of the PRC and (B) a duly executed supplemental indenture to the Indenture pursuant to which such JV Subsidiary Guarantor will Guarantee the

payment of the New Notes, each of which provides, among other things, that the aggregate claims of the Trustee under such JV Subsidiary Guarantee and all JV Subsidiary Guarantees provided by the Restricted Subsidiaries and shareholders of such JV Subsidiary Guarantor will be limited to the applicable JV Entitlement Amount;

- (ii) a duly executed Security Document that pledges in favor of the Security Agent the Capital Stock of such JV Subsidiary Guarantor held by the Company or any Subsidiary Guarantor, but not the Capital Stock of the direct or indirect Subsidiaries of such JV Subsidiary Guarantor;
 - (iii) an Officers' Certificate certifying a copy of a Board Resolution to the effect that such JV Subsidiary Guarantee has been approved by a majority of the disinterested members of the Board of Directors; and
 - (iv) a legal opinion by a law firm of recognized international standing confirming that under New York law such JV Subsidiary Guarantee is valid, binding and enforceable against the JV Subsidiary Guarantor providing such JV Subsidiary Guarantee (subject to customary qualifications and assumptions);
- as of the date of the execution of the JV Subsidiary Guarantee, after giving effect to the issuance or sale of Capital Stock in such JV Subsidiary Guarantor, the Non-Guaranteed Portion with respect to all of the JV Subsidiary Guarantors then existing and their respective Restricted Subsidiaries does not exceed 10.0% of Total Assets; and
 - all capital contributions (by way of transfer of cash or other property or any payment for property or services for the use of others or otherwise) to be made into a JV Subsidiary Guarantor from the date of the sale of existing Capital Stock or issuance of new Capital Stock as referred to above, shall be made directly or by contribution of assets or services having an equivalent Fair Market Value by (i) the Company and its Restricted Subsidiaries and (ii) such Independent Third Party that purchased or subscribed for Capital Stock in the JV Subsidiary Guarantor in proportion to their respective direct or indirect ownership percentages of the Capital Stock of such JV Subsidiary Guarantor or on a basis more favorable to the Company.

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

Any Net Cash Proceeds from the sale or issuance of such Capital Stock shall be applied by the Company (or any Restricted Subsidiary) in accordance with the "Limitation on Asset Sales" covenant.

As of the date of the Indenture, all of the Company's Subsidiaries 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 New Notes.

No release of a Subsidiary Guarantor from its Subsidiary Guarantee or a JV Subsidiary Guarantor from its JV Subsidiary Guarantee, as the case may be, shall be effective against the Trustee or the Holders until the Company has delivered to the Trustee an Officers' Certificate stating that all requirements relating to such release under the Indenture 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 the initial Subsidiary Guarantors owned by the Company or the Initial Subsidiary Guarantor Pledgors (the “Collateral”) (subject to Permitted Liens and the Intercreditor Agreement) on the Original Issue Date in order to secure the obligations of the Company and the Subsidiary Guarantor Pledgors under the 2018 Notes, the 2019 Notes, the New Notes and the Subsidiary Guarantees and the Permitted *Pari Passu* Secured Indebtedness.

The initial Subsidiary Guarantor Pledgors are Abundant Idea Investments Limited (訊溢投資有限公司), Trade Logistics Enterprises Limited (業運企業有限公司), Copious Epoch Limited (世溢有限公司) and Jiayue Limited (佳粵有限公司).

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 (unless they cease to be Non-Guarantor Subsidiaries). 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. If any JV Subsidiary Guarantor is established, the Capital Stock of such JV Subsidiary Guarantor owned by the Company or any Subsidiary Guarantor will be pledged to secure the obligations of the Company under the New Notes and the Indenture, and of such Subsidiary Guarantor under its Subsidiary Guarantee, as the case may be, in the manner described above. However, none of the JV Subsidiary Guarantors will provide a Security Document pledging the Capital Stock of its direct or indirect Subsidiaries as security to secure any obligations under the New Notes, the Indenture or any Subsidiary Guarantee or JV Subsidiary Guarantee.

The Company has also agreed, for the benefit of the Holders of the New Notes, to pledge, or cause each Subsidiary Guarantor (other than a JV Subsidiary Guarantor, if any), including each Future Subsidiary Guarantor, to pledge, the Capital Stock directly owned by the Company or such Subsidiary Guarantor of any Person that becomes a Subsidiary Guarantor or JV Subsidiary Guarantor after the Original Issue Date (or any additional Capital Stock of a JV Subsidiary Guarantor or a Subsidiary Guarantor acquired by the Company or a Subsidiary Guarantor after the Original Issue Date) promptly upon such Person becoming a Subsidiary Guarantor or JV Subsidiary Guarantor, to secure the obligations of the Company under the New Notes and the Indenture, and of such Subsidiary Guarantor Pledgor 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.”

The value of the Collateral securing the New Notes and the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors (as reduced by the obligations owed to other secured creditors under the Intercreditor Agreement) is unlikely to be sufficient to satisfy the Company’s and each of the Subsidiary Guarantor Pledgors’ obligations under the New Notes and the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors, and the Collateral securing the New Notes and such Subsidiary Guarantees may be reduced or diluted under certain circumstances, including the issuance of Additional New Notes and other Permitted *Pari Passu* Secured Indebtedness and the disposition of assets comprising the Collateral, subject to the terms of the Indenture and the Intercreditor Agreement. See “—Release of Security” and “Risk Factors—Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral—The value of the Collateral is unlikely to be sufficient to satisfy our obligations under the New Notes and other *pari passu* secured indebtedness.”

No appraisals of the Collateral have been prepared in connection with this offering of the New Notes. There can be no assurance that the proceeds of any sale of the Collateral, in whole or in part, pursuant to the Indenture, the Intercreditor Agreement and the Security Documents following an Event

of Default, would be sufficient to satisfy amounts due on the New Notes or the Subsidiary Guarantees. 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 and 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, 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 New Notes) and any Pari Passu Subsidiary Guarantee of a Subsidiary Guarantor Pledgor with respect to such Indebtedness (such Indebtedness of the Company and any such Pari Passu Subsidiary Guarantee, “Permitted Pari Passu Secured Indebtedness”); *provided* that

(i) the Company or such Subsidiary Guarantor Pledgor was permitted to Incur such Indebtedness under the covenant under the caption “Limitation on Indebtedness and Preferred Stock;” (ii) the holders (or their representative, trustee or agent) of such Indebtedness (other than Additional New Notes) become party to an Intercreditor Agreement referred to below; (iii) the agreement in respect of such Indebtedness contains provisions with respect to releases of Collateral and such Pari Passu Subsidiary Guarantee substantially similar to and no more restrictive on the Company and such Subsidiary Guarantor Pledgor than the provisions of the Indenture, the Intercreditor Agreement and the Security Documents; and (iv) the Company and such Subsidiary Guarantor Pledgor deliver to the Trustee an Opinion of Counsel and Officers’ Certificate with respect to corporate and collateral matters in connection with the Security Documents, stating that either (x) all necessary actions have been taken with respect to the recording, registering and filing of the Security Documents, financing statements or other instruments necessary to make effective the Liens intended to be created by the Security Documents, and reciting the details of such action or (y) no such action is necessary to make such Lien effective. The Trustee and the Security Agent are permitted and authorized, without the consent of any Holder, to enter into the Intercreditor Agreement and any amendments or supplements 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 this paragraph and the terms of the Indenture (including, without limitation, the appointment of any security agent under the Intercreditor Agreement referred to below to hold the Collateral on behalf of the holders of the 2018 Notes, the holders of the 2019 Notes, 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 New Notes then outstanding.

Intercreditor Agreement

On December 15, 2015, the Company, the initial Subsidiary Guarantor Pledgors, Citicorp International Limited as the security agent (the “Security Agent”), the trustee of the 2018 Notes and other secured parties entered into an intercreditor agreement (as may be amended or supplemented from time to time, the “Intercreditor Agreement”), which provided (1) that the 2018 Notes and the Permitted Pari Passu Secured Indebtedness shall share equal priority and *pro rata* entitlement in and to the Collateral; (2) the conditions that are applicable to the release of or granting of any Lien on such

Collateral; and (3) the conditions under which their rights with respect to such Collateral and the Indebtedness secured thereby will be enforced. The holders of the 2019 Notes acceded to the Intercreditor Agreement on August 30, 2016. The Trustee will accede to the Intercreditor Agreement on May 9, 2018.

In connection with the Incurrence of any future Permitted Pari Passu Secured Indebtedness (other than Additional New Notes), the holders of such Permitted Pari Passu Secured Indebtedness (or their representative, trustee or agent) will accede to the Intercreditor Agreement to include the holders (or their representative, trustee or agent) of such Permitted Pari Passu Secured Indebtedness as parties to the Intercreditor Agreement.

By accepting the New Notes, each Holder shall be deemed to have consented to the execution of the Intercreditor Agreement, any supplements, amendments or modifications thereto, and any future intercreditor agreement that may be required under the terms of the Indenture.

Enforcement of Security

The Lien securing the New Notes and the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors will be granted to the Security Agent for itself and for the benefit of the trustee of the 2018 Notes, the holders of the 2018 Notes, the holders of the 2019 Notes, the Trustee, the Holders and the holders of any future Permitted Pari Passu Secured Indebtedness (together the “Secured Parties”). The Security Agent, subject to the Intercreditor Agreement, will hold such Liens and security interests in the Collateral granted pursuant to the Security Documents with sole authority as directed by the written instruction of the Holders to exercise remedies under the Security Documents. The Security Agent has agreed to act as a Secured Party on behalf of the Holders under the applicable Security Documents, to follow the instructions provided to it under the Indenture, the Security Documents and the Intercreditor Agreement and to carry out certain other duties.

The Indenture and/or the Security Documents will principally provide that, at any time while the New Notes are outstanding, the Security Agent will have the exclusive right to manage, perform and enforce the terms of the Security Documents relating to the Collateral and to exercise and enforce all privileges, rights and remedies thereunder according to its direction, including to take or retake control or possession of such Collateral and to hold, prepare for sale, process, lease, dispose of or liquidate such Collateral, including, without limitation, following the occurrence of an Event of Default under the Indenture.

The Intercreditor Agreement will provide, among other things, that any Secured Party may instruct the Security Agent to enforce the Collateral and to deliver a notice of enforcement to the Company and the applicable Subsidiary Guarantor Pledgor (such instructions, the “Enforcement Instructions”). Upon receipt of an Enforcement Instruction from any Secured Party, the Security Agent will provide a copy of such Enforcement Instruction and notice of enforcement to the Company and the other Secured Parties. If (a) the Security Agent identifies a conflict (i) between Secured Parties’ interests in connection with any Enforcement Instruction or (ii) in the event that each of the Secured Parties issues Enforcement Instructions, between those Enforcement Instructions, and (b) the Security Agent believes in its sole discretion that the interests of the Secured Parties would be in conflict upon the exercise of those Enforcement Instructions, or that compliance with an Enforcement Instruction would cause the Security Agent to contravene another Enforcement Instruction, the Security Agent shall notify each Secured Party in writing not more than five Business Days after it becomes aware of such conflict. In such circumstances, the Security Agent is not obligated to take any action if it identifies such conflict.

The Intercreditor Agreement provides that any proceeds from any sale, collection, liquidation or enforcement of the Collateral shall be distributed by the Security Agent in accordance with the terms of the Intercreditor Agreement and subject to the conditions of the relevant Security Document. Such proceeds shall be applied as follows:

first, to the Security Agent, any receiver or any delegate to the extent necessary to reimburse the Security Agent, such receiver or delegate, for itself and in its capacity as security agent, receiver or delegate, for any unpaid fees, costs and expenses incurred in connection with the collection or distribution of such amounts held or realized or in connection with expenses incurred in enforcing remedies under the Security Documents and the Intercreditor Agreement and preserving the Collateral and all amounts for which the Security Agent, receiver or delegate is entitled to indemnification under the Indenture, the Intercreditor Agreement, if any, or the Security Documents;

second, to the extent not reimbursed under the above paragraph, *pro rata* to each of the trustee of the 2018 Notes, the holders of the 2019 Notes, the Trustee, any other trustee or representative of any Permitted Pari Passu Secured Indebtedness and the agents for the 2018 Notes, the 2019 Notes, the New Notes or any Permitted Pari Passu Secured Indebtedness (to the extent they incur reasonable expenses acting in their capacity as delegate or agent of the trustee of the 2018 Notes, the holders of the 2019 Notes, the Trustee or any other trustee or other representative of any Permitted Pari Passu Secured Indebtedness), to the extent necessary to reimburse the foregoing Persons for any fees and expenses (including properly incurred fees and expenses of counsel) incurred in connection with the Indenture, the Security Documents and the Intercreditor Agreement and in connection with the collection or distribution of such amounts held or realized or in connection with expenses incurred in enforcing remedies under the Secured Party Documents, Intercreditor Agreement and the Security Documents and preserving the Collateral and all amounts for which the foregoing persons are entitled to indemnification under the Secured Party Documents, Intercreditor Agreement and the Security Documents;

third, *pro rata* to each of the trustee of the 2018 Notes for the benefit of the holders of the 2018 Notes, the holders of the 2019 Notes, the Trustee for the benefit of the Holders and, to the extent applicable, to holders of Permitted Pari Passu Secured Indebtedness (or their representative for the benefit of such holders), in each case, to satisfy outstanding obligations thereunder in accordance with the terms of the applicable Secured Party Document;

fourth, to the extent not reimbursed under the above paragraph, to the agents for the 2018 Notes, the 2019 Notes, the New Notes or any Permitted Pari Passu Secured Indebtedness; and

fifth, any surplus remaining after such payments will be paid to the Company, the Subsidiary Guarantor Pledgors or to whomever may be lawfully entitled thereto.

The Security Agent may decline to foreclose on the Collateral or exercise remedies available if it does not receive indemnification and/or security to its satisfaction. In addition, the Security Agent's ability to foreclose on the Collateral may be subject to lack of perfection, the consent of third parties, prior Liens and practical problems associated with the realization of the Security Agent's Liens on the Collateral. Neither the Trustee nor the Security Agent nor any of their respective officers, directors, employees, attorneys or agents will be responsible or liable for the existence, genuineness, value or protection of any Collateral securing the Notes, for the legality, adequacy, enforceability, effectiveness or sufficiency of the Security Documents or the Intercreditor Agreement, for the creation, perfection, priority, sufficiency or protection of any of the Liens, or for any defect or deficiency as to any such matters, or for any failure to demand, collect, foreclose or realize upon or otherwise enforce any of the Liens or Security Documents or any delay in doing so.

The Security Documents will provide that the Company and the Subsidiary Guarantor Pledgors will indemnify and/or secure the Security Agent for all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind imposed against the Security Agent arising out of the Security Documents except to the extent that any of the foregoing are finally judicially determined to have resulted from the fraud, gross negligence or willful misconduct of the Security Agent.

This section, “—Enforcement of Security,” shall be subject to any amendments to the Security Documents or the Indenture to permit the creation of Liens on the Collateral to secure Permitted Pari Passu Secured Indebtedness in accordance with “—Permitted Pari Passu Secured Indebtedness” above.

Release of Security

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 relation to the New Notes and the Subsidiary Guarantees in certain circumstances, including:

- upon repayment in full of the New Notes;
- upon defeasance and discharge of the New Notes as provided below under the caption “—Defeasance—Defeasance and Discharge;”
- upon dispositions of the 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;
- in connection with and upon execution of a JV Subsidiary Guarantee to replace a Subsidiary Guarantee, with respect to all pledges of Capital Stock granted by such JV Subsidiary Guarantor (or its Subsidiaries) in its direct and indirect Subsidiaries, and in accordance with the terms of the Indenture;
- with respect to a Subsidiary Guarantor that becomes a New Non-Guarantor Subsidiary, the release of the pledge of Capital Stock made by the Company or any Subsidiary Guarantor over the Capital Stock it owns in such New Non-Guarantor Subsidiary;
- with respect to any pledge over any Capital Stock of any Subsidiary Guarantor or JV Subsidiary Guarantor, upon the release of the Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, of such Subsidiary Guarantor or JV Subsidiary Guarantor in accordance with the terms of the Indenture; or
- with respect to any pledge over any Capital Stock of any Subsidiary Guarantor or JV Subsidiary Guarantor, upon the designation by the Company of such Subsidiary Guarantor or JV Subsidiary Guarantor as an Unrestricted Subsidiary in accordance with the terms of the Indenture.

No release of Collateral shall be effective against the Trustee or the Holders until the Company has delivered to the Trustee and the Security Agent an Officer’s Certificate and an Opinion of Counsel stating that all requirements relating to such release have been complied with and that such release has been authorized by, permitted by and made in accordance with the provisions of the Indenture.

Further issues

Subject to the covenants described below and in accordance with the terms of the Indenture, the Company may, from time to time, without notice to or the consent of the Holders, create and issue Additional New Notes having the same terms and conditions as the New Notes (including the benefit of the Subsidiary Guarantees and the JV Subsidiary Guarantees) in all respects (or in all respects except for the issue date, issue price, 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 New Notes may be consolidated and form a single class with the previously outstanding New Notes and vote together as one class on all matters with respect to the New Notes; *provided* that the issuance of any such Additional New Notes shall then be permitted under the “Limitation on Indebtedness and Preferred Stock” covenant described below.

Optional Redemption

At any time prior to May 9, 2020, the Company may at its option redeem the New Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the New Notes redeemed plus the Applicable Premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date. Neither the Trustee nor any of the Agents will be responsible for calculating or verifying the Applicable Premium.

At any time and from time to time prior to May 9, 2020, the Company may redeem up to 35% of the principal amount of the New Notes with the Net Cash Proceeds of one or more sales of its Common Stock in an Equity Offering at a redemption price of 112% of the principal amount of the New 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 New 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 New Notes are to be redeemed, the New Notes will be selected for redemption as follows:

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

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

Repurchase of New 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 New 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 timely repay all Indebtedness or obtain consents as necessary under, or terminate, agreements or instruments that would otherwise prohibit a Change of Control Offer required to be made pursuant to the Indenture. Notwithstanding this agreement of the Company, it is important to note that if the Company is unable to repay (or cause to be repaid) all of the Indebtedness, if any, that would prohibit the repurchase of the New 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 New Notes. In that case, the Company's failure to purchase tendered New Notes would constitute an Event of Default under the Indenture.

Certain of the events constituting a Change of Control Triggering Event under the New Notes may 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 New 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 New 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 New Notes. See "Risk Factors—Risks Relating to the New Notes—We may not be able to repurchase the New 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 New Notes to require the Company to repurchase such Holder's New 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 and the relevant jurisdiction or jurisdictions in which this phrase is interpreted.

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 New 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 the Company to repurchase or redeem the New Notes in the event of a takeover, recapitalization or similar transaction.

No Mandatory Redemption Or Sinking Fund

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

Additional Amounts

All payments of principal of, and premium (if any) and interest on, the New Notes or under the Subsidiary Guarantees and the JV Subsidiary Guarantees will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, collected, withheld, assessed or levied by any jurisdiction in which the Company, a Surviving Person (as defined under the caption "—Consolidation, Merger and Sale of Assets") or the applicable Subsidiary Guarantor or JV Subsidiary Guarantor is organized or resident for tax purposes (or any political subdivision or taxing authority thereof or therein) (each, as applicable, a "Relevant Jurisdiction"), or the jurisdiction through which payments are made or any

political subdivision or taxing authority thereof or therein (each, together with a Relevant Jurisdiction, a “Taxing Jurisdiction”), unless such withholding or deduction is required by law or by regulation or governmental policy having the force of law. In the event that any such withholding or deduction is so required, the Company, a Surviving Person or the applicable Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, will pay such additional amounts (“Additional Amounts”) as will result in receipt by the Holder of each New Note, the Subsidiary Guarantees or the JV 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:

- (a) for or on account of:
 - (i) any tax, duty, assessment or other governmental charge that would not have been imposed but for:
 - (A) the existence of any present or former connection between the Holder or beneficial owner of such New Note, Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, or, if the Holder is a trust, partnership, limited liability company or a corporation, its beneficiaries, partners, members or shareholders, and the Taxing Jurisdiction, other than merely holding such New Note, Subsidiary Guarantee or JV Subsidiary Guarantee, including, without limitation, such Holder or beneficial owner being or having been a national, domiciliary or resident of such Taxing Jurisdiction or treated as a resident thereof or being or having been physically present or engaged in a trade or business therein or having or having had a permanent establishment therein;
 - (B) the presentation of such New 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 New 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 New Note for payment on any date within such 30 day period;
 - (C) the failure of the Holder or beneficial owner to comply with a timely request of the Company, a Surviving Person, any Subsidiary Guarantor or any JV Subsidiary Guarantor addressed to the Holder or beneficial owner, as the case may be, to provide any certification, identification, information and documents concerning such Holder’s or beneficial owner’s nationality, residence, identity or connection with any Taxing Jurisdiction, if and to the extent that due and timely compliance with such request would have reduced or eliminated any withholding or deduction as to which Additional Amounts would have otherwise been payable to such Holder or beneficial owner; or
 - (D) the presentation of such New Note (where presentation is required) for payment in the Taxing Jurisdiction, unless such New Note could not have been presented for payment elsewhere;
 - (ii) any estate, inheritance, gift, sale, excise, transfer, personal property or similar tax, assessment or other governmental charge;
 - (iii) any tax, assessment or other governmental charge that is payable otherwise than by withholding or deduction from payments of principal, premium (if any) and interest on the New Notes or from payments under the Subsidiary Guarantees or JV Subsidiary Guarantees (if any);

- (iv) any tax, assessment, withholding or deduction required by sections 1471 through 1474 of the Internal Revenue Code of 1986, as amended (“FATCA”), any current or future Treasury Regulations or rulings promulgated thereunder, any intergovernmental agreement between the United States and any other jurisdiction pursuant to the implementation of FATCA, any law, regulation or other official guidance enacted in any jurisdiction implementing FATCA or an intergovernmental agreement with respect thereto, or any other agreement pursuant to the implementation of FATCA; or
 - (v) any combination of taxes, duties, assessments or other governmental charges referred to in the preceding clauses (i), (ii), (iii) and (iv).
- (b) to a Holder that is a fiduciary, partnership or person other than the sole beneficial owner of any payment to the extent that such payment would be required to be included in the income under the laws of a Taxing Jurisdiction, for tax purposes, of a beneficiary or settlor, with respect to the fiduciary, or a member of that partnership or a beneficial owner who would not have been entitled to such Additional Amounts had that beneficiary, settlor, partner, person 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 New Note or under any Subsidiary Guarantee or JV Subsidiary Guarantee, such mention shall be deemed to include payment of Additional Amounts provided for in the Indenture to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

Redemption for Taxation Reasons

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

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

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

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

- (a) an Officers' Certificate stating that such change or amendment or statement of an official position referred to in the prior paragraph has occurred, describing the facts related thereto and stating that such requirement cannot be avoided by the Company, such Surviving Person, Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, by taking reasonable measures available to it; and
- (b) an Opinion of Counsel or an opinion of a tax consultant of recognized standing with respect to tax matters in the Relevant Jurisdiction to the effect that the requirement to pay such Additional Amounts results from such change or amendment referred to in the prior paragraph exists.

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

Any New Notes that are redeemed pursuant to the provisions under the caption “—Redemption for Taxation Reasons” will be cancelled.

Certain Covenants

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

Limitation on Indebtedness and Preferred Stock

- (a) The Company will not, and will not permit any Restricted Subsidiary to, Incur any Indebtedness (including Acquired Indebtedness), and the Company will not permit any Restricted Subsidiary to issue Preferred Stock, *provided* that the Company or any Subsidiary Guarantor may Incur Indebtedness (including Acquired Indebtedness) 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 2.0 to 1.0.

Notwithstanding the foregoing, the Company will not permit any Restricted Subsidiary to Incur any Disqualified Stock (other than Disqualified Stock of Restricted Subsidiaries held by the Company or a Subsidiary Guarantor, so long as it is so held).

- (b) Notwithstanding the foregoing, the Company and, to the extent provided below, any Restricted Subsidiary may Incur each and all of the following (“Permitted Indebtedness”):
 - (1) Indebtedness under the New Notes (excluding any Additional New Notes and any Permitted Pari Passu Secured Indebtedness of the Company) and each Subsidiary Guarantee and JV Subsidiary Guarantee;
 - (2) any Pari Passu Subsidiary Guarantee by any Subsidiary Guarantor or JV Subsidiary Guarantor;

- (3) Indebtedness of the Company or any Restricted Subsidiary outstanding on the Original Issue Date excluding Indebtedness permitted under clause (b)(4) of this “—Limitation on Indebtedness and Preferred Stock” covenant; *provided* that such Indebtedness of Restricted Subsidiaries shall be included in the calculation of Permitted Subsidiary Indebtedness;
- (4) Indebtedness of the Company or any Restricted Subsidiary owed to the Company or any Restricted Subsidiary; *provided* that (x) any event which results in any such Restricted Subsidiary to whom such Indebtedness is owed ceasing to be a Restricted Subsidiary or any subsequent transfer of such Indebtedness (other than to the Company or any Restricted Subsidiary) shall be deemed, in each case, to constitute an Incurrence of such Indebtedness not permitted by this clause (4), (y) if the Company is the obligor on such Indebtedness, such Indebtedness must be unsecured and expressly be subordinated in right of payment to the New Notes, and if a Subsidiary Guarantor or a JV Subsidiary Guarantor is the obligor on such Indebtedness and the Company is not the obligee, such Indebtedness must be unsecured and expressly subordinated in right of payment to the Subsidiary Guarantee of such Subsidiary Guarantor or the JV Subsidiary Guarantee of such JV Subsidiary Guarantor, as the case may be;
- (5) Indebtedness (“Permitted Refinancing Indebtedness”) of the Company or any Restricted Subsidiary issued in exchange for, or the net proceeds of which are used to refinance or refund, replace, exchange, renew, repay, defease, discharge or extend (collectively, “refinance” and “refinances” and “refinanced” shall have a correlative meaning), then outstanding Indebtedness (or Indebtedness that is no longer outstanding but that is refinanced substantially concurrently with the Incurrence of such Permitted Refinancing Indebtedness) Incurred under the immediately preceding paragraph (a) or clause (1), (2), (3), (8), (15), (16), (17) or (18) of this paragraph (b) and any refinancings thereof in an amount not to exceed the amount so refinanced or refunded (plus premiums, accrued interest, fees and expenses); *provided* that (i) Indebtedness the proceeds of which are used to refinance the New Notes or Indebtedness that is *pari passu* with, or subordinated in right of payment to, the New Notes, a Subsidiary Guarantee or a JV Subsidiary Guarantee shall only be permitted under this clause (5) if (x) in case the New Notes are refinanced in part or the Indebtedness to be refinanced is *pari passu* with the New Notes, a Subsidiary Guarantee or a JV Subsidiary Guarantee, such new Indebtedness, by its terms or by the terms of any agreement or instrument pursuant to which such new Indebtedness is issued and remains outstanding, is expressly made *pari passu* with, or subordinate in right of payment to, the remaining New Notes or such Subsidiary Guarantee or such JV Subsidiary Guarantee, as the case may be, or (y) in case the Indebtedness to be refinanced is subordinated in right of payment to the New Notes or a Subsidiary Guarantee or a JV Subsidiary Guarantee, such new Indebtedness, by its terms or by the terms of any agreement or instrument pursuant to which such new Indebtedness is issued or remains outstanding, is expressly made subordinate in right of payment to the New Notes or such Subsidiary Guarantee or such JV Subsidiary Guarantee, as the case may be, at least to the extent that the Indebtedness to be refinanced is subordinated to the New Notes or such Subsidiary Guarantee or such JV Subsidiary Guarantee, (ii) such new Indebtedness, determined as of the date of Incurrence of such new Indebtedness, does not mature prior to the Stated Maturity of the Indebtedness to be refinanced, and the Average Life of such new Indebtedness is at least equal to the remaining Average Life of the Indebtedness to be refinanced; (iii) in no event may Indebtedness of the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor be refinanced pursuant to this clause (5) by means of any Indebtedness of any Restricted Subsidiary that is not a Subsidiary Guarantor or a JV Subsidiary Guarantor; and (iv) in no event may Indebtedness of the Company or any Subsidiary Guarantor be refinanced pursuant to this clause by means of any Indebtedness of any JV Subsidiary Guarantor;

- (6) Indebtedness Incurred by the Company or any Restricted Subsidiary pursuant to Hedging Obligations entered into in the ordinary course of business and designed solely to protect the Company or any of its Restricted Subsidiaries from fluctuations in interest rates, currencies or the price of commodities and not for speculation;
- (7) Pre-Registration Mortgage Guarantees by the Company or any Restricted Subsidiary;
- (8) Indebtedness Incurred by the Company or any Restricted Subsidiary:
 - (i) representing Capitalized Lease Obligations or Other Financing to be used in the ordinary course of business by the Company or a Restricted Subsidiary in the Permitted Business; or
 - (ii) for the purpose of financing (x) all or any part of the purchase price of assets, real or personal property (including the lease purchase price of land use rights) or equipment to be used in the ordinary course of business by the Company or a Restricted Subsidiary in the Permitted Business, including any such purchase through the acquisition of Capital Stock of any Person that owns such assets, real or personal property or equipment which will, upon acquisition, become a Restricted Subsidiary, or (y) all or any part of the purchase price or the cost of development, construction or improvement of assets, real or personal property (including the lease purchase price of land use rights) or equipment to be used in the ordinary course of business by the Company or such Restricted Subsidiary in the Permitted Business;

provided that, in the case of clause (ii), (A) the aggregate principal amount of such Indebtedness shall not exceed such purchase price, cost or payment, as the case may be, and (B) such Indebtedness shall be Incurred no later than 180 days after the acquisition of such assets, property or equipment or completion of such development, construction or improvement and, in the case of clauses (i) and (ii), (C) on the date of the Incurrence of such Indebtedness and after giving effect thereto, the sum of (1) the aggregate principal amount outstanding of all such Indebtedness permitted by this clause (8) (including all Permitted Refinancing Indebtedness Incurred to refinance such Indebtedness, but excluding any Contractor Guarantee Incurred under this clause (8) to the extent the amount of such Contractor Guarantee is otherwise reflected in such aggregate principal amount) and (2) the aggregate principal amount of all outstanding Indebtedness Incurred and Preferred Stock Issued under clauses (16), (17) and (18) below (including, in each case, all Permitted Refinancing Indebtedness Incurred to refinance such Indebtedness), does not exceed an amount equal to 30.0% of Total Assets;

- (9) 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);
- (10) Indebtedness Incurred by the Company or any Restricted Subsidiary constituting reimbursement obligations with respect to letters of credit, trade guarantees or similar instruments issued in the ordinary course of business to the extent that such letters of credit, trade guarantees or similar instruments are not drawn upon or, if drawn upon, to the extent such drawing is reimbursed no later than 30 days following receipt by the Company or such Restricted Subsidiary of a demand for reimbursement;

- (11) Indebtedness arising from agreements providing for indemnification, adjustment of purchase price or similar obligations, or from Guarantees or letters of credit, surety bonds or performance bonds securing any obligation of the Company or any Restricted Subsidiary pursuant to such agreements, in any case, Incurred in connection with the disposition of any business, assets or Restricted Subsidiary, other than Guarantees of Indebtedness Incurred by any Person acquiring all or any portion of such business, assets or Restricted Subsidiary for the purpose of financing such acquisition; *provided* that the maximum aggregate liability in respect of all such Indebtedness in the nature of such Guarantee shall at no time exceed the gross proceeds actually received from the disposition of such business, assets or Restricted Subsidiary;
- (12) 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;
- (13) (i) Guarantees by the Company or any Subsidiary Guarantor of Indebtedness of the Company or any Restricted Subsidiary that was permitted to be Incurred by another provision of this covenant, (ii) Guarantees by any Restricted Subsidiary of Indebtedness of another Restricted Subsidiary that was permitted to be Incurred under another provision of this covenant or (iii) Guarantees by any JV Subsidiary Guarantor of Indebtedness of any other JV Subsidiary Guarantor that is a direct or indirect Subsidiary or parent of such JV Subsidiary Guarantor, which Indebtedness was permitted to be Incurred by another provision of this covenant;
- (14) 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 (b)(14) at any time outstanding (together with refinancings thereof) does not exceed US\$20.0 million (or the Dollar Equivalent thereof);
- (15) Indebtedness of the Company or any Restricted Subsidiary in an aggregate principal amount outstanding at any time (together with refinancings thereof) not to exceed US\$20.0 million (or the Dollar Equivalent thereof);
- (16) Bank Deposit Secured Indebtedness Incurred by the Company or any Restricted Subsidiary; *provided* that, on the date of the Incurrence of such Indebtedness and after giving effect thereto, the sum of (1) the aggregate principal amount outstanding of all such Indebtedness Incurred pursuant to this clause (16) (including all Permitted Refinancing Indebtedness Incurred to refinance such Indebtedness) and (2) the aggregate principal amount outstanding of all Indebtedness Incurred and Preferred Stock Issued pursuant to clause (8) above and clauses (17) and (18) below (including, in each case, all Permitted Refinancing Indebtedness Incurred to refinance such Indebtedness, but excluding any Contractor Guarantee Incurred under clause (8) above to the extent the amount of such Contractor Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 30.0% of Total Assets;
- (17) Indebtedness Incurred or Preferred Stock issued by the Company or any Restricted Subsidiary arising from any Investment made by a Trust Company Investor in a Restricted Subsidiary; *provided* that, on the date of Incurrence of such Indebtedness or issuance of such Preferred Stock and after giving effect thereto, the sum of (1) the aggregate amount outstanding of all Indebtedness Incurred and Preferred Stock Issued under this clause (17) (including all Permitted Refinancing Indebtedness Incurred to refinance such Indebtedness) and (2) the aggregate principal amount outstanding of all Indebtedness Incurred pursuant to clauses (8) and (16) above and clause (18) below

(including, in each case, all Permitted Refinancing Indebtedness Incurred to refinance such Indebtedness, but excluding any Contractor Guarantee Incurred under clause (8) above to the extent the amount of such Contractor Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 30.0% of Total Assets;

(18) Indebtedness Incurred by any PRC Restricted Subsidiary which is secured by Investment Properties or other properties owned and held by any PRC Restricted Subsidiary for office use; *provided* that, on the date of the Incurrence of such Indebtedness and after giving effect thereto, the sum of (1) the aggregate principal amount outstanding of all such Indebtedness Incurred pursuant to this clause (18) (including all Permitted Refinancing Indebtedness Incurred to refinance such Indebtedness) plus (2) the aggregate principal amount outstanding of all Indebtedness Incurred and Preferred Stock issued pursuant to clauses (8), (16) and (17) above (including, in each case, all Permitted Refinancing Indebtedness Incurred to refinance such Indebtedness, but excluding any Contractor Guarantee Incurred under clause (8) above to the extent the amount of such Contractor Guarantee is otherwise reflected in such aggregate principal amount), does not exceed an amount equal to 30.0% of Total Assets; and

(19) 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.

(c) 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, the Company, in its sole discretion, shall classify, and from time to time may reclassify, such item of Indebtedness in one or more types of Indebtedness described above.

(d) Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that may be Incurred or Preferred Stock that may be issued pursuant to this covenant will not be deemed to be exceeded with respect to any outstanding Indebtedness or Preferred Stock due solely to the result of fluctuations in the exchange rates of currencies.

Limitation on Restricted Payments

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

(1) declare or pay any dividend or make any distribution on or with respect to the Company’s or any of the Restricted Subsidiaries’ Capital Stock (other than dividends or distributions payable or paid in shares of the Company’s Capital Stock (other than Disqualified Stock or Preferred Stock) or in options, warrants or other rights to acquire shares of such Capital Stock) held by Persons other than the Company or any Wholly Owned Restricted Subsidiary;

- (2) purchase, call for redemption or redeem, retire or otherwise acquire for value any shares of Capital Stock of the Company or any Restricted Subsidiary (including options, warrants or other rights to acquire such shares of Capital Stock) or any direct or indirect parent of the Company held by any Persons other than the Company or any Wholly Owned Restricted Subsidiary, other than the purchase of Capital Stock of a Restricted Subsidiary pursuant to a Staged Acquisition Agreement;
- (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 New Notes or any of the Subsidiary Guarantees or any of the JV Subsidiary Guarantees (excluding any intercompany Indebtedness between or among the Company and any of its Wholly Owned Restricted Subsidiaries); or
- (4) make any Investment, other than a Permitted Investment;

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

- (A) a Default shall have occurred and is continuing or would occur as a result of such Restricted Payment;
- (B) the Company could not Incur at least US\$1.00 of Indebtedness under the proviso in the first paragraph of the covenant under the caption “—Limitation on Indebtedness and Preferred Stock;” or
- (C) such Restricted Payment, together with the aggregate amount of all (1) Restricted Payments made by the Company and its Restricted Subsidiaries after the Original Issue Date and (2) payments made by the Company and its Restricted Subsidiaries after the Measurement Date but on or before the Original Issue Date that would have been Restricted Payments had they been made after the Original Issue Date, shall exceed the sum (without duplication) of:
 - (1) 50% of the aggregate amount of the Consolidated Net Income of the Company (or, if the Consolidated Net Income is a loss, minus 100% of the amount of such loss) accrued on a cumulative basis during the period (taken as one accounting period) beginning on January 1, 2015 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
 - (2) 100% of the aggregate Net Cash Proceeds received by the Company after the Measurement Date as a capital contribution to its common equity or from the issuance and sale of its Capital Stock (other than Disqualified Stock) to a Person who is not a Subsidiary of the Company, including any such Net Cash Proceeds received upon (x) the conversion of any Indebtedness (other than Subordinated Indebtedness) of the Company into Capital Stock (other than Disqualified Stock) of the Company, or (y) 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

- (3) the amount by which Indebtedness of the Company or any Restricted Subsidiary is reduced on the Company's consolidated balance sheet upon the conversion or exchange (other than by a Subsidiary of the Company) subsequent to the Measurement Date of any Indebtedness of the Company or any Restricted Subsidiary convertible or exchangeable into Capital Stock (other than Disqualified Stock) of the Company (less the amount of any cash, or the Fair Market Value of any other property, distributed by the Company upon such conversion or exchange); plus
- (4) an amount equal to the net reduction in Investments (other than reductions in Permitted Investments) that were made after the Measurement Date in any Person resulting from (A) payments of interest on Indebtedness, dividends or repayments of loans or advances by such Person or other transfer of properties (with respect to transfer of properties, the amount of reduction shall be the lower of (x) such net reduction as recorded under GAAP and (y) the Fair Market Value of such properties at the time of such transfer), in each case to the Company or any Restricted Subsidiary (except, in each case, to the extent any such payment or proceeds are included in the calculation of Consolidated Net Income) after the Measurement Date, (B) the unconditional release of a Guarantee provided by the Company or a Restricted Subsidiary after the Measurement Date of an obligation of another Person, (C) to the extent that an Investment made after the Measurement Date was, after such date, or is sold or otherwise liquidated or repaid for cash, the lesser of (x) cash return of capital with respect to such Investment (less the cost of disposition, if any) and (y) the initial amount of such Investment, or (D) from redesignations of Unrestricted Subsidiaries as Restricted Subsidiaries, not to exceed, in each case, the amount of Investments (other than Permitted Investments) made by the Company or a Restricted Subsidiary after the Measurement Date in any such Person; plus
- (5) US\$20.0 million (or the Dollar Equivalent thereof using the Measurement Date as the date of determination).

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 Subsidiary Guarantor or JV Subsidiary Guarantor 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, any Subsidiary Guarantor or any JV Subsidiary Guarantor (or options, warrants or other rights to acquire such Capital Stock) in exchange for, or out of the Net Cash Proceeds of a substantially concurrent capital contribution or a substantially concurrent sale (other than to a Subsidiary of the Company) of, shares of Capital Stock (other than Disqualified Stock) of the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor (or options, warrants or other rights to acquire such Capital Stock); *provided* that the amount of any such Net Cash Proceeds that are utilized for any such Restricted Payment will be excluded from clause (C)(2) of the preceding paragraph;

- (4) the redemption, repurchase, defeasance or other acquisition or retirement for value of Subordinated Indebtedness of the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor 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, any Subsidiary Guarantor or any JV Subsidiary Guarantor (or options, warrants or other rights to acquire such Capital Stock); *provided* that the amount of any such Net Cash Proceeds that are utilized for any such Restricted Payment will be excluded from clause (C)(2) 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;
- (6) repurchases of Capital Stock deemed to occur upon the exercise of stock options if such Capital Stock represents a portion of the exercise price thereof;
- (7) payments made under a Staged Acquisition Agreement to acquire the Capital Stock of a Person *provided* that, such Person becomes a Restricted Subsidiary on or before the last date in the period stipulated in such Staged Acquisition Agreement for which the purchase price can be made (such date not to exceed 12 months from the date the Staged Acquisition Agreement was entered into) (the “Deadline Date”); *provided further* that, in the event such Person does not become a Restricted Subsidiary on or before the Deadline Date, all payments previously made under this clause (7) shall be aggregated and constitute Restricted Payments made on the Deadline Date and such Restricted Payments must satisfy the other conditions under this covenant;
- (8) dividends paid to, or the purchase of the Capital Stock of any Restricted Subsidiary (as the case may be) held by, any Trust Company Investor in respect of any Indebtedness or Preferred Stock outstanding on the Measurement Date or permitted to be Incurred under paragraph (b)(17) of the “Limitation on Indebtedness and Preferred Stock” covenant; or
- (9) the declaration and payment of dividends on the Common Stock of the Company by the Company in an aggregate amount not to exceed 20.0% of profit for the year for any fiscal year ending after the Original Issue Date;

provided that, in the case of clause (2), (3), (4) or (9) of this paragraph, no Default shall have occurred and be continuing or would occur as a consequence of the actions or payments set forth therein.

Each Restricted Payment made pursuant to clause (1) or (9) of the preceding paragraph 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 Independent Financial Advisor if the Fair Market Value exceeds US\$10.0 million (or the Dollar Equivalent thereof).

Not later than the date of making any Restricted Payment in an amount in excess of US\$10.0 million (or the Dollar Equivalent thereof), the Company will deliver to the Trustee an Officers' Certificate stating that such Restricted Payment (other than any Restricted Payments set forth in clause (5) through (9) above) is permitted and setting forth the basis upon which the calculations required by this covenant under the caption "—Limitation on Restricted Payments" were computed, together with a copy of any fairness opinion or appraisal required by the Indenture.

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 New Notes are equally and ratably secured by such Lien.

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 obligations owed to the Company or any other Restricted Subsidiary;
 - (c) make loans or advances to the Company or any other Restricted Subsidiary; or
 - (d) sell, lease or transfer any of its property or assets to the Company or any other Restricted Subsidiary.

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

- (2) The provisions of paragraph (1) do not apply to any encumbrances or restrictions:
 - (a) existing in agreements as in effect on the Original Issue Date, or in the New Notes, the Subsidiary Guarantees, the JV Subsidiary Guarantees, the Indenture, the Security Documents or, the Intercreditor Agreement, 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 or JV Subsidiary Guarantor, or in any extensions, refinancings, renewals, supplements, amendments or replacements of any of the foregoing agreements; *provided* that the encumbrances and restrictions in

any such extension, refinancing, renewal, supplement, amendment 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; or
- (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 permitted under clause (b)(8), (b)(14), (b)(15), (b)(16), (b)(17), (b)(18) or (b)(19) of the “Limitation on Indebtedness and Preferred Stock” covenant if, as determined by the Board of Directors, the encumbrances or restrictions are (i) customary for such types of agreements and (ii) would not, at the time agreed to, be expected to materially and adversely affect the ability of the Company to make required payment on the New 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.

Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries

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

- (1) to the Company or a Wholly Owned Restricted Subsidiary, or in the case of a Restricted Subsidiary that is not Wholly Owned, pro rata to its shareholders or incorporators or on a basis more favorable to the Company and the Restricted Subsidiaries;
- (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; or
- (4) the issuance or sale of Capital Stock of a Restricted Subsidiary (which remains a Restricted Subsidiary after any such issuance or sale); *provided* that the Company or such Restricted Subsidiary applies the Net Cash Proceeds of such issuance or sale in accordance with the "Limitation on Asset Sales" covenant.

Limitation on Issuances of Guarantees by Restricted Subsidiaries

The Company will not permit any Restricted Subsidiary which is not a Subsidiary Guarantor or a JV Subsidiary Guarantor, directly or indirectly, to Guarantee any Indebtedness ("Guaranteed Indebtedness") of the Company or any Subsidiary Guarantor or JV Subsidiary Guarantor, unless (1)(a) such Restricted Subsidiary simultaneously executes and delivers a supplemental indenture to the Indenture providing for an unsubordinated Subsidiary Guarantee (in the case of a Subsidiary Guarantor) or JV Subsidiary Guarantee (in the case of a JV Subsidiary Guarantor) of payment of the New Notes by such Restricted Subsidiary and (b) such Restricted Subsidiary waives and will not in any manner whatsoever claim or take the benefit or advantage of any rights of reimbursement, indemnity or subrogation or any other rights against the Company or any other Restricted Subsidiary as a result of any payment by such Restricted Subsidiary under its Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, until the New Notes have been paid in full or (2) such Guarantee is permitted by clause (b)(3), (b)(4), (b)(13)(ii) (in the case of clause (b)(13)(ii), other than a Guarantee by a PRC Restricted Subsidiary of the Indebtedness of a non-PRC Restricted Subsidiary or (b)(16) (in the case of clause (b)(16), with respect to the Guarantee *provided* by the Company or any Restricted Subsidiary through the pledge of cash deposits, bank accounts or other assets to secure (or the use of any Guarantee, letter of credit or similar instrument to Guarantee) any Bank Deposit Secured Indebtedness), under the caption "Limitation on Indebtedness and Preferred Stock."

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

The Company will not permit any JV Subsidiary Guarantor, directly or indirectly, to Guarantee any Indebtedness of the Company or any other Restricted Subsidiary unless the aggregate claims of the creditor under such Guarantee will be limited to the applicable JV Entitlement Amount. If any JV Subsidiary Guarantor Guarantees any Indebtedness of the Company or any other Restricted Subsidiary where the aggregate claims of the creditor under such Guarantee exceeds the applicable JV Entitlement Amount, such JV Subsidiary Guarantee shall be replaced with a Subsidiary Guarantee given by a Subsidiary Guarantor.

Limitation on Sale and Leaseback Transactions

The Company will not, and will not permit any Restricted Subsidiary 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, as the case may be, 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 such Restricted Subsidiary applies the proceeds of such transaction in compliance with, the covenant described below under the caption “Limitation on Asset Sales.”

Limitation on Asset Sales

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

- (1) no Default shall have occurred and be continuing or would occur as a result of such Asset Sale;
- (2) the consideration received by the Company or such Restricted Subsidiary, as the case may be, is at least equal to the Fair Market Value of the assets sold or disposed of; and
- (3) at least 75% of the consideration received consists of cash, Temporary Cash Investments or Replacement Assets; *provided* that, in the case of an Asset Sale in which the Company or such Restricted Subsidiary receives Replacement Assets involving an aggregate consideration with a Fair Market Value in excess of US\$10.0 million (or the Dollar Equivalent thereof), the Company shall deliver to the Trustee an opinion as to the fairness to the Company or such Restricted Subsidiary of such Asset Sale from a financial point of view issued by an Independent Financial Advisor. 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 New Notes, any Subsidiary Guarantee

or any JV Subsidiary Guarantee) that are assumed by the transferee of any such assets pursuant to a customary assumption, assignment, novation, set-off or similar agreement that releases the Company or such Restricted Subsidiary from further liability; and

- (b) any securities, notes or other obligations received by the Company or any Restricted Subsidiary from such transferee that are promptly, but in any event within 30 days of closing, converted by the Company or such Restricted Subsidiary into cash, to the extent of the cash received in that conversion.

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

- (1) permanently repay Senior Indebtedness of the Company or a Subsidiary Guarantor or any Indebtedness of a Restricted Subsidiary that is not a Subsidiary Guarantor (and, if such Senior Indebtedness repaid is revolving credit Indebtedness, to correspondingly reduce commitments with respect thereto) in each case owing to a Person other than the Company or a Restricted Subsidiary; or
- (2) acquire Replacement Assets.

Any Net Cash Proceeds from Asset Sales that are not applied or invested as provided in clauses (1) and (2) in the immediately preceding paragraph will constitute "Excess Proceeds." Excess Proceeds of less than US\$10.0 million (or the Dollar Equivalent thereof) will be carried forward and accumulated. When the aggregate amount of Excess Proceeds exceeds US\$10.0 million (or the Dollar Equivalent thereof), within 10 days thereof, the Company must make an Offer to Purchase New 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 New Notes and (y) the denominator of which is equal to the outstanding principal amount of the New 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 New Notes (and any other *pari passu* Indebtedness) tendered in such Offer to Purchase exceeds the amount of Excess Proceeds, the New Notes (and such other *pari passu* Indebtedness) to be purchased on a pro rata basis will be selected in the manner set out under "—Optional Redemption." Upon completion of each Offer to Purchase, the amount of Excess Proceeds will be reset at zero.

Limitation on Transactions with Shareholders and Affiliates

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, enter into, renew or extend any transaction or arrangement (including, without limitation, the purchase, sale, lease or exchange of property or assets, or the rendering of any service) with (x) any holder (or any Affiliate of such holder) of 10.0% or more of any class of Capital Stock of the Company or (y) any Affiliate of the Company (each an “Affiliate Transaction”), unless:

- (1) the Affiliate Transaction is on fair and reasonable terms that are no less favorable to the Company or the relevant Restricted Subsidiary than those that would have been obtained in a comparable arm’s-length transaction by the Company or the relevant Restricted Subsidiary with a Person that is not an Affiliate of the Company; and
- (2) the Company delivers to the Trustee:
 - (a) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of US\$5.0 million (or the Dollar Equivalent thereof), a Board Resolution set forth in an Officers’ Certificate certifying that such Affiliate Transaction complies with this covenant and such Affiliate Transaction has been approved by a majority of the disinterested members of the Board of Directors; and
 - (b) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of US\$10.0 million (or the Dollar Equivalent thereof) (other than any such transaction or transactions between the Company or a Restricted Subsidiary and PingAn, so long as such transaction is or transactions are entered into in the ordinary course of business), in addition to the Board Resolution required in clause 2(a) above, an opinion as to the fairness to the Company or the relevant Restricted Subsidiary of such Affiliate Transaction from a financial point of view issued by an Independent Financial Advisor.

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

- (1) the payment of reasonable and customary regular fees and other compensation for the service as board members to directors of the Company or any Restricted Subsidiary who are not employees of the Company or any Restricted Subsidiary;
- (2) transactions between or among the Company and any of its Wholly Owned Restricted Subsidiaries or between or among Wholly Owned Restricted Subsidiaries;
- (3) any Restricted Payment of the type described in clause (1) or (2) 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 employees, officers and directors of the Company or any Restricted Subsidiary pursuant to an employee stock or share option scheme, so long as such scheme has been approved by the Board of Directors and is in compliance with the Listing Rules, which as of the Original Issue Date require a majority shareholder approval of any such scheme;

- (6) any employment, consulting, service or termination agreement, or reasonable and customary indemnification arrangements, entered into by the Company or any Restricted Subsidiary with directors, officers, employees and consultants in the ordinary course of business and the payment of compensation pursuant thereto; and
- (7) any sale of real property by the Company or a Restricted Subsidiary in the ordinary course of business to employees, officers, directors or their respective family members at a discount from the listed price not greater than that applicable generally to all employees of the Company and its Subsidiaries with respect to such property; *provided* that (A) revenues from all such sales in any fiscal year shall not exceed 1.0% of the revenues for that year as shown in the consolidated financial statements of the Company for that period in accordance with GAAP, (B) any such discount shall not be in excess of 10.0% of the Fair Market Value of the relevant property and (C) any such sale, individually or in the aggregate (if required to be aggregated under the Listing Rules), would not require the Company to obtain approval from its shareholders (or seek a waiver from complying with such requirement) in order to comply with the Listing Rules.

In addition, the requirements of clause (2) of the first paragraph of this covenant shall not apply to (i) Investments (other than 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 the Company and any Restricted Subsidiary that is not a Wholly Owned Restricted Subsidiary, between or among Restricted Subsidiaries that are not Wholly Owned Restricted Subsidiaries or between or among the Company or a Restricted Subsidiary on the one hand and a Minority Joint Venture or an Unrestricted Subsidiary on the other hand; *provided* that in the case of clause (iii) (a) such transaction is entered into in the ordinary course of business and (b) none of the shareholders or partners (other than the Company or any Restricted Subsidiary) of or in such Restricted Subsidiary that is not a Wholly Owned Restricted Subsidiary, Minority Joint Venture 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 other shareholder or other partner being an officer or director of such Restricted Subsidiary, Minority Joint Venture or Unrestricted Subsidiary).

Limitation on the Company’s Business Activities

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

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 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 or any other Restricted Subsidiary as a result of such designation; (4) such Restricted Subsidiary does not own any Disqualified Stock of the Company or Disqualified or Preferred Stock of another Restricted Subsidiary or hold any Indebtedness of, or any Lien on any property of, the Company or any Restricted Subsidiary, if such Disqualified or Preferred Stock or Indebtedness could not be Incurred under the covenant described under the caption “—Limitation on Indebtedness and Preferred Stock” or such Lien would violate the covenant described under the caption “—Limitation on Liens;” (5) such Restricted Subsidiary does not own any Voting Stock of another Restricted Subsidiary, and

all of its Subsidiaries are Unrestricted Subsidiaries or are being concurrently designated to be Unrestricted Subsidiaries in accordance with this paragraph; and (6) the Investment deemed to have been made thereby in such newly designated Unrestricted Subsidiary and each other newly designated Unrestricted Subsidiary being concurrently redesignated would be permitted to be made by the covenant described under “—Limitation on Restricted Payments.”

The Board of Directors may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; *provided* that (1) no Default shall have occurred and be continuing at the time of or after giving effect to such designation, (2) any Indebtedness of such Unrestricted Subsidiary outstanding at the time of such designation which will be deemed to have been Incurred by such newly designated Restricted Subsidiary as a result of such designation would be permitted to be Incurred by the covenant described under the caption “—Limitation on Indebtedness and Preferred Stock,” (3) any Lien on the property of such Unrestricted Subsidiary at the time of such designation which will be deemed to have been incurred by such newly designated Restricted Subsidiary as a result of such designation would be permitted to be incurred by the covenant described under the caption “—Limitation on Liens,” (4) such Unrestricted Subsidiary is not a Subsidiary of another Unrestricted Subsidiary (that is not concurrently being designated as a Restricted Subsidiary), (5) if such Restricted Subsidiary is not organized under the laws of the PRC and is not an Other Non-Guarantor Subsidiary, such Restricted Subsidiary shall upon such designation execute and deliver to the Trustee a supplemental indenture to the Indenture by which such Restricted Subsidiary shall become a Subsidiary Guarantor or, if it is permitted to do so under the Indenture, a JV Subsidiary Guarantor, and (6) if such Restricted Subsidiary is not organized under the laws of the PRC and is not an Other Non-Guarantor Subsidiary, all Capital Stock of such Restricted Subsidiary owned by the Company or any other Restricted Subsidiary shall be pledged as required under “—Security.”

Government Approvals and Licenses; Compliance with Law

The Company will, and will cause each Restricted Subsidiary to, (i) obtain and maintain in full force and effect all governmental approvals, authorizations, consents, permits, concessions and licenses as are necessary to engage in the Permitted Businesses, (ii) 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 (iii) comply with all laws, regulations, orders, judgments and decrees of any governmental body, except to the extent that failure so to obtain, maintain, preserve and comply would not reasonably be expected to have a material adverse effect on (A) the business, results of operations or prospects of the Company and its Restricted Subsidiaries taken as a whole or (B) the ability of the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor to perform its obligations under the New Notes, the relevant Subsidiary Guarantee, the relevant JV Subsidiary Guarantee or the Indenture.

Anti-Layering

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

Use of Proceeds

The Company will not, and will not permit any Restricted Subsidiary to, use the net proceeds from the sale of the New Notes, in any amount, for any purpose other than (1) as specified under the caption “Use of Proceeds” in this offering memorandum and (2) pending the application of all of such net proceeds in such manner, to invest the portion of such net proceeds not yet so applied in Temporary Cash Investments.

Suspension of Certain Covenants

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

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

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

Events of Default

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

- (a) default in the payment of principal of (or premium, if any, on) the New Notes when the same becomes due and payable at maturity, upon acceleration, redemption or otherwise;

- (b) default in the payment of interest on any New Note when the same becomes due and payable, and such default continues for a period of 30 consecutive days;
- (c) 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 New Notes upon a Change of Control Triggering Event” or “—Limitation on Asset Sales,” or the failure by the Company to create, or cause its Restricted Subsidiaries to create a Lien on the Collateral (subject to any Permitted Liens and the Intercreditor Agreement, if any) in accordance with the covenant described under the caption “—Security;”
- (d) the Company or any Restricted Subsidiary defaults in the performance of or breaches any other covenant or agreement in the Indenture or under the New Notes (other than a default specified in clause (a), (b) or (c) 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 New Notes;
- (e) there occurs with respect to any Indebtedness of the Company or any Restricted Subsidiary having an outstanding principal amount of US\$7.5 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;
- (f) one or more final judgments or orders for the payment of money are rendered against the Company or any Restricted Subsidiary 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\$7.5 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;
- (g) an involuntary case or other proceeding is commenced against the Company or any Restricted Subsidiary with respect to it or its debts under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect seeking the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Company or any Restricted Subsidiary or for any substantial part of the property and assets of the Company or any Restricted Subsidiary and such involuntary case or other proceeding remains undismissed and unstayed for a period of 60 consecutive days; or an order for relief is entered against the Company or any Restricted Subsidiary under any applicable bankruptcy, insolvency or other similar law as now or hereafter in effect;
- (h) the Company or any Restricted Subsidiary (i) 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, (ii) other than in connection with a solvent liquidation or reorganization, consents to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Company or any Restricted Subsidiary or for all or substantially all of the property and assets of the Company or any Restricted Subsidiary or (iii) effects any general assignment for the benefit of creditors;

- (i) any Subsidiary Guarantor or JV Subsidiary Guarantor denies or disaffirms its obligations under its Subsidiary Guarantee or JV Subsidiary Guarantee or, except as permitted by the Indenture, any Subsidiary Guarantee or JV Subsidiary Guarantee is determined to be unenforceable or invalid or shall for any reason cease to be in full force and effect;
- (j) 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
- (k) 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 Security Agent ceases to have a first priority security interest in the Collateral (subject to any Permitted Liens and the Intercreditor Agreement, if any).

If an Event of Default (other than an Event of Default specified in clause (g) or (h) above) occurs and is continuing under the Indenture, the Trustee or the Holders of at least 25% in aggregate principal amount of the New Notes then outstanding, by written notice to the Company (and to the Trustee if such notice is given by the Holders), may, and the Trustee at the written request of such Holders shall, subject to receiving indemnity and/or security to its satisfaction, declare the principal of, premium, if any, and accrued and unpaid interest on the New 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 (g) or (h) above occurs with respect to the Company or any Restricted Subsidiary, the principal of, premium, if any, and accrued and unpaid interest on the New 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 New Notes by written notice to the Company and to the Trustee may on behalf of the Holders of New Notes waive all past defaults and rescind and annul a declaration of acceleration and its consequences if (x) all existing Events of Default, other than the nonpayment of the principal of, premium, if any, and interest on the New Notes that have become due solely by such declaration of acceleration, have been cured or waived and (y) 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 with respect to the New Notes 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 New Notes or to enforce the performance of any provision of the New Notes or the Indenture. The Trustee may maintain a proceeding even if it does not possess any of the New Notes or does not produce any of them in the proceeding. If an Event of Default occurs and is continuing, the Trustee may, and shall upon request of Holders of at least 25% in aggregate principal amount of outstanding New Notes (subject to being indemnified and/or secured to its satisfaction), deliver an enforcement notice to the Security Agent instructing the Security Agent to foreclose on the Collateral in accordance with the terms of the Security Documents or the Intercreditor Agreement and take such further action on behalf of the Holders of the New Notes with respect to the Collateral as the Trustee deems appropriate subject to the terms of the Indenture and the Intercreditor Agreement. See “—Security.”

The Holders of at least a majority in aggregate principal amount of the outstanding New Notes may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee. However, the Trustee may refuse to follow any direction that conflicts with law or the Indenture, that may involve the Trustee in personal liability, or that is unduly prejudicial to the rights of Holders not joining in the giving of such direction and may take any other action it deems proper that is not inconsistent with any such direction received from Holders. Neither the Trustee nor the Security Agent shall be required to expend its own funds in following such direction if it does not believe that reimbursement or satisfactory indemnification and/or security is assured to it.

A Holder of New Notes may not institute any proceeding, judicial or otherwise, with respect to the Indenture or the New Notes, or for the appointment of a receiver or trustee, or for any other remedy under the Indenture or the New 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 New 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 written request and the offer of indemnity and/or security; and
- (5) during such 60 day period, the Holders of a majority in aggregate principal amount of the outstanding New Notes do not give the Trustee a direction that is inconsistent with the request.

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

Officers of the Company must certify, on or before a date not more than 120 days after the end of each fiscal year, that a review has been conducted of the activities of the Company and its Restricted Subsidiaries and the Company's and its Restricted Subsidiaries' performance under the Indenture and that the Company has fulfilled all obligations thereunder, 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 "Provision of Financial Statements and Reports."

None of the Trustee, Security Agent or any Agent is obligated to 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. Each of the Trustee, the Security Agent and the Agents may assume that no such event has occurred and that the Company and the Subsidiary Guarantors are performing all of their obligations under the Indenture, the Intercreditor Agreement, the Security Documents and the New Notes unless the Trustee, the Security Agent or the Agent, as the case may be, has received written notice of the occurrence of such event or facts establishing that a Default or an Event of Default has occurred or that the Company and the Subsidiary Guarantors are not performing all of their obligations under the Indenture, the Intercreditor Agreement, the Security Documents and/or the New Notes.

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 is consolidated or merged, or that acquired or leased such property and assets (the "Surviving Person") shall be a corporation incorporated 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 New 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 or through which it makes payments, and the Indenture, the New Notes, the Intercreditor Agreement, 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 proviso in first paragraph of the covenant under the caption "—Limitation on Indebtedness and Preferred Stock;"
- (5) the Company delivers to the Trustee (x) an Officers' Certificate (attaching the arithmetic computations to demonstrate compliance with clauses (3) and (4) of this paragraph) and (y) an Opinion of Counsel, in each case stating that such consolidation, merger or transfer and the relevant supplemental indenture complies with this provision and that all conditions precedent provided for in the Indenture relating to such transaction have been complied with;
- (6) (each Subsidiary Guarantor and JV Subsidiary Guarantor, unless such Subsidiary Guarantor or JV Subsidiary Guarantor is the Person with which the Company has entered into a transaction described under the caption "—Consolidation, Merger and Sale of Assets," shall execute and deliver a supplemental indenture to the Indenture confirming that its Subsidiary Guarantee or JV Subsidiary Guarantee, as applicable, shall apply to the obligations of the Company or the Surviving Person in accordance with the New Notes and the Indenture; and
- (7) no Rating Decline shall have occurred.

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

- (1) such Subsidiary Guarantor or JV Subsidiary Guarantor shall be the continuing Person, or the Person (if other than it) formed by such consolidation or merger, or with or into which the Company is 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 (or, in the case of a JV Subsidiary Guarantor, another JV Subsidiary Guarantor, the Company or a Subsidiary Guarantor); and shall expressly assume, by a supplemental indenture to the Indenture, executed and delivered to the Trustee, all the obligations of such Subsidiary Guarantor or JV Subsidiary Guarantor under the Indenture, the New 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 or through which it makes payments, and the Indenture, the New 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 shall have a Consolidated Net Worth equal to or greater than the Consolidated Net Worth of the Company immediately prior to such transaction;
- (4) immediately after giving effect to such transaction on a pro forma basis, the Company could Incur at least US\$1.00 of Indebtedness under the proviso in first paragraph of the covenant under the caption “—Limitation on Indebtedness and Preferred Stock;”
- (5) the Company delivers to the Trustee (x) an Officers' Certificate (attaching the arithmetic computations to demonstrate compliance with clauses (3) and (4) of this paragraph) and (y) Opinion of Counsel, in each case stating that such consolidation, merger or transfer and the relevant supplemental indenture complies with this provision and that all conditions precedent provided for in the Indenture relating to such transaction have been complied with; and
- (6) no Rating Decline shall have occurred;

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

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

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

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

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 of any New Notes for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of the Indenture or the New Notes unless such consideration is offered to be paid or is paid to all Holders of the New Notes 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.

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 New 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 New Notes (except for, among other matters, certain obligations to register the transfer or exchange of the New Notes, to replace stolen, lost or mutilated New Notes, to maintain paying agencies, to pay Additional Amounts and to hold monies for payment in trust) if, among other things:

- (A) the Company (a) has deposited with the Trustee (or its agent), in trust, money, U.S. Government Obligations or any combination thereof that through the payment of interest and principal in respect thereof in accordance with their terms will provide money in an amount sufficient to pay the principal of, premium, if any, and accrued interest on the New Notes on the Stated Maturity of such payments in accordance with the terms of the Indenture and the New 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 New Notes on the Stated Maturity of such payment in accordance with the terms of the Indenture;
- (B) 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
- (C) immediately after giving effect to such deposit on a pro forma basis, no Event of Default, or event that after the giving of notice or lapse of time or both would become an Event of Default, shall have occurred and be continuing on the date of such deposit or during the period ending on the 183rd day after the date of such deposit, and such defeasance shall not result in a breach or violation of, or constitute a default under, any other agreement or instrument to which the Company or any of its Restricted Subsidiaries is a party or by which the Company or any of its Restricted Subsidiaries is bound.

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

Defeasance of Certain Covenants

The Indenture further will provide that (i) the provisions of the Indenture will no longer be in effect with respect to clauses (3), (4), (5)(x) and (7) under the first paragraph and clauses (3), (4), (5)(x) and (6) under the second paragraph under “Consolidation, Merger and Sale of Assets” and all the covenants described herein under “Certain Covenants,” other than as described under “—Certain Covenants—Government Approvals and Licenses; Compliance with Law” and “—Certain Covenants—Anti-Layering”, and (ii) clause (c) 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 such other events set forth in such clause (i) above, clause (d) under “Events of Default” with respect to such other covenants set forth in clause (i) above and clauses (e) and (f) under “Events of Default” shall be deemed not to be Events of Default upon, among other things, the deposit with the Trustee (or its agent), in trust, of money, U.S. Government Obligations or a combination thereof that through the payment of interest and principal in respect thereof in accordance with their terms will provide money in an amount sufficient to pay the principal of, premium, if any, and accrued interest on the New Notes on the Stated Maturity of such payments in accordance with the terms of the Indenture and the New Notes, and the satisfaction of the provisions described in clause (B) of the preceding paragraph.

Defeasance and Certain Other Events of Default

In the event that the Company exercises its option to omit compliance with certain covenants and provisions of the Indenture with respect to the New Notes as described in the immediately preceding paragraph and the New 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 New Notes at the time of their Stated Maturity but may not be sufficient to pay amounts due on the New 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 New Notes, the Subsidiary Guarantees, the JV Subsidiary Guarantees (if any), 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 New 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 or successor Security Agent;
- (4) add any Subsidiary Guarantor or JV Subsidiary Guarantor, or any Subsidiary Guarantee or JV Subsidiary Guarantee, or release any Subsidiary Guarantor or JV Subsidiary Guarantor from any Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, as provided or permitted by the terms of the Indenture;
- (5) provide for the issuance of Additional New Notes in accordance with the limitations set forth in the Indenture;
- (6) add any Subsidiary Guarantor Pledgor or release any Subsidiary Guarantor Pledgor and Collateral as provided or permitted by the terms of the Indenture;

- (7) add additional Collateral to secure the New Notes, any Subsidiary Guarantee or any JV 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 change to the Indenture in a manner necessary to comply with the procedures of Euroclear or Clearstream or any applicable securities depository;
- (10) permit Permitted Pari Passu Secured Indebtedness (including, without limitation, permitting the Trustee or the Security Agent to enter into the Intercreditor Agreement or any supplements or amendments to the Intercreditor Agreement, the Security Documents 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) make any other change that does not materially and adversely affect the rights of any Holder; or
- (12) conform the text of the Indenture, the New Notes, the Subsidiary Guarantees or the JV Subsidiary Guarantees to any provision of this “Description of the New Notes” to the extent that such provision in this “Description of the New Notes” was intended to be a verbatim recitation of a provision in the Indenture, the New Notes, the Subsidiary Guarantees or the JV Subsidiary Guarantees.

Amendments with Consent of Holders

The Indenture, the New Notes, the Subsidiary Guarantees, the JV Subsidiary Guarantees (if any), the Intercreditor Agreement and 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 New Notes, and the Holders of a majority in aggregate principal amount of the outstanding New Notes may waive future compliance by the Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors or the Subsidiary Guarantor Pledgors with any provision of the Indenture, the New Notes, the Subsidiary Guarantees, the JV Subsidiary Guarantees, the Intercreditor Agreement or any Security Document; *provided*, however, that no such modification or amendment 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 New Note;
- (2) reduce the principal amount of, or premium, if any, or interest on, any New Note;
- (3) change the place, currency or time of payment of principal of, or premium, if any, or interest on, any New 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 New Note, any Subsidiary Guarantee or any JV Subsidiary Guarantee;
- (5) reduce the above-stated percentage of outstanding New Notes the consent of whose Holders is necessary to modify or amend the Indenture;
- (6) waive a default in the payment of principal of, or premium, if any, or interest on the New Notes;
- (7) release any Subsidiary Guarantor or JV Subsidiary Guarantor from its Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, except as provided in the Indenture;

- (8) release any Collateral, except as provided in the Intercreditor Agreement, the Indenture and the Security Documents;
- (9) reduce the percentage or aggregate principal amount of outstanding New 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 or JV 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 the Intercreditor Agreement, any Security Document, 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 must be made or by which the New Notes may 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) change the redemption date or the redemption price of the New Notes from that stated under the captions “Optional Redemption” or “Redemption for Taxation Reasons;”
- (14) amend, change or modify the obligation of the Company or any Subsidiary Guarantor or any JV Subsidiary Guarantor to pay Additional Amounts; or
- (15) amend, change or modify any provision of the Indenture or the related definition affecting the ranking of the New Notes, any Subsidiary Guarantee or any JV 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 New 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 New Notes or for any claim based thereon or otherwise in respect thereof, and no recourse under or upon any obligation, covenant or agreement of the Company, any of the Subsidiary Guarantors or any of the JV Subsidiary Guarantors in the Indenture, or in any of the New Notes, the Subsidiary Guarantees or the JV Subsidiary Guarantees, or because of the creation of any Indebtedness represented thereby, shall be had against any incorporator, stockholder, officer, director, employee or controlling person of the Company, any of the Subsidiary Guarantors or JV Subsidiary Guarantors, or of any successor Person thereof. Each Holder, by accepting the New Notes, waives and releases all such liability. The waiver and release are part of the consideration for the issuance of the New Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees. Such waiver may not be effective to waive liabilities under U.S. federal securities laws.

Concerning the Trustee, the Paying Agent and the Security Agent

Citicorp International Limited is to be appointed as Trustee under the Indenture and as Security Agent with respect to the Collateral under the Security Documents, Citigroup Global Markets Deutschland AG is to be appointed as registrar and Citibank, N.A., London Branch is to be appointed as paying and transfer agent (the "Paying Agent") with regard to the New Notes. Except during the continuance of a Default, 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 or JV Subsidiary Guarantors, to obtain payment of claims in certain cases or to realize on certain property received by it in respect of any such claims, as security or otherwise. The Trustee is permitted to engage in other transactions, including normal banking and trustee relationships, with the Company and its Affiliates; *provided*, however, that if it acquires any conflicting interest, it must eliminate such conflict or resign.

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

Citicorp International Limited will initially act as the Security Agent under the Security Documents in respect of the security over the Collateral. The Security Agent, acting in its capacity as such, shall have such duties with respect to the Collateral pledged, assigned or granted pursuant to the Security Documents as are set forth in the Indenture and the Security Documents, subject to the Intercreditor Agreement. Under certain circumstances, the Security Agent may have obligations under the Security Documents or the Intercreditor Agreement that are in conflict with the interests of the Trustee and the Holders. Neither the Trustee nor the Security Agent will be under 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 instructed the Trustee in writing and have offered to the Trustee and/or the Security Agent indemnity and/or security satisfactory to the Trustee and/or the Security Agent against any loss, liability or expense. Furthermore, each Holder, by accepting the New Notes will agree, for the benefit of the Trustee and the Security Agent, that it is solely responsible for its own independent appraisal of and investigation into all risks arising under or in connection with the Security Documents and has not relied on and will not at any time rely on the Trustee or the Security Agent in respect of such risks.

The Security 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 New Notes and, unless notified in writing to the contrary, shall assume that the same are being duly performed. The Security 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 Security Agent and the Trustee, as the case may be, shall not be liable to any Holders for any action taken in accordance with the instructions of the Holders. The Security Agent or Trustee, as the case may be, shall be entitled to rely on any written direction of the Holders which has been duly given by the Holders of the requisite principal amount of the New Notes outstanding.

Neither the Trustee nor the Security Agent shall be deemed or implied to have any duties or obligations under any documents to which it is a party. Furthermore, neither the Trustee nor the Security Agent shall be deemed to have knowledge of an Event of Default or Default unless it has been notified in writing of such an Event of Default or Default thereof.

Book Entry; Delivery and Form

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

Global New Notes

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

Except as set forth below under “—Certificated New 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 New 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 New Notes for all purposes under the Indenture and “holders” of book-entry interests will not be considered the owners or “Holders” of New 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 New Notes or to exercise any rights of Holders under the Indenture.

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

Payments on the Global New Notes

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

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

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

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

Redemption of Global New Notes

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

Action by owners of Book-Entry Interests

Euroclear and Clearstream have advised that they will take any action permitted to be taken by a Holder of New Notes only at the direction of one or more participants to whose account the book-entry interests in the Global New Note are credited and only in respect of such portion of the aggregate principal amount of New 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 New Note. If there is an Event of Default under the New Notes, however, each of Euroclear and Clearstream reserves the right to exchange the Global New Notes for certificated notes in certificated form, and to distribute such certificated notes to their participants.

Transfers

Transfers between participants in Euroclear and Clearstream will be effected in accordance with Euroclear and Clearstream's rules and will be settled in immediately available funds. If a Holder requires physical delivery of certificated notes for any reason, including to sell the New 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 New Notes in accordance with the normal procedures of Euroclear and Clearstream and in accordance with the provisions of the Indenture.

Book-entry interests in the Global New Notes will be subject to the restrictions on transfer discussed under “Transfer Restrictions.”

Any book-entry interest in a Global New Note that is transferred to a person who takes delivery in the form of a book-entry interest in another Global New Note will, upon transfer, cease to be a book-entry interest in the first-mentioned Global New Note and become a book-entry interest in the other Global New 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 New 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 participants on the business day following the settlement date against payment for value on the settlement date.

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

Information concerning Euroclear and Clearstream

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

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

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

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

Certificated Notes

If (1) the common 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 New Notes has become immediately due and payable in

accordance with “—Events of Default” and the Company has received a written request from a Holder, the Company will issue certificated notes in registered form in exchange for the Global New Notes. Upon receipt of such notice from the common depository, Euroclear, Clearstream or the Trustee, as the case may be, the Company will use its best efforts to make arrangements with the common depository for the exchange of interests in the Global New Notes for certificated notes and cause the requested certificated notes to be executed and delivered to the registrar in sufficient quantities and authenticated by the Trustee for delivery to Holders. Persons exchanging interests in a Global New Notes for certificated 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 certificated notes. In all cases, certificated notes delivered in exchange for any Global New Notes or beneficial interests therein will be registered in the names, and issued in any approved denominations, requested by the relevant clearing system.

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

Notices

All notices or demands required or permitted by the terms of the New 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, any Subsidiary Guarantor, any JV Subsidiary Guarantor) addressed to the Company, such Subsidiary Guarantor or JV Subsidiary Guarantor or if intended for the Trustee, as the case may be, 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 New Note register.

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

Consent to Jurisdiction; Service Of Process

The Company and each of the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any) will irrevocably (i) 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 New Notes, any Subsidiary Guarantee, any JV Subsidiary Guarantee (if any), the Indenture or any transaction contemplated thereby and (ii) designate and appoint Corporation Service Company for receipt of service of process in any such suit, action or proceeding.

Governing Law

Each of the New Notes and the Indenture provides that such instrument will be governed by, and construed in accordance with, the laws of the State of New York. The relevant pledge documents pursuant to which the Capital Stock of the Subsidiary Guarantors are pledged as described under “—Security” is expected to be governed under 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 New Notes” for which no definition is provided.

“2018 Notes” means the 13.75% senior notes due 2018 issued by the Company on December 15, 2015 and September 14, 2016.

“2019 Notes” means the 11% senior notes due 2019 issued by the Company on August 30, 2016.

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

“Adjusted Treasury Rate” means, with respect to any redemption date, (i) the yield, under the heading which represents the average for the immediately preceding week, appearing in the most recently published statistical release designated “H.15(519)” or any successor publication which is published weekly by the Board of Governors of the Federal Reserve System and which establishes yields on actively traded United States Treasury securities adjusted to constant maturity under the caption “Treasury Constant Maturities”, for the maturity corresponding to the Comparable Treasury Issue (if no maturity is within three (3) months before or after May 9, 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 annum equal to the semi-annual equivalent yield in 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 (i) directly or indirectly controlling, controlled by, or under direct or indirect common control with, such Person, (ii) who is a director or officer of such Person or any Subsidiary of such Person or of any Person referred to in clause of this definition or (iii) 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 (i) or (ii). For purposes of this definition, “control” (including, with correlative meanings, the terms “controlling,” “controlled by” and “under common control with”), as applied to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise.

“Applicable Premium” means with respect to any New Note at any redemption date, the greater of (1) 1.00% of the principal amount of such New Note and (2) the excess of (A) the present value at such redemption date of (x) the principal amount of the New Notes at the maturity date of the New Notes plus (y) all required remaining scheduled interest payments due on such New Note through the maturity date of the New Notes (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 New 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 Restricted Subsidiary or sale of Capital Stock of any other 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:

- (a) sales, transfers 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;
- (b) sales, transfers or other dispositions of assets constituting a Permitted Investment or Restricted Payment permitted to be made under the “Limitation on Restricted Payments” covenant;
- (c) sales, transfers or other dispositions of assets with a Fair Market Value not in excess of US\$1.0 million (or the Dollar Equivalent thereof) in any transaction or series of related transactions;
- (d) 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;
- (e) any, transfer, assignment or other disposition deemed to occur in connection with creating or granting any Permitted Lien;
- (f) a transaction covered by the covenant under the caption “—Consolidation, Merger and Sale of Assets;” and
- (g) 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, including any period for which such lease has been extended.

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

“Bank Deposit Secured Indebtedness” means Indebtedness of the Company or any Restricted Subsidiary that is secured by a pledge of one or more bank accounts, cash deposits or other assets of the Company or a Restricted Subsidiary and is used by the Company and its Restricted Subsidiaries to in effect exchange dollars, Hong Kong dollars or other foreign currencies into Renminbi or vice versa or to in effect remit Renminbi or foreign currencies outside the PRC or vice versa.

“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 New 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 or exchangeable into such equity.

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

- (1) the merger, amalgamation or consolidation of the Company with or into another Person (other than one or more Permitted Holders) or the merger or amalgamation of another Person (other than one or more Permitted Holders) with or into the Company, or the sale of all or substantially all the assets of the Company to another Person (other than one or more Permitted Holders);
- (2) the Permitted Holders collectively are the beneficial owners of less than 40.0% of the total voting power of the Voting Stock of the Company;
- (3) any “person” or “group” (as such terms are used for purposes of 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 under the Exchange Act), directly or indirectly, of the total voting power of the Voting Stock of the Company greater than such total voting power held beneficially by the Permitted Holders;
- (4) individuals who on the Original Issue Date constituted the Board of Directors, together with any new directors whose election or nomination to the Board of Directors was approved by a vote of at least a majority of the directors then still in office who were either directors or whose election or nomination was previously so approved, cease for any reason to constitute a majority of the Board of Directors then in office; or
- (5) the adoption of a plan relating to the liquidation or dissolution of the Company.

“Change of Control Triggering Event” means the occurrence of both a Change of Control and, *provided that* the New Notes are rated by at least one Rating Agency, a Rating Decline. “Clearstream” means Clearstream Banking, société anonyme.

“Collateral” means all collateral securing, or purported to be securing, directly or indirectly, the New 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 protect against fluctuations in commodity prices.

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

“Comparable Treasury Issue” means the U.S. Treasury security having a comparable maturity to May 9, 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 May 9, 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 available, Reference Treasury Dealer Quotations for such redemption date.

“Consolidated Assets” means, with respect to any Restricted Subsidiary at any date of determination, the Company and its Restricted Subsidiaries’ proportionate interest in the total consolidated assets of such 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 reasonable 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, any capitalized interest included in cost of sales in conformity with GAAP),
- (2) income taxes (other than income taxes attributable to extraordinary and non recurring gains (or losses) or sales of assets), and
- (3) depreciation expense, amortization expense and all other non-cash items reducing Consolidated Net Income (other than non-cash items in a period which reflect cash expenses paid or to be paid in another period and other than losses on Investment Properties arising from fair value adjustments made in conformity with GAAP), less all non-cash items increasing Consolidated Net Income (other than the accrual of revenue in the ordinary course of business and gains on Investment Properties arising from fair value adjustments made in conformity with GAAP),

all as determined on a consolidated basis for the Company and its Restricted Subsidiaries in conformity with GAAP, *provided* that (i) 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 the Restricted Subsidiaries and (ii) 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 (i) Consolidated Interest Expense for such period and (ii) 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 but less the amount of interest income from Bank Deposit Secured Indebtedness, if any, 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, (i) interest expense attributable to Capitalized Lease Obligations, (ii) amortization of debt issuance costs and original issue discount expense and non-cash interest payments in respect of any Indebtedness, (iii) the interest portion of any deferred payment obligation, (iv) 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, (v) the net costs associated with Hedging Obligations (including the amortization of fees), (vi) interest accruing on Indebtedness of any other Person that is Guaranteed by, or secured by a Lien on any asset of, the Company or any Restricted Subsidiary (other than Pre-Registration Mortgage Guarantees), and (vii) 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 calculating the Consolidated Net Income (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 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 prepared in accordance with GAAP (which the Company shall use its reasonable best efforts to compile in a timely manner), 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 the 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 Permitted Business by the Company or any Restricted Subsidiary in the ordinary course of business, which Indebtedness was Incurred by such contractor, builder or other similar Person to finance the cost of such development, construction or improvement.

“Currency Agreement” means any foreign exchange contract, currency swap agreement, currency option agreement or other similar agreement or arrangement designed to protect against 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 New 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 New 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 New 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 date that is 183 days after the Stated Maturity of the New Notes shall not constitute Disqualified Stock if the “asset sale” or “change of control” provisions applicable to such Capital Stock are no more favorable to the holders of such Capital Stock than the provisions contained in the “Limitation on Asset Sales” and “Repurchase of New 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 New Notes as are required to be repurchased pursuant to the “Limitation on Asset Sales” and “Repurchase of New 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 PRC Restricted Subsidiary from a bank that are secured by a pledge of deposits made by another PRC Restricted Subsidiary to the lending bank as security for such borrowings, *provided* that, such borrowings are not reflected on the consolidated balance sheet of the Company.

“Equity Offering” means (i) any 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 Person controlled by a Permitted Holder concurrently with such public offering or private placement purchases in cash an equal amount of Common Stock from the Company at the same price as the public offering or private placing price; *provided* that any offering or placing referred to in clause (i), clause (ii) or a combination of clauses (i) and (ii) result in the aggregate gross cash proceeds received by the Company being no less than US\$20.0 million (or the Dollar Equivalent thereof).

“Euroclear” means Euroclear Bank SA/NV.

“Exchange Act” means the US Securities Exchange Act of 1934.

“Fair Market Value” means the price that would be paid in an arm’s length transaction between an informed and willing seller under no compulsion to sell and an informed and willing buyer under no compulsion to buy, as determined in good faith by the Board of Directors, whose determination shall be conclusive if evidenced by a Board Resolution, except in the case of a determination of Fair Market Value of total assets for the purposes of determining a JV Entitlement Amount, in which case such price shall be determined by an accounting, appraisal or investment banking firm of recognized international standing appointed by the Company.

“Fitch” means Fitch Ratings 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 two semi-annual periods prior to such Transaction Date for which consolidated financial statements of the Company (which the Company shall use its reasonable best efforts to compile in a timely manner) are available (which may be internal consolidated financial statements) (the “Two Semi-annual Periods”) to (2) the aggregate Consolidated Fixed Charges during such Two Semi-annual Periods. 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 Two Semi-annual Periods and ending on and including the Transaction Date (other than Indebtedness Incurred or repaid under a revolving credit or similar arrangement in effect on the last day of such Two Semi-annual Periods), 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 consolidated into the Company or any Restricted Subsidiary during such Reference Period and that would have constituted Asset Dispositions or Asset Acquisitions had such transactions occurred when such Person was a Restricted Subsidiary as if such asset dispositions or asset acquisitions were Asset Dispositions or Asset Acquisitions that occurred on the first day of such Reference Period;

provided that to the extent that clause (D) or (E) of this sentence requires that pro forma effect be given to an Asset Acquisition or Asset Disposition (or asset acquisition or asset disposition), such pro forma calculation shall be based upon the two semi-annual periods immediately preceding the Transaction Date of the Person, or division or line of business of the Person, that is acquired or disposed for which financial information is available.

“GAAP” means International Financial Reporting Standards, formulated by the International Accounting Standards Board, or generally accepted accounting principles in Hong Kong, as in effect from time to time.

“Guarantee” means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness or other obligation of any other Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such Person (1) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation of such other Person (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise) or (2) entered into for purposes of assuring in any other manner the obligee of such Indebtedness or other obligation of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part); *provided* that the term “Guarantee” shall not include endorsements for collection or deposit in the ordinary course of business. The term “Guarantee” used as a verb has a corresponding meaning.

“Hedging Obligation” of any Person means the obligations of such Person pursuant to any Commodity Hedging Agreement, Currency Agreement or Interest Rate Agreement.

“Holder” means the Person in whose name a New Note is registered in the New Note register.

“Incur” means, with respect to any Indebtedness or Capital Stock, to incur, create, issue, assume, Guarantee or otherwise become liable for or with respect to, or become responsible for, the payment of, contingently or otherwise, such Indebtedness or Capital Stock; *provided* that (1) any Indebtedness and Capital Stock of a Person existing at the time such Person becomes a Restricted Subsidiary (or fails to meet the qualifications necessary to remain an Unrestricted Subsidiary) will be deemed to be Incurred by such Restricted Subsidiary at the time it becomes a Restricted Subsidiary and (2) the accretion of original issue discount shall not be considered an Incurrence of Indebtedness. The terms “Incurrence,” “Incurred” and “Incurring” have meanings correlative with the foregoing.

“Indebtedness” means, with respect to any Person at any date of determination (without duplication):

- (1) all indebtedness of such Person for borrowed money;
- (2) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;
- (3) all obligations of such Person in respect of letters of credit, bankers’ acceptances or other similar instruments;
- (4) all obligations of such Person to pay the deferred and unpaid purchase price of property or services, except Trade Payables;
- (5) all Capitalized Lease Obligations and Attributable Indebtedness;
- (6) all Indebtedness of other Persons secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person; *provided* that the amount of such Indebtedness shall be the lesser of (A) the Fair Market Value of such asset at such date of determination and (B) the amount of such Indebtedness;
- (7) all Indebtedness of other Persons Guaranteed by such Person to the extent such Indebtedness is Guaranteed by such Person;
- (8) to the extent not otherwise included in this definition, Hedging Obligations; and
- (9) all Disqualified Stock issued by such Person valued at the greater of its voluntary or involuntary liquidation preference and its maximum fixed repurchase price plus accrued dividends.

Notwithstanding the foregoing, Indebtedness shall not include (1) any capital commitments, deferred payment obligation, pre-sale receipts in advance from customers or similar obligations incurred in the ordinary course of business in connection with the acquisition, development, construction or improvement of real or personal property (including land use rights) to be used in a Permitted Business, or (2) Entrusted Loans; *provided* that such item is not reflected on the consolidated balance sheet of the Company as borrowings or indebtedness (contingent obligations and commitments referred to in a footnote to financial statements and not otherwise reflected as borrowings or indebtedness 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*

- (A) 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,
- (B) 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
- (C) that the amount of Indebtedness with respect to any Hedging Obligation shall be equal to (a) zero if Incurred pursuant to paragraph (b)(6) under the “Limitation on Indebtedness and Preferred Stock” covenant or (b) the net amount that would be payable by such Person if such Hedging Obligation were terminated at that time, if not Incurred under such covenant.

“Independent Financial Advisor” means an accounting, appraisal or investment banking firm of international standing, *provided* that such firm is not an Affiliate of the Company.

“Independent Third Party” means any Person that is not an Affiliate of the Company. “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 protect against fluctuations in interest rates.

“Investment” means:

- (ii) any direct or indirect advance, loan or other extension of credit to another Person,
- (iii) 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),
- (iv) any purchase or acquisition of Capital Stock, Indebtedness, bonds, notes, debentures or other similar instruments or securities issued by another Person, or
- (v) any Guarantee of any obligation of another Person to the extent such obligation is outstanding and is guaranteed by such Person.

“Invest,” “Investing” and “Invested” shall have corresponding meanings.

For the purposes of the provisions of the “Designation of Restricted and Unrestricted Subsidiaries” and “Limitation on Restricted Payments” covenants: (i) the Company will be deemed to have made an Investment in an Unrestricted Subsidiary in an amount equal to the Company’s proportional interest in the Fair Market Value of the assets (net of the Company’s proportional 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 (ii) any property transferred to or from any Person shall be valued at its Fair Market Value at the time of such transfer, as determined in good faith by the Board of Directors.

“Investment Grade” means a rating of “AAA,” “AA,” “A” or “BBB,” as modified by a “+” or “—” indication, or an equivalent rating representing one of the four highest rating categories by S&P or any of its successors or assigns, or a rating of “Aaa,” or “Aa,” “A” or “Baa,” as modified by a “1,” “2” or “3” indication, or an equivalent rating representing one of the four highest rating categories by Moody’s, or any of its successors or assigns, or 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 any PRC Restricted Subsidiary for long-term rental yield 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.

“JV Entitlement Amount” means, with respect to any JV Subsidiary Guarantor which is not a Subsidiary of another JV Subsidiary Guarantor, together with its Subsidiaries, an amount that is equal to the product of (i) the Fair Market Value of the total assets of such JV Subsidiary Guarantor and its Subsidiaries, on a consolidated basis (without deducting any Indebtedness or other liabilities of such JV Subsidiary Guarantor and its Subsidiaries) as of the date of the last fiscal year end of the Company; and (ii) a percentage equal to the direct equity ownership percentage of the Company and/or its Restricted Subsidiaries in the Capital Stock of such JV Subsidiary Guarantor and its Subsidiaries.

“JV Subsidiary Guarantee” has the meaning set forth under the caption “—The Subsidiary Guarantees.” “JV Subsidiary Guarantor” means a Restricted Subsidiary that executes a JV Subsidiary Guarantee. “Lien” means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including, without limitation, any conditional sale or other title retention agreement or lease in the nature thereof or any agreement to create any mortgage, pledge, security interest, lien, charge, easement or encumbrance of any kind).

“Measurement Date” means December 15, 2015.

“Minority Joint Venture” means any corporation, association or other business entity that is accounted for by the equity method of accounting in accordance with GAAP by the Company or a Restricted Subsidiary and primarily engaged in the Permitted Businesses, and such Minority Joint Venture’s Subsidiaries.

“Moody’s” means Moody’s Investors Service and its successors.

“Net Cash Proceeds” means:

- (a) 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:
 - (1) brokerage commissions and other fees and expenses (including fees and expenses of counsel and investment banks) related to such Asset Sale;
 - (2) 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;
 - (3) 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;
 - (4) 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
- (b) 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 attorney’s 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-Guaranteed Portion” means, at any time of determination, with respect to all of the JV Subsidiary Guarantors then existing and their respective Restricted Subsidiaries, the aggregate value (without duplication) of the equity interests held by each Independent Third Party in any JV Subsidiary Guarantor as determined by multiplying (x) the consolidated total assets as shown on the balance sheet of the relevant JV Subsidiary Guarantor for its 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 be internal consolidated financial statements) (or, in the case of the JV Subsidiary Guarantor executing such JV Subsidiary Guarantee and any other Restricted Subsidiary of the Company that became a JV Subsidiary Guarantor after the end of such fiscal quarter as shown on the balance sheet of such JV Subsidiary Guarantor, after giving pro forma effect to either the sale or issuance of Capital Stock to the relevant Independent Third Parties or the other transactions following which it became a JV Subsidiary Guarantor (as applicable)) by (y) the proportionate ownership of all Capital Stock held by such Independent Third Party in such JV Subsidiary Guarantor, *provided* that (A) assets attributable to any Unrestricted Subsidiary of such JV Subsidiary Guarantor and (B) assets which would be eliminated from the calculation of Total Assets as of the end of the relevant fiscal quarter, shall be excluded from the calculation of consolidated total assets in clause (x) above.

“Non-Guarantor Subsidiaries” means the Restricted Subsidiaries that do not provide Subsidiary Guarantees or JV Subsidiary Guarantees for the New Notes.

“Offer to Purchase” means an offer to purchase New 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 New Note register stating:

- (1) the covenant pursuant to which the offer is being made and that all New 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 New 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 New 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 New Note purchased pursuant to the Offer to Purchase will be required to surrender the New Note, together with the form entitled “Option of the Holder to Elect Purchase” on the reverse side of the New 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 New Notes delivered for purchase and a statement that such Holder is withdrawing his election to have such New Notes purchased; and
- (7) that Holders whose New Notes are being purchased only in part will be issued new New Notes equal in principal amount to the unpurchased portion of the New Notes surrendered; *provided* that each New Note purchased and each new New Note issued shall be in a principal amount of US\$200,000 and integral multiples of US\$1,000 in excess thereof.

The Company shall (a) one Business Day prior to the Offer to Purchase Payment Date accept for payment on a pro rata basis New Notes or portions thereof tendered pursuant to an Offer to Purchase; (b) one Business Day prior to the Offer to Purchase Payment Date deposit with the Paying Agent money sufficient to pay the purchase price of all New Notes or portions thereof so accepted; and (c) on the Offer to Purchase Payment Date, deliver, or cause to be delivered, to the Trustee all New Notes or portions thereof so accepted together with an Officers’ Certificate specifying the New Notes or portions thereof accepted for payment by the Company. The Paying Agent shall promptly mail to the Holders so accepted payment in an amount equal to the purchase price, and the Trustee shall promptly authenticate and mail to such Holders a new New Note equal in principal amount to any unpurchased portion of the New Note surrendered; *provided* that each New Note purchased and each new New Note issued shall be in a principal amount of US\$200,000 or integral multiples of US\$1,000 in excess thereof. The Company will publicly announce the results of an Offer to Purchase as soon as practicable after the Offer to Purchase Payment Date. The Company will comply with Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent such laws and regulations are applicable, in the event that the Company is required to repurchase New 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 New Notes properly tendered and not withdrawn under the Offer to Purchase.

The offer is required to contain or incorporate by reference information concerning the business of the Company and its Subsidiaries which the Company in good faith believes will assist such Holders to make an informed decision with respect to the Offer to Purchase, including a brief description of the events requiring the Company to make the Offer to Purchase, and any other information required by applicable law to be included therein. The offer is required to contain all instructions and materials necessary to enable such Holders to tender New Notes pursuant to the Offer to Purchase.

“Officer” means one of the directors or executive officers of the Company or, in the case of a Subsidiary Guarantor or JV Subsidiary Guarantor, one of the directors or officers of such Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be.

“Officers’ Certificate” means a certificate signed by two Officers; *provided* however, that 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 a counsel to the Company.

“Original Issue Date” means the date on which the New Notes are originally issued under the Indenture.

“Other Financing” means Indebtedness that may be in the form of receivables financing (including, among others, sale of receivables to Independent Third Parties on a recourse basis or borrowing against receivables) or other alternative financing (including financing relating to lending activities) for any Permitted Business.

“Pari Passu Subsidiary Guarantee” means a Guarantee by any Subsidiary Guarantor or any JV Subsidiary Guarantor of Indebtedness of the Company or any Subsidiary Guarantor or JV Subsidiary Guarantor (including Additional New Notes); *provided* that (i) the Company, or such Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, was permitted to Incur such Indebtedness under the covenant under the caption “Limitation on Indebtedness and Preferred Stock” and (ii) such Guarantee ranks *pari passu* with any outstanding Subsidiary Guarantee of such Subsidiary Guarantor, or with any outstanding JV Subsidiary Guarantee of such JV Subsidiary Guarantor, as the case may be.

“Payment Default” means (1) any default in the payment of interest on any New Note when the same becomes due and payable, (2) any default in the payment of principal of (or premium, if any, on) the New 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 New Notes upon a Change of Control Triggering Event,” or an Offer to Purchase in the manner described under the caption “—Limitation on Asset Sales,” or (4) any Event of Default specified in clause (5) of the definition of Events of Default.

“Permitted Business” means any business which is the same as or related, ancillary or complementary to any of the businesses of the Company and its Restricted Subsidiaries on the Original Issue Date, which business, for avoidance of doubt, shall include (1) logistics and storage business, (2) online and traditional platforms for sales, trading and exchange of goods and services, (3) business of providing trade financing and small commercial loans to customers, and (4) online payment platform and any other internet related business.

“Permitted Holders” means any or all of the following:

- (1) Most Trend Holdings Limited, Wong Sheung Tak, Wong Choi Hing, Huang Dehong, Wang Dekai, Wang Desheng, Wang Jianli, Wang Quanguang and Wang Dewen or their respective spouses or family members or any trust established by Most Trend Holdings Limited, Wong Sheung Tak, Wong Choi Hing, Huang Dehong, Wang Dekai, Wang Desheng, Wang Jianli, Wang Quanguang and Wang Dewen for their own benefit or for the benefit of any of their family members;
- (2) any Affiliate (other than an Affiliate as defined in clause (ii) or (iii) of the definition of Affiliate) of any Person specified in clause (1); and
- (3) any Person both the Capital Stock and the Voting Stock of which (or in the case of a trust, the beneficial interests in which) are owned 80% or more by one or more of the Persons specified in clauses (1) and (2).

“Permitted Investment” means any of the following:

- (1) any Investment in the Company or a Restricted Subsidiary, directly or indirectly through one or more Restricted Subsidiaries, that is primarily engaged in a Permitted Business or a Person which will, upon the making of such Investment, become a Restricted Subsidiary that is primarily engaged, directly or indirectly through one or more Restricted Subsidiaries, in a Permitted Business or be merged or consolidated with or into or transfer or convey all or substantially all its assets to, the Company or a Restricted Subsidiary that is primarily engaged, directly or indirectly through one or more Restricted Subsidiaries, in a Permitted Business;
- (2) Temporary Cash Investments;
- (3) payroll, travel and similar advances made in the ordinary course of business 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 not for speculation and designed solely to protect the Company or any Restricted Subsidiary against 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 “—Limitation on Asset Sales;”
- (9) pledges or deposits (x) with respect to leases or utilities provided to third parties in the ordinary course of business or (y) otherwise described in the definition of “Permitted Liens” or made in connection with Liens permitted under the covenant described under “—Limitation on Liens;”
- (10) any Investment pursuant to Pre-Registration Mortgage Guarantees or Contractor Guarantees by the Company or any Restricted Subsidiary otherwise permitted to be Incurred under the Indenture;
- (11) Investments in securities of trade creditors, trade debtors or customers received pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of such trade creditor, trade debtor or customer;
- (12) advances to contractors and suppliers for the acquisition of assets or consumables or services in the ordinary course of business that are recorded as deposits or prepaid expenses on the Company’s consolidated balance sheet;
- (13) deposits of pre-sale proceeds made in order to secure the completion and delivery of pre-sold properties and issuance of the related land use title in the ordinary course of business;
- (14) deposits made in order to comply with statutory or regulatory obligations to maintain deposits for workers compensation claims, welfare and social benefits, property maintenance and other purposes specified by statute or regulation from time to time in the ordinary course of business;
- (15) deposits made in order to secure the performance of the Company or any Restricted Subsidiary, or prepayments made in connection with, the acquisition of real property or land use rights, personal property (including but not limited to Capital Stock) by the Company or any Restricted Subsidiary in the ordinary course of business and not securing Indebtedness of the Company or any Restricted Subsidiary;
- (16) advances or prepayments to government authorities or bodies or government-affiliated entities in connection with the financing of primary land development, land clearance or land resettlement in the PRC in the ordinary course of business that are recorded as assets in the Company’s balance sheet;
- (17) an acquisition of assets, Capital Stock or other securities by the Company or a Subsidiary for consideration to the extent such consideration consists solely of Common Stock of the Company;
- (18) repurchases of the New Notes; and

- (19) any Investment (including without limitation any deemed Investment upon the sale of Capital Stock of a Restricted Subsidiary or the designation of a Restricted Subsidiary as an Unrestricted Subsidiary) by the Company or any Restricted Subsidiary in any Person; *provided that*:
- (i) such Investment, together with the aggregate of all other Investments made under this clause (19) since the Measurement 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) since the Measurement Date resulting from:
 - (A) payments of interest on Indebtedness, dividends or repayments of loans or advances made under this clause (19), in each case to the Company or any Restricted Subsidiary (except, in each case, to the extent any such payment or proceeds are included in the calculation of Consolidated Net Income),
 - (B) the unconditional release of a Guarantee *provided* by the Company or a Restricted Subsidiary after the Measurement Date under this clause (19) of an obligation of any such Person,
 - (C) to the extent that an Investment made after the Measurement 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, not to exceed, in each case, the amount of Investments made by the Company or a Restricted Subsidiary after the Measurement Date in any such Person under this clause (19), or
 - (D) such Person becoming a Restricted Subsidiary (whereupon all Investments (other than Permitted Investments) made by the Company or any Restricted Subsidiary in such Person since the Measurement Date shall be deemed to have been made pursuant to clause (1) of this “Permitted Investment” definition);
 - (ii) the Person into which such Investment is made is primarily engaged in the Permitted Businesses;
 - (iii) none of the other shareholders or partners in such Person in which such Investment was made is a Person described in clause (x) or (y) of the first paragraph of the covenant under the caption “—Limitation on Transactions with Shareholders and Affiliates” (other than by reason of such shareholder or partner being an officer or director of the Company or a Restricted Subsidiary or by reason of being a Restricted Subsidiary, Unrestricted Subsidiary or Minority Joint Venture); and
 - (iv) no Default has occurred and is continuing or would occur as a result of such Investment.

For the avoidance of doubt, the value of each Investment made pursuant to this clause (19) shall be valued at the time such Investment is made.

“Permitted Liens” means any of the following:

- (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) any interest or title of a lessor in the property subject to any operating lease;
- (7) 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;
- (8) Liens in favor of the Company or any Restricted Subsidiary;
- (9) Liens arising from the attachment or rendering of a final judgment or order against the Company or any Restricted Subsidiary that does not give rise to an Event of Default;
- (10) 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;
- (11) Liens encumbering customary initial deposits and margin deposits, and other Liens that are within the general parameters customary in the industry and incurred in the ordinary course of business, in each case, securing Indebtedness under Hedging Obligations permitted by clause (b)(6) of the covenant described under the caption "Limitation on Indebtedness and Preferred Stock;"
- (12) Liens existing on the Original Issue Date;
- (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) Liens securing Indebtedness which is Incurred to refinance secured Indebtedness which is permitted to be Incurred under clause (b)(5) of the covenant described under the caption entitled "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;

- (16) Deposits made or liens securing Indebtedness of the Company or any Restricted Subsidiary under any Pre-Registration Mortgage Guarantee which is permitted to be Incurred under clause (b)(7) of the covenant under the caption "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 or assets; *provided* that (a) such Lien is created solely for the purpose of securing Indebtedness of the type described under clause (b)(8) of the covenant under the caption entitled "Limitation on Indebtedness and Preferred Stock" and, with respect to the Indebtedness of the type described under clause (b)(8)(ii) under the caption entitled "Limitation on Indebtedness and Preferred Stock," such Lien is created prior to, at the time of or within 180 days after the acquisition or the completion of development, construction or improvement of such property or assets, or the due date of the relevant cost or payment for land clearance or resettlement, as the case may be, (b) the principal amount of the Indebtedness secured by such Lien does not exceed 100% of the cost of property or assets, subject to acquisition, development, construction or improvement, or the cost or payment for land clearance or resettlement of such property or assets, as the case may be, and (c) such Lien shall not extend to or cover any property or assets other than such item of property or assets and any improvements on such item, *provided* that, in the case of clauses (b) and (c), such Lien may cover other property or assets (instead of or in addition to such item of property or improvements) and the principal amount of Indebtedness secured by such Lien may exceed 100% of such cost or payment if (x) such Lien is incurred in the ordinary course of business and (y) the aggregate book value of property or assets (as reflected in the most recent available consolidated financial statements of the Company (which may be internal consolidated financial statements) or, if any such property or assets have been acquired since the date of such financial statements, the cost of such property or assets) subject to Liens incurred pursuant to this clause (18) does not exceed 130% of the aggregate principal amount of Indebtedness secured by such Liens;
- (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 but not limited to Capital Stock) by the Company or any of its Restricted Subsidiaries in the ordinary course of business and not securing Indebtedness of the Company or any Restricted Subsidiary;
- (21) Liens on deposits made in order to comply with statutory obligations to maintain deposits for workers' compensation claims, welfare and social benefits and other purposes specified by statute or regulations in the ordinary course of business and not securing Indebtedness of the Company or any Restricted Subsidiary;
- (22) Liens on assets securing Indebtedness permitted to be Incurred under clause (b)(14) of the covenant described under the caption entitled "Limitation on Indebtedness and Preferred Stock;"

- (23) Liens securing Indebtedness permitted to be Incurred by the Company or any Restricted Subsidiary under clause (b)(15) of the covenant described under “—Certain Covenants—Limitation on Indebtedness and Preferred Stock;”
- (24) Liens Incurred on cash deposits, bank accounts or other assets made to secure Bank Deposit Secured Indebtedness of the type described under clause (b)(16) of the covenant described under “—Certain Covenants—Limitation on Indebtedness and Preferred Stock;”
- (25) Liens on the Capital Stock of a Restricted Subsidiary granted by the Company or any Restricted Subsidiary in favor of any Trust Company Investor in respect of, and to secure, the Indebtedness permitted to be Incurred under clause (b)(17) of the covenant described under “—Certain Covenants—Limitation on Indebtedness and Preferred Stock;”
- (26) Liens on Investment Properties securing Indebtedness of the Company or any PRC Restricted Subsidiary permitted to be Incurred under clause (b)(18) of the covenant described under the caption “—Certain Covenants—Limitation on Indebtedness and Preferred Stock;”
- (27) 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 (b)(19) of the covenant described under “—Certain Covenants—Limitation on Indebtedness and Preferred Stock;” and
- (28) Liens Incurred on deposits made to secure Entrusted Loans,

provided that, with respect to the Collateral, “Permitted Liens” shall only refer to the Liens described in clauses (1), (7), (13) and (14).

“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 Restricted Subsidiaries (other than the Subsidiary Guarantors), taken as a whole; *provided* that, on the date of the Incurrence of such Indebtedness or issuance of such Preferred Stock, as the case may be, and after giving effect thereto and the application of the proceeds thereof, the aggregate principal amount outstanding of all such Indebtedness and Preferred Stock (excluding the amount of any Indebtedness of any Restricted Subsidiary permitted under clauses (b)(1), (b)(2), (b)(4), (b)(6) and (b)(7) of the covenant described under the caption “—Certain Covenants—Limitation on Indebtedness and Preferred Stock”) does not exceed an amount equal to 30% 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.

“PingAn” means Pingan Real Estate Capital Limited (formerly known as Pingan Real Estate (HongKong) Company Limited) and its Affiliates.

“PRC” means the People’s Republic of China, excluding, solely for purposes of this definition, the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan.

“PRC CJV” means any Subsidiary that is a Sino-foreign cooperative joint venture enterprise with limited liability, established in the PRC pursuant to the Law of the People’s Republic of China on Sino-foreign Cooperative Joint Ventures adopted on April 13, 1988 (as most recently amended on October 31, 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.

“Pre-Registration Mortgage Guarantee” means any Indebtedness of the Company or any Restricted Subsidiary consisting of a guarantee in favor of any bank or other similar financial institutions in the ordinary course of business of secured loans of purchasers of individual units of properties from the Company or any Restricted Subsidiary; *provided* that, any such guarantee shall be released in full on or before the perfection of a security interest in such properties under applicable law in favor of the relevant lender.

“Preferred Stock” as applied to the Capital Stock of any Person means Capital Stock of any class or classes that by its term is preferred as to the payment of dividends, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over shares of Capital Stock of any other class of such Person.

“Public Indebtedness” means any bonds, debentures, notes or similar debt securities issued in a public offering or a private placement (other than the New Notes) to institutional investors.

“Rating Agencies” means (i) S&P, (ii) Moody’s and (iii) Fitch or *provided* that if S&P, Moody’s, Fitch or any of them shall not make a rating of the New Notes publicly available, a nationally recognized securities rating agency or agencies, as the case may be, selected by the Company, which shall be substituted for S&P, Moody’s or Fitch or any of them, as the case may be.

“Rating Category” means (i) with respect to S&P, any of the following categories: “BB,” “B,” “CCC,” “CC,” “C” and “D” (or equivalent successor categories); (ii) with respect to Moody’s, any of the following categories: “Ba,” “B,” “Caa,” “Ca,” “C” and “D” (or equivalent successor categories); (iii) with respect to Fitch, any of the following categories: “BB,” “B,” “CCC,” “CC,” “C,” or “D” (or equivalent successor categories); and (iv) 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 New Notes has decreased by one or more gradations, gradations within Rating Categories (“+” and “—” for S&P; “1,” “2” and “3” for Moody’s; “+” and “—” for Fitch; or the equivalent gradations for another Rating Agency) shall be taken into account (e.g., with respect to S&P, a decline in a rating from “BB+” to “BB”, as well as from “BB—” to “B+”, will constitute a decrease of one gradation).

“Rating Date” means (i) 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 (ii) 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 (i) 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 New Notes is under publicly announced consideration for possible downgrade by any of the Rating Agencies) of any of the events listed below, or in connection with actions contemplated under the caption “—Consolidation, Merger and Sale of Assets,” the notification by any of the Rating Agencies that such proposed actions will result in any of the events listed below:

- (a) in the event the New Notes are rated by all three of the Rating Agencies on the Rating Date as Investment Grade, the rating of the New Notes by any two of the three Rating Agencies shall be below Investment Grade;
- (b) in the event the New Notes are rated by any two, but not all three, of the three Rating Agencies on the Rating Date as Investment Grade, the rating of the New Notes by any of such two Rating Agencies shall be below Investment Grade;
- (c) in the event the New Notes are rated by one, and only one, of the three Rating Agencies on the Rating Date as Investment Grade, the rating of the New Notes by such Rating Agency shall be below Investment Grade: or
- (d) in the event the New Notes are rated by three or less than three Rating Agencies and are rated below Investment Grade by all such Rating Agencies on the Rating Date, the rating of the New Notes by any Rating Agency shall be decreased by one or more gradations (including gradations within Rating Categories as well as between Rating Categories).

“Reference Treasury Dealer” means each of any three investment banks of recognized standing that is a primary U.S. Government securities dealer in The City of New York, selected by the Company in good faith.

“Reference Treasury Dealer Quotations” means, with respect to each Reference Treasury Dealer and any redemption date, the average as determined by the Company in good faith, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Company by such Reference Treasury Dealer at 5:00 p.m., New York City time, on the third Business Day preceding such redemption date.

“Replacement Assets” means, on any date, property or assets of a nature or type or that are used in a Permitted Business, including the Capital Stock of any Person holding such property or asset, which is primarily engaged in a Permitted Business and is or will become, upon the acquisition by the Company or any Restricted Subsidiary of such Capital Stock, a Restricted Subsidiary.

“Restricted Subsidiary” means any Subsidiary of the Company other than an Unrestricted Subsidiary.

“S&P” means Standard & Poor’s Ratings Services and its 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.

“Secured Party Documents” mean, collectively, the indenture governing the 2018 Notes, the indenture governing the 2019 Notes, the Indenture and the documents evidencing any Permitted Pari Passu Secured Indebtedness.

“Security Agent” means Citicorp International Limited or its successors or assigns.

“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 Security Agent, the Trustee and/or any Holders in any or all of the Collateral securing, with respect to the New Notes, the obligations of the Company under the New 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 (a) in respect of the Company, the New Notes, (b) in respect of any Restricted Subsidiary that is a Subsidiary Guarantor, its Subsidiary Guarantee, or (c) in respect of any Restricted Subsidiary that is a JV Subsidiary Guarantor, its JV Subsidiary Guarantee; *provided* that Senior Indebtedness does not include (i) any obligation to the Company or any Restricted Subsidiary, (ii) trade payables or (iii) Indebtedness Incurred in violation of the Indenture.

“Staged Acquisition Agreement” means an agreement between the Company or a Restricted Subsidiary and an Independent Third Party (x) pursuant to which the Company or such Restricted Subsidiary agrees to acquire not less than a majority of the Capital Stock of a Person for a consideration that is not more than the Fair Market Value of such Capital Stock of such Person at the time the Company or such Restricted Subsidiary enters into such agreement and (y) which provides that the payment of the purchase price for such Capital Stock is made in more than one installment over a period of time.

“Stated Maturity” means, (1) with respect to any Indebtedness, the date specified in such debt security as the fixed date on which the final installment of principal of such Indebtedness is due and payable as set forth in the documentation governing such Indebtedness and (2) with respect to any scheduled installment of principal of or interest on any Indebtedness, the date specified as the fixed date on which such installment is due and payable as set forth in the documentation governing such Indebtedness.

“Subordinated Indebtedness” means any Indebtedness of the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor which is contractually subordinated or junior in right of payment to the New Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee, as applicable, pursuant to a written agreement to such effect.

“Subsidiary” means, with respect to any Person, any corporation, association or other business entity (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% or less of the voting power of the outstanding Voting Stock is owned, directly or indirectly, by such Person and one or more other Subsidiaries of such Person and in each case 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 an Investment by such Person in such entity, which shall be made in compliance with the covenant under the caption “—Limitation on Restricted Payments.”

“Subsidiary Guarantee” means any Guarantee of the obligations of the Company under the Indenture and the New 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 New Notes pursuant to the Indenture and the New Notes; *provided* that Subsidiary Guarantor will not include (a) any Person whose Subsidiary Guarantee has been released in accordance with the Indenture and the New Notes or (b) any JV Subsidiary Guarantor.

“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 New 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 New 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 and Hong Kong or any agency of any of the foregoing, in each case maturing within one year, which in the case of obligations of, or obligations Guaranteed by, any state of the European Economic Area, shall be rated at least “A” by S&P or Moody’s;
- (2) demand or time deposit accounts, certificates of deposit and money market deposits maturing within 180 days of the date of acquisition thereof issued by a bank or trust company which is organized under the laws of the United States of America, any state thereof, any state of the European Economic Area or Hong Kong, and which bank or trust company has capital, surplus and undivided profits aggregating in excess of US\$100.0 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 U.S. 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;

- (7) demand or time deposit accounts, certificates of deposit, overnight or call deposits and money market deposits with any other bank, trust company or other financial institution organized under the laws of the PRC or Hong Kong; and
- (8) structured deposit products that are principal protected with any bank or financial institution organized under the laws of the PRC or Hong Kong if held to maturity (which shall not be more than one year) and can be withdrawn at any time with no more than six months' notice.

“Total Assets” means, as of any date, the total consolidated assets of the Company and its Restricted Subsidiaries measured in accordance with GAAP as of the last day of the most recent fiscal quarter for which consolidated financial statements of the Company (which the Company shall use its reasonable best efforts to compile on a timely manner) are available (which may be internal consolidated financial statements); *provided* that, only with respect to clause (b)(8) of the “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; *provided* further that, only with respect to the calculation of “Non-Guaranteed Portion,” in the case of a JV Subsidiary Guarantor executing a JV Subsidiary Guarantee and any other Restricted Subsidiary of the Company that became a JV Subsidiary Guarantor after the end of the 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 be internal consolidated financial statements) or annual period, the amount of Total Assets shall be calculated after giving pro forma effect to the sale or issuance of Capital Stock to the relevant Independent Third Parties; and *provided further* that, with respect to the calculation of the percentage of Total Assets represented by the Consolidated Assets of the Offshore Non-Guarantor Subsidiaries, the amount of Total Assets shall be calculated after giving pro forma effect to any sale or issuance of Capital Stock to relevant Independent Third Parties.

“Trade Payables” means, with respect to any Person, any accounts payable or any other indebtedness or monetary obligation to trade creditors created, assumed or Guaranteed by such Person or any of its Subsidiaries arising in the ordinary course of business in connection with the acquisition of goods or services.

“Transaction Date” means, with respect to the Incurrence of any Indebtedness, the date such Indebtedness is to be Incurred and, with respect to any Restricted Payment, the date such Restricted Payment is to be made.

“Trust Company Investor” means an Independent Third Party that is a financial institution, including but not limited to a bank, a trust company, a securities management company, an asset management company or an insurance company, or an Affiliate thereof, that Invests in any Capital Stock of a Restricted Subsidiary.

“Unrestricted Subsidiary” means (1) any Subsidiary of the Company that at the time of determination shall be designated an Unrestricted Subsidiary by the Board of Directors in the manner provided in the Indenture; and (2) any Subsidiary of an Unrestricted Subsidiary.

“U.S. Government Obligations” means securities that are (1) direct obligations of the United States of America for the payment of which its full faith and credit is pledged or (2) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States of America the payment of which is unconditionally Guaranteed as a full faith and credit obligation by the United States of America, which, in either case, are not callable or redeemable at the option of the issuer thereof at any time prior to the Stated Maturity of the New 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 are entitled to 95% or more of the economic benefits distributable by such Subsidiary.

TAXATION

The following summary of certain Cayman Islands, British Virgin Islands, Hong Kong, PRC and European Union tax consequences of the purchase, ownership and disposition of New Notes is based upon applicable laws, regulations, rulings and decisions as of the date of this offering circular, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the New 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 New Notes should consult their own tax advisors concerning the tax consequences of the purchase, ownership and disposition of New Notes, including such possible consequence under the laws of their country of citizenship, residence or domicile.

Cayman Islands Taxation

The following is a discussion on certain Cayman Islands income tax consequences of an investment in the New Notes. The discussion is a general summary of present law, which is subject to prospective and retroactive change. It is not intended as tax advice, does not consider any investor's particular circumstances, and does not consider tax consequences other than those arising under Cayman Islands law.

Payments of interest and principal on the New Notes will not be subject to taxation in the Cayman Islands and no withholding will be required on the payment of interest and principal or a dividend or capital to any holder of the New Notes, nor will gains derived from the disposal of the New Notes be subject to Cayman Islands income or corporation tax. The Cayman Islands currently have no income, corporation or capital gains tax and no estate duty, inheritance tax or gift tax.

No stamp duty is payable in respect of the issue of the New Notes. An instrument of transfer in respect of a New Note is stampable if executed in or brought into the Cayman Islands.

British Virgin Islands Taxation

There is no income or other tax in the British Virgin Islands imposed by withholding or otherwise on any payment to be made to or by the Subsidiary Guarantors pursuant to the Subsidiary Guarantees.

Hong Kong Taxation

The following summary is only based on current Hong Kong legislation, and is therefore subject to change by any future amendments of the law which could affect the New Notes.

Withholding Tax

No withholding tax in Hong Kong is payable on payments of principal, interest or additional amounts, if any, in respect of the New Notes.

Stamp Duty

No Hong Kong stamp duty will be chargeable upon the issue or transfer of a New Note (for so long as the register of holders of the New Notes is maintained outside Hong Kong, or the New Note continues to be denominated in U.S. dollars and cannot in any extent be redeemed in Hong Kong dollars).

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, exchange or redemption of the New Notes where such sale, disposal, exchange or redemption is or forms part of a trade, profession or business carried on in Hong Kong.

Interest on or in respect of the New Notes also will be subject to Hong Kong profits tax where such interest is received by or accrues to:

- a financial institution (as defined in the Inland Revenue Ordinance) and the income arises through or from the carrying on by the financial institution of its business in Hong Kong;
- 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 payments are in respect of the funds of the trade, profession or business.

PRC Taxation

The following summary of certain PRC tax consequences of the purchase, ownership and disposition of New Notes to non-resident enterprises is based upon applicable laws, rules and regulations in effect as of the date of this offering circular, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the New 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 New Notes should consult their own tax advisors concerning the tax consequences of the purchase, ownership and disposition of New Notes, including such possible consequences under the laws of their country of citizenship, residence or domicile.

Taxation on Interest

The PRC EIT Law and its implementation regulations impose a tax at the rate of 10% on interests paid to holders of the New Notes that are “non-resident enterprises” so long as such “non-resident enterprise” holder does not have an establishment or place of business in China or, if there is an establishment or place of business in China, the relevant income is not effectively connected with such establishment or place of business in China, to the extent such interests are sourced within China. Pursuant to these provisions of the PRC tax law, despite many uncertainties with respect to their application, if we are considered a PRC resident enterprise, the interest payable to the non-resident enterprise holders on the New Notes may be treated as income derived from sources within China and be subject to the PRC withholding tax. Such interest payable to non-resident individual investors may be subject to PRC income tax at the rate of 20%. To the extent that China has entered into arrangements relating to the avoidance of double-taxation with any jurisdiction, such as Hong Kong, that allow a lower rate of withholding tax, such lower rate will apply to qualified investors in the New Notes.

Taxation on Capital Gains

The PRC EIT Law and its implementation regulations impose a tax at the rate of 10% on capital gains realized by holders of the New Notes that are “non-resident enterprises” so long as any such “non-resident enterprise” holder does not have an establishment or place of business in China or, if there is an establishment or place of business in China, the relevant gain is not effectively connected with such establishment or place of business in China, to the extent such capital gains are sourced within China. Pursuant to these provisions of the PRC EIT law, despite many uncertainties with respect to their application, if we are considered a PRC resident enterprise, the capital gains realized by holders of the New Notes may be treated as income derived from sources within China and be subject to the PRC tax. Such capital gains to non-resident individual investors may be subject to PRC income tax at the rate of 20%. To the extent that China has entered into arrangements relating to the avoidance of double-taxation with any jurisdiction, such as Hong Kong, that allow a lower rate of withholding tax, such lower rate will apply to qualified investors in the New Notes.

Stamp Duty

No PRC stamp tax will be chargeable upon the issue or transfer (for so long as the register of holders of the New Notes is maintained outside the PRC, as is expected to be the case) of a New Note.

European Union Savings Directive

Under Council Directive 2003/48/EC on the taxation of savings income (the “Savings Directive”), each Member State of the European Union is required to provide to the tax authorities of another Member State details of payments of interest of other similar income paid by a person within its jurisdiction to an individual beneficial owner resident in, or certain limited types of entity established in, that other Member State. However, for a transitional period, Austria and Luxembourg will (unless during such period such Member States elect otherwise) instead operate a withholding system in relation to such payments. Under such withholding system, tax will be deducted unless the recipient of the payment elects instead for an exchange of information procedure. The current rate of withholding is 20.0% and it will be increased to 35.0% with effect from July 1, 2011. Belgium had previously operated a withholding system in relation to such payments, but has elected to apply the provision of information provisions that apply to the Member States (other than Austria and Luxembourg during the transitional period), with effect from January 1, 2010. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to exchange of information procedures relating to interest and other similar income.

A number of non-EU countries and certain dependent or associated territories of certain Member States have adopted or agreed to adopt similar measures (either provision of information or transitional withholding) in relation to payments made by a person within their respective jurisdictions to an individual beneficial owner resident in, or certain limited types of entity established in, a Member State. In addition, the Member States have entered into provision of information or transitional withholding arrangements with certain of those countries and territories in relation to payments made by a person in a Member State to an individual beneficial owner resident in, or certain limited types of entity established in, one of those countries or territories.

On November 13, 2008, the European Commission published a proposal for amendments to the Savings Directive. The proposal included a number of suggested changes which, if implemented, would broaden the scope of the rules described above. The European Parliament approved an amended version of this proposal on April 24, 2009.

PLAN OF DISTRIBUTION

Haitong International Securities Company Limited, Morgan Stanley & Co. International plc and Potomac Capital Limited are acting as the joint bookrunners and joint lead managers of the offering and they are also acting as the Initial Purchasers. Subject to the terms and conditions stated in the purchase agreement dated May 2, 2018, the Initial Purchasers have, severally and not jointly, agreed to purchase, and we have agreed to sell to the Initial Purchasers, the New Notes in an aggregate principal amount of US\$25,893,000.

The purchase agreement provides that the Company will pay the Initial Purchasers a customary commission. The purchase agreement provides that the obligations of each Initial Purchaser to purchase the New Notes are subject to approval of legal matters by counsel and to other conditions. The Initial Purchasers must purchase all the New Notes if they purchase any of the New Notes.

The Initial Purchasers propose to resell the New Notes directly to investors at the offering price set forth on the cover page of this offering circular only outside the United States in reliance on Regulation S under the Securities Act. See “Transfer Restrictions.” The price at which the New Notes are offered may be changed at any time without notice. Private banks and other similar clients may receive a commission based on the principal amount of the New Notes purchased by their private bank clients, which commission may be deducted from the purchase price for the New Notes payable by such private banks upon settlement.

The New Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantee (if any) have not been and will not be registered under the Securities Act or any state securities laws and may not be offered or sold within the United States except in transactions exempt from, or not subject to, the registration requirements of the Securities Act. See “Transfer Restrictions.”

We have agreed that, for a period of 90 days from the date on which the New Notes are issued, we, the Subsidiary Guarantors and the JV Subsidiary Guarantors will not, without the prior written consent of the Initial Purchasers, offer, sell, contract to sell, pledge, otherwise dispose of, or enter into any transaction which is designed to, or might reasonably be expected to, result in the disposition, directly or indirectly, or announce the offering, of any debt securities (having a tenor of more than one year) issued or guaranteed by us or any Subsidiary Guarantor. The Initial Purchasers in their sole discretion may release any of the securities subject to these lock-up agreements at any time without notice.

The New Notes will constitute a new class of securities with no established trading market. Approval in-principle has been received for the listing and quotation of the New Notes on the Official List of the SGX-ST. However, the prices at which the New Notes will sell in the market after this offering may be lower than the initial offering price and an active trading market for the New Notes may not develop and continue after this offering. The Initial Purchasers have advised us that they currently intend to make a market in the New Notes. However, they are not obligated to do so and may discontinue any market-making activities with respect to the New Notes at any time without notice. Accordingly, there may not be liquidity, or a trading market, for the New Notes.

The Initial Purchasers (or their respective affiliates) may engage in stabilizing transactions, syndicate covering transactions and penalty bids to the extent permitted by applicable laws and regulations. Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum. Covering transactions involve purchase of the New Notes in the open market after the distribution has been completed in order to cover short positions. Penalty bids permit any of Haitong International Securities Company Limited, Morgan Stanley & Co. International plc or Potomac Capital Limited acting in the capacity as stabilizing manager to reclaim a selling concession from a dealer when the New Notes originally sold by such dealer are purchased in a stabilizing transaction or a covering transaction to cover short positions. Neither the Company nor the Initial Purchasers make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the New Notes. In addition, neither the Company nor the Initial Purchasers make any representation that any of Haitong International Securities Company Limited, Morgan Stanley & Co. International plc or Potomac Capital Limited acting in the capacity as stabilizing manager will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

We expect to deliver the New Notes against payment for the New Notes on or about the date specified in the last paragraph of the cover page of this offering circular, which will be the fifth business day following the date of the pricing of the New Notes. Under Rule 15c6-1 under the US Securities Exchange Act of 1934, trades in the secondary market are required to settle in three business days, unless the parties to any such trades expressly agree otherwise. Accordingly, purchasers who wish to trade the New Notes on the date of pricing or the next succeeding business day will be required, by virtue of the fact that the New Notes initially will settle in T+5, to specify alternative settlement arrangements to prevent a failed settlement. Purchasers of the New Notes who wish to trade the New Notes on the date of pricing or the next succeeding business day should consult their own advisor.

The Initial Purchasers or their respective affiliates have performed commercial banking, investment banking or advisory services for us from time to time for which they have received customary fees and reimbursement of expenses. The Initial Purchasers or their respective affiliates may, from time to time, engage in transactions with and perform services for us in the ordinary course of business for which they may receive customary fees and reimbursement of expenses. We may enter into hedging or other derivative transactions as part of our risk management strategy with one or more of the Initial Purchasers, which may include transactions relating to our obligations under the New Notes. Our obligations under these transactions may be secured by cash or other collateral.

In connection with this offering of the New Notes, each Initial Purchaser and/or its affiliate(s) may act as an investor for its own account and may take up New 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 New Notes. Accordingly, references herein to the New Notes being offered should be read as including any offering of the New Notes to the Initial Purchasers and/or their respective 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, the Subsidiary Guarantors and the JV Subsidiary Guarantors have, jointly and severally, agreed to indemnify the Initial Purchasers against certain liabilities, including liabilities under the Securities Act, or to contribute to payments that the Initial Purchasers may be required to make because of any of those liabilities.

Selling Restrictions

General

No action has been taken or will be taken in any jurisdiction by the Company or the Initial Purchasers that would permit a public offering of the New Notes, or the possession, circulation or distribution of this offering circular or any other material relating to the New Notes or this offering, in any jurisdiction where action for that purpose is required. Accordingly, the New Notes may not be offered or sold, directly or indirectly, and neither this offering circular nor such other material may be distributed or published, in or from any country or jurisdiction except in compliance with any applicable rules and regulations of such country or jurisdiction.

United States

The New Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantee (if any) have not been and will not be registered under the Securities Act or any state securities laws and may not be offered or sold within the United States and may only be offered or sold outside the United States in compliance with Regulation S under the Securities Act. See “Transfer Restrictions.”

In addition, until 40 days after the commencement of this offering, an offer or sale of New Notes within the United States by a dealer (whether or not participating in this offering) may violate the registration requirements of the Securities Act.

United Kingdom

The Initial Purchasers have 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) received by it in connection with the issue or sale of the Securities in circumstances in which Section 21(1) of such Act does not apply to Initial Purchasers and the Initial Purchasers have complied and will comply with all applicable provisions of such Act with respect to anything done by it in relation to any Securities in, from or otherwise involving the United Kingdom.

Hong Kong

The New Notes will not be offered or sold in Hong Kong, by means of any document, other than (i) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the “SFO”) and any rules made thereunder; or (ii) in other circumstances which do not result in any such document being a “prospectus” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32 of the Laws of Hong Kong) or which do not constitute an offer to the public within the meaning of that Ordinance. No advertisement, invitation or document relating to the New Notes may be issued or may be in the possession of any person for the purpose of being issued, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to the New Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the SFO and any rules made thereunder.

Japan

The New Notes have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948) (as amended) (the “FIEL”), and disclosure under the FIEL has not been made with respect to the New Notes. Accordingly, the New Notes may not be offered or sold, directly or indirectly in Japan or to, or for the account of, any resident of Japan, or to others for reoffering or re-sale, directly or indirectly in Japan or to, or for the benefit of, any resident of Japan, except

pursuant to any exemption from the registration requirements of the FIEL and otherwise in compliance with the FIEL and other applicable provisions of Japanese laws and regulations. As used in this paragraph, “resident of Japan” means any person residing in Japan, including any corporation or other entity organized under the laws of Japan.

Singapore

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

Where the New Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- 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
- 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 (6) months after that corporation or that trust has acquired the New Notes pursuant to an offer made under Section 275 of the SFA except:

- 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;
- where no consideration is or will be given for the transfer;
- where the transfer is by operation of law;
- as specified in Section 276(7) of the SFA; or
- as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

PRC

This offering circular does not constitute a public offer of the New Notes, whether by sale or by subscription, in the PRC. The New Notes will not be offered or sold within the PRC by means of this offering circular or any other document.

Cayman Islands

No invitation whether directly or indirectly may be made to the public in the Cayman Islands to subscribe for the New Notes.

British Virgin Islands

No invitation will be made directly or indirectly to the public in the British Virgin Islands to subscribe for any of the notes but the notes may be acquired by British Virgin Islands persons who receive the offer of the notes outside of the British Virgin Islands and in a manner which does not contravene the laws of the jurisdiction in which such offer is received.

TRANSFER RESTRICTIONS

Because of the following restrictions, we encourage you to consult legal counsel prior to making any offer, resale, pledge or other transfer of the New Notes.

The New Notes are subject to restrictions on transfer as summarized below. By purchasing the New Notes, you will be deemed to have made the following acknowledgements, representations to, and agreements with, us and the Initial Purchasers:

- (1) You understand and acknowledge that:
 - the New Notes have not been registered under the Securities Act or any other applicable securities laws;
 - the New Notes are being offered for resale in transactions that do not require registration under the Securities Act or any other securities laws; and
 - the New Notes are being offered and sold only outside the United States in offshore transactions in reliance on Regulation S under the Securities Act.
- (2) You represent that you are not an affiliate (as defined in Rule 144 under the Securities Act) of ours, and you are purchasing the New Notes in an offshore transaction in accordance with Regulation S under the Securities Act.
- (3) You acknowledge that neither we nor the Initial Purchasers nor any person representing us or the Initial Purchasers has made any representation to you with respect to us or the offering of the New Notes, other than the information contained in this offering circular. You represent that you are relying only on this offering circular in making your investment decision with respect to the New Notes. You agree that you have had access to such financial and other information concerning us and the New Notes as you have deemed necessary in connection with your decision to purchase the New Notes including an opportunity to ask questions of and request information from us.
- (4) You represent that you are purchasing the New Notes for your own account, or for one or more investor accounts for which you are acting as a fiduciary or agent, in each case not with a view to, or for offer or sale in connection with, any distribution of the New Notes in violation of the Securities Act.
- (5) You acknowledge that we, the Initial Purchasers, the Trustee, and the Agents and others will rely upon the truth and accuracy of the above acknowledgments, representations and agreements. You agree that if any of the acknowledgments, representations or agreements you are deemed to have made by your purchase of the New Notes is no longer accurate, you will promptly notify us, the Trustee, and the Agents and the Initial Purchasers. If you are purchasing any New Notes as a fiduciary or agent for one or more investor accounts, you represent that you have sole investment discretion with respect to each of those accounts and that you have full power to make the above acknowledgments, representations and agreements on behalf of each account.

- (6) You also acknowledge that this offering circular has not been and will not be registered as a prospectus with the MAS. Accordingly, you have represented, warranted and agreed that you have not offered or sold any New Notes or caused the New Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any New Notes or cause the New Notes to be made the subject of an invitation for subscription or purchase, and have not circulated or distributed, nor will you circulate or distribute, this offering circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the New Notes, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the SFA, (ii) to a relevant person pursuant to Section 275(1), or to 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.

RATING

Fitch has assigned a corporate rating of “B-” to the Company with a stable outlook. The New Notes are expected to be rated “B-” by Fitch. The rating reflects the rating agency’s assessment of the likelihood of timely payment of the principal of and interest on the New Notes. The rating does not address the payment of any Additional Amounts and does not constitute recommendations to purchase, hold or sell the New Notes in as much as such rating does not comment as to market price or suitability for a particular investor. The rating should be evaluated independently of any other rating on the New Notes, on other securities of ours, or on us. The rating may not remain in effect for any given period and the rating may be revised by Fitch in the future if in their judgment circumstances so warrant.

LEGAL MATTERS

Certain legal matters with respect to the New Notes will be passed upon for us by DLA Piper as to matters of United States federal law, New York law and Hong Kong law, Global Law Office as to matters of PRC law and Maples and Calder (Hong Kong) LLP as to matters of Cayman Islands law and British Virgin Islands law. Certain legal matters will be passed upon for the Initial Purchasers by Sidley Austin 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 the years ended December 31, 2015 , 2016 and 2017 reproduced in this offering circular have been audited by KPMG, Certified Public Accountants, Hong Kong, as stated in their reports included herein.

GENERAL INFORMATION

Consents

We have obtained all necessary consents, approvals and authorizations in the Cayman Islands, the British Virgin Islands and Hong Kong in connection with the issue and performance of the New Notes, the Subsidiary Guarantees and the JV Guarantees. The entering into of the Indenture and the issue of the New Notes have been authorized by our board of directors.

Documents Available

For so long as any of the New Notes are outstanding, copies of the Indenture may be inspected free of charge during normal business hours on any weekday (except public holidays) at the corporate trust office of the Trustee.

For so long as any of the New Notes are outstanding, copies of our audited financial statements for the past two fiscal years, if any, may be obtained during normal business hours on any weekday (except public holidays) at the registered office of the Issuer.

Clearing Systems and Settlement

The New Notes have been accepted for clearance through the facilities of Euroclear and Clearstream. Certain trading information with respect to the New Notes is set forth below:

	<u>ISIN</u>	<u>Common Code</u>
Regulation S New Notes	XS1809865378	180986537

Only New Notes evidenced by a Global New Note have been accepted for clearance through Euroclear and Clearstream.

Listing of the New Notes

Approval in-principle has been received for the listing and quotation of the New Notes on the Official List of the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports contained herein. Admission of the New Notes to the Official List of the SGX-ST and quotation of any New Notes on the SGX-ST are not to be taken as an indication of the merits of the offering, the Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors or any of their respective subsidiaries or associated companies (if any), the New Notes, the Subsidiary Guarantees or the JV Subsidiary Guarantees.

For so long as the New Notes are listed on the SGX-ST and the rules of the SGX-ST so require, the New Notes, if traded, will be traded on the SGX-ST in a minimum board lot size of US\$200,000. For so long as the New 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 definitive notes representing the New Notes may be presented or surrendered for payment or redemption, in the event that a Global New Note is exchanged for definitive New Notes. In addition, in the event that a Global New Note is exchanged for definitive New 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 New Notes, including details of the paying agent in Singapore.

INDEX TO FINANCIAL INFORMATION

Page references included in the consolidated financial statements of the Group as of and for each of the years ended December 31, 2015, 2016 and 2017 set forth below refer to pages in such consolidated financial statements as set forth in the Group's annual reports for the years ended December 31, 2015, 2016 and 2017, as the case may be. The relevant annual reports do not form part of this offering circular.

Consolidated Financial Statements for the Year Ended December 31, 2016

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INDEPENDENT AUDITOR'S REPORT

獨立核數師報告



Independent auditor's report to the shareholders of Hydo International Holding Limited

(Incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Hydo International Holding Limited (the "Company") and its subsidiaries (the "Group") set out on pages 128 to 267, which comprise the consolidated statement of financial position as at 31 December 2016, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with any HKICPA's *Code of Ethics for Professional Accountants* ("the Code") together with any ethical requirements that are relevant to our audit of the financial statements in the Cayman Islands, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

致毅德國際控股有限公司列位股東的獨立核數師報告

(於開曼群島註冊成立的有限公司)

意見

本核數師(以下簡稱「我們」)已審核列載於第128至267頁的毅德國際控股有限公司(以下簡稱「貴公司」)及其附屬公司(以下統稱「貴集團」)的合併財務報表。此財務報表包括於2016年12月31日的合併財務狀況表與截至該日止年度的合併損益表、合併損益及其他全面收益表、合併權益變動表和合併現金流量表，以及合併財務報表附註，包括主要會計政策概要。

我們認為，該等合併財務報表已根據國際會計準則理事會頒布的《國際財務報告準則》真實而中肯地反映了貴集團於2016年12月31日的合併財務狀況及截至該日止年度的合併財務表現及合併現金流量，並已遵照香港《公司條例》的披露要求妥為擬備。

意見的基礎

我們已根據香港會計師公會頒布的《香港審核準則》進行審核。我們在該等準則下承擔的責任已在本報告「核數師就審核合併財務報表承擔的責任」部分中作進一步闡述。根據香港會計師公會頒布的《專業會計師道德守則》(以下簡稱「守則」)以及與我們對開曼群島合併財務報表的審核相關的道德要求，我們獨立於貴集團，並已履行這些道德要求以及守則中的其他專業道德責任。我們相信，我們所獲得的審核憑證能充足及適當地為我們的審核意見提供基礎。

關鍵審核事項

關鍵審核事項是根據我們的專業判斷，認為對本期合併財務報表的審核最為重要的事項。這些事項是在我們審核整體合併財務報表及出具意見時進行處理的。我們不會對這些事項提供單獨的意見。

Transfer of inventories to investment properties and valuation of investment properties 轉撥存貨到投資物業及投資物業的估值	
Refer to note 12 to the consolidated financial statements and the accounting policies on page 146. 請參閱合併財務報表附註12及第146頁的會計政策。	
The key audit matter 關鍵審核事項	How the matter was addressed in our audit 我們於審核時如何處理關鍵審核事項
<p>As at 31 December 2016, the Group held a portfolio of investment properties located in Jiangxi, Guangxi, Shandong and Hunan provinces in Mainland China with an aggregate fair value of RMB1,521 million which accounted for 10% of the Group's total assets at that date. The investment properties principally comprise commercial trade logistics centres.</p> <p>於2016年12月31日，貴集團持有位於中國內地江西、廣西、山東及湖南省的投資物業組合，總值為人民幣15.21億元，佔貴集團資產總值的10%。投資物業主要包括商業貿易物流中心。</p> <p>During the year ended 31 December 2016, the Group transferred inventories, which principally comprised commercial trade logistics centres and shops, with an aggregate carrying value of RMB415 million to investment properties. Management is required to exercise judgement in determining if the relevant criteria as set out in the prevailing accounting standards have been met in order to transfer inventories to investment properties. Such judgements are principally qualitative in nature.</p> <p>截至2016年12月31日止年度，貴集團以存貨轉撥到投資物業的主要包括商業貿易物流中心及商舖，其總賬面值為人民幣4.15億元。管理層需要對存貨轉撥到投資物業是否符合現行會計準則中規定的相關標準作出判斷。這些判斷主要是定性的。</p> <p>The net changes in fair value of investment properties recorded in the consolidated statement of profit or loss represented 46% of the Group's profit before taxation for the year ended 31 December 2016, including an amount of RMB310 million which arose from the fair value gain upon the transfer of inventories to investment properties.</p> <p>於合併損益表中所錄得投資物業公允值淨變動相當於貴集團截至2016年12月31日止年度之除稅前溢利之46%，包括於人民幣3.10億元，於存貨轉撥到投資物業時產生的公允值收益。</p>	<p>Our audit procedures assess the transfer of inventories to investment properties and the valuation of investment properties included the following:</p> <p>我們對評估存貨轉撥到投資物業及投資物業的估值採取的審核程序包括：</p> <ul style="list-style-type: none"> challenging management's criteria for determining the change in use of the properties transferred from inventories to investment properties by inspecting the lease agreements for the properties, property management contracts and other relevant documentation and inspecting management's business plans for these properties; 通過檢查物業的租賃協議、物業管理合同和其他相關文件以及檢查管理層對這些物業的業務計劃，挑戰管理層確定從存貨轉撥到投資物業用途變化的準則； conducting site visits to investment properties transferred from inventories, on a sample basis, to observe the leasing activities of the respective properties and assess the change in use of the properties as asserted by management; 對從存貨轉撥到投資物業的項目進行實地視察，以抽樣方式觀察各項物業的租賃活動，並評估管理層聲稱的物業用途變化； obtaining and inspecting the valuation reports prepared by the external property valuers engaged by management and on which the directors' assessment of the fair values of investment properties was based; 取得並檢查由管理層委聘的外部物業估值師所編製且作為董事對投資物業公允值作出評估的基準的估值報告；

INDEPENDENT AUDITOR'S REPORT 獨立核數師報告

<p>The key audit matter 關鍵審核事項</p>	<p>How the matter was addressed in our audit 我們於審核時如何處理關鍵審核事項</p>
<p>The fair values of the investment properties as at 31 December 2016 were assessed by the directors based on independent valuations prepared by a firm of qualified external property valuers. The determination of these fair values involves significant judgement and estimation, particularly in relation to selecting the appropriate valuation methodology, capitalisation rates, market rents and average market price of the comparable properties.</p> <p>投資物業於2016年12月31日的公允值乃由董事基於一間合資格外部物業估值師編製的獨立估值而評估。對該等公允值的確定涉及重大判斷及估計，特別與選用適當的估值方法、資本化比率、可資比較物業的市場租金及平均市價有關。</p> <p>We identified the transfer of inventories to investment properties and the valuation of investment properties as a key audit matter because of the exercise of management judgement in assessing if the criteria for the transfer of inventories to investment properties were met and because of the inherent risks involved in estimating the valuations of investment properties, particularly in light of the current economic circumstances and various property market cooling measures introduced by local governments in various cities across Mainland China.</p> <p>我們識別出存貨轉撥到投資物業及投資物業的估值作為關鍵審核事項，因為在評估是否符合將存貨轉撥到投資物業的標準時，以及由於估計投資物業的估值涉及的固有風險，特別是鑑於當前的經濟環境和地方政府在中國內地各個城市推出的各種房地產市場降溫措施，管理層需要行使判斷。</p>	<ul style="list-style-type: none"> • assessing the external property valuers' qualifications, experience and expertise in the properties being valued and considering their objectivity and independence; • 評估外部物業估值師對所估值物業的資歷、經驗和專業知識，並考慮其客觀性和獨立性； • with the assistance of our internal property valuation specialists, discussing with the external property valuers their valuation methodology and the key estimates and assumptions adopted in their valuations; • 在我們的內部物業估值專家協助下，與外部物業估值師討論他們的估值方法以及估值採用的主要估計和假設； • challenging the key estimates and assumptions (including capitalisation rates, prevailing market rents and comparable market transactions) adopted in the valuations, on a sample basis, by comparison with available market data and/or government produced market statistics; and • 通過與現有市場數據和或政府編製的市場統計數據進行比較，質疑估值中採用的主要估計和假設(包括資本化比率、現行市場租金和可比較市場交易)；及 • comparing tenancy information, including committed rents and occupancy rates, provided by the Group to the external property valuers with underlying contracts and related documentation, on a sample basis. • 通過抽樣的方式，將租賃信息，包括承諾的租金和入住率，與貴集團提供給外部物業估值師的基本合同和相關文件進行對比。

<p>Accounting for government grants 政府補助的會計處理</p>	
<p><i>Refer to note 28 to the consolidated financial statements and the accounting policies on page 174.</i> 請參閱合併財務報表附註 28 及第 174 頁的會計政策。</p>	
<p>The key audit matter 關鍵審核事項</p>	<p>How the matter was addressed in our audit 我們於審核時如何處理關鍵審核事項</p>
<p>Pursuant to agreements entered into between the Group and local governments in Mainland China, grants are received from the local governments to subsidise the infrastructure construction costs of certain projects undertaken by the Group.</p> <p>根據 貴集團與中國內地地方政府訂立的協議，地方政府撥款資助 貴集團承擔若干項目的基礎設施的建設成本。</p> <p>Government grants are initially recognised by the Group as a deferred income in the consolidated statement of financial position when an amount is received and are subsequently recognised or amortised in profit or loss on a systematic basis when there is reasonable assurance that the Group will comply with the specific conditions attached to the government grants.</p> <p>在收到政府補貼金額時， 貴集團在合併財務狀況表中初始確認為遞延收入，並且在有合理保證 貴集團將遵守 貴集團附加於政府補貼的具體條件時，則根據系統的方法確認或攤銷於損益中。</p> <p>During the year ended 31 December 2016, deferred income in respect of government grants recognised in profit or loss amounted to RMB472 million and unamortised deferred income amounted to RMB860 million as at 31 December 2016.</p> <p>截至 2016 年 12 月 31 日止年度，就政府補貼於損益確認的遞延收入為數人民幣 472 百萬元，而於 2016 年 12 月 31 日，未攤銷遞延收入為數人民幣 860 百萬元。</p> <p>The Group is required to fulfil the requirements agreed with the local governments when conducting the related infrastructure construction and there is a risk that if the agreed criteria are not met, the respective local governments may request recourse or reclamation of the grants already advanced.</p> <p>貴集團在進行相關基礎設施建設時，必須滿足與地方政府達成的要求，並且存在如果未達到協定準則的風險，各地方政府可以要求追溯或填補已經發放的補貼。</p>	<p>Our audit procedures to assess the accounting for government grants included the following:</p> <p>我們評估政府補助的會計處理採取的審核程序包括：</p> <ul style="list-style-type: none"> • inspecting the agreements signed between the Group and the local governments and identifying the specific conditions attached to the respective government grants; • 檢查 貴集團與地方政府之間簽訂的協議，並確定各政府補貼所附的具體條件； • performing physical inspection of the relevant projects and assessing whether the conditions attached to the respective government grants had fulfilled or not at the reporting date; • 對相關項目進行實地視察，並在報告日評估各政府補貼附帶的條件是否已達到； • obtaining confirmations from the respective local governments in respect of the fulfilment by the Group of the criteria set out in the respective agreements; • 獲得各地方政府確認關於 貴集團履行各協議中規定的相關條件； • assessing whether the government grants had been properly recognised in accordance with the requirements of the prevailing accounting standards with reference to the terms in the respective agreements, the fulfilment of conditions as set out in these agreements and assessing management's interpretation of the fulfilment of the conditions; and • 通過參照相關協議中的條款，查看協議條款的履行情況，評估管理層對履行條件的解釋，以評估政府補貼是否已根據現行會計準則的要求得到適當確認；及

INDEPENDENT AUDITOR'S REPORT 獨立核數師報告

The key audit matter 關鍵審核事項	How the matter was addressed in our audit 我們於審核時如何處理關鍵審核事項
<p>We identified accounting for government grants as a key audit matter because of its significance to the consolidated financial statements and because of the exercise of management judgement in assessing whether the conditions attached to the government grants are met, particularly in interpreting the fulfilment of conditions which are not clearly stated in the respective agreements.</p> <p>我們識別出政府補貼的會計處理為關鍵審核事項，是因為其對合併財務報表的重要性，以及由於在評估政府補貼的附帶條件是否得到滿足時由管理層行使判斷，特別是在解釋各自協議中未明確規定的條件時。</p>	<ul style="list-style-type: none"> re-calculating the amount of government grants recognised in profit or loss for the current year and comparing our calculations with the amounts recorded by the Group. 重新計算本年度在損益中確認的政府補貼金額，並將我們的計算與 貴集團記錄的金額進行比較。

Provision for land appreciation tax ("LAT") in Mainland China 中國內地土地增值稅（「土地增值稅」）撥備	
Refer to note 7 to the consolidated financial statements and the accounting policies on pages 166 to 169. 請參閱合併財務報表附註7及第166至169頁的會計政策。	
The key audit matter 關鍵審核事項	How the matter was addressed in our audit 我們於審核時如何處理關鍵審核事項
<p>LAT in Mainland China is one of the main components of the Group's taxation charge.</p> <p>中國內地的土地增值稅是 貴集團稅務支出的主要組成部分之一。</p> <p>LAT is levied on sale of properties, at progressive rates ranging from 30% to 60% based on the appreciation of land value. At the end of each financial reporting period, management estimates the provision for LAT based on its understanding and interpretation of the relevant tax rules and regulations, the estimated total sales of properties less total deductible expenditure, which includes lease charges for land use rights, property development costs, borrowing costs and development expenditure. When the LAT is subsequently determined, the actual payments may be different from the estimates.</p> <p>貴集團銷售開發的房地產需要就土地增值額按照超率累進稅率30%-60%繳納土地增值稅。在每個財務期末，管理層需要對土地增值稅的計提金額進行估算，在作出估算的判斷時，主要考慮的要素包括相關稅務法律法規的規定和解釋，預計的銷售房地產取得的收入減去預計可扣除的土地成本、房地產開發成本、利息費用、開發費用等。 貴集團在土地增值稅匯算清繳時，實際應付稅金可能與 貴集團預估的金額存在差異。</p> <p>We identified provision for LAT in Mainland China as a key audit matter because of its significance to the consolidated financial statements and because the estimated provisions for LAT are based on management's judgement and interpretation of complicated tax laws and regulations. 由於土地增值稅的計提對合併財務報表的重要性，且管理層作出估計時的判斷包括對相關稅務法律法規和實務做法的理解等要素，因此我們將土地增值稅的計提識別為 貴集團關鍵審核事項。</p>	<p>Our audit procedures to assess the provision for LAT in Mainland China included the following:</p> <p>我們評估中國內地土地增值稅撥備採取的審核程序包括：</p> <ul style="list-style-type: none"> assessing the design, implementation and operating effectiveness of management's key internal controls over the calculation of the estimated LAT provisions; 評估管理層關於計算估計土地增值稅撥備的關鍵內部控制的設計、實施和運營有效性； engaging our internal taxation specialists to evaluate the Group's LAT provisions as at 31 December 2016 which involved challenging management's assumptions and judgements based on our experience, knowledge and understanding of the practices of the application of the relevant tax laws by the various local tax bureaus; 聘請內部稅務專家評估 貴集團於2016年12月31日的土地增值稅撥備，包括根據我們的經驗、知識和對各地方稅務局應用相關稅法常規的理解，對管理層的假設和判斷提出質疑； evaluating management's assumptions and judgments based on our assessment of the value of the estimated sales of properties and the deductible expenditure; and 根據我們對物業估計銷售價值和可扣除開支的評估，質疑管理層的假設及判斷；及 re-calculating the provision for LAT of the Group and comparing our calculations with the amounts recorded by the Group. 重新計算 貴集團的土地增值稅撥備，並將我們的計算與 貴集團記錄的金額進行比較。

INDEPENDENT AUDITOR'S REPORT 獨立核數師報告

Information other than the consolidated financial statements and auditor's report thereon

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated financial statements

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

合併財務報表及其核數師報告以外的信息

董事需對其他信息負責。其他信息包括刊載於年報內的全部信息，但不包括合併財務報表及我們的核數師報告。

我們對合併財務報表的意見並不涵蓋其他信息，我們亦不對該等其他信息發表任何形式的鑒證結論。

結合我們對合併財務報表的審核，我們的責任是閱讀其他信息，在此過程中，考慮其他信息是否與合併財務報表或我們在審核過程中所了解的情況存在重大抵觸或者似乎存在重大錯誤陳述的情況。基於我們已執行的工作，如果我們認為其他信息存在重大錯誤陳述，我們需要報告該事實。在這方面，我們沒有任何報告。

董事就合併財務報表須承擔的責任

董事須負責根據國際會計準則理事會頒布的國際財務報告準則及香港《公司條例》的披露要求擬備真實而中肯的合併財務報表，並對其認為為使合併財務報表的擬備不存在由於欺詐或錯誤而導致的重大錯誤陳述所需的內部控制負責。

在擬備合併財務報表時，董事負責評估 貴集團持續經營的能力，並在適用情況下披露與持續經營有關的事項，以及使用持續經營為會計基礎，除非董事有意將 貴集團清盤或停止經營，或別無其他實際的替代方案。

審核委員會協助董事履行監督 貴集團的財務報告過程的責任。

INDEPENDENT AUDITOR'S REPORT 獨立核數師報告

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSA's, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

核數師就審核合併財務報表承擔的責任

我們的目標，是對合併財務報表整體是否不存在由於欺詐或錯誤而導致的重大錯誤陳述取得合理保證，並出具包括我們意見的核數師報告。我們是僅向整體股東報告。除此以外，我們的報告不可用作其他用途。我們概不就本報告的內容，對任何其他人士負責或承擔法律責任。

合理保證是高水平的保證，但不能保證按照《香港審核準則》進行的審核，在某一重大錯誤陳述存在時總能發現。錯誤陳述可以由欺詐或錯誤引起，如果合理預期它們單獨或滙總起來可能影響合併財務報表使用者依賴財務報表所作出的經濟決定，則有關的錯誤陳述可被視作重大。

在根據《香港審核準則》進行審核的過程中，我們運用了專業判斷，保持了專業懷疑態度。我們亦：

- 識別和評估由於欺詐或錯誤而導致合併財務報表存在重大錯誤陳述的風險，設計及執行審核程序以應對這些風險，以及獲取充足和適當的審核憑證，作為我們意見的基礎。由於欺詐可能涉及串謀、偽造、蓄意遺漏、虛假陳述，或凌駕於內部控制之上，因此未能發現因欺詐而導致的重大錯誤陳述的風險高於未能發現因錯誤而導致的重大錯誤陳述的風險。
- 了解與審核相關的內部控制，以設計適當的審核程序，但目的並非對貴集團內部控制的有效性發表意見。
- 評價董事所採用會計政策的恰當性及作出會計估計和相關披露的合理性。

INDEPENDENT AUDITOR'S REPORT 獨立核數師報告

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.
- 對董事採用持續經營會計基礎的恰當性作出結論。根據所獲取的審核憑證，確定是否存在與事項或情況有關的重大不確定性，從而可能導致對 貴集團的持續經營能力產生重大疑慮。如果我們認為存在重大不確定性，則有必要在核數師報告中提請使用者注意合併財務報表中的相關披露。假若有關的披露不足，則我們應當發表非無保留意見。我們的結論是基於核數師報告日止所取得的審核憑證。然而，未來事項或情況可能導致 貴集團不能持續經營。
- 評價合併財務報表的整體列報方式、結構和內容，包括披露，以及合併財務報表是否中肯反映交易和事項。
- 就 貴集團內實體或業務活動的財務信息獲取充足、適當的審核憑證，以便對合併財務報表發表意見。我們負責 貴集團審核的方向、監督和執行。我們為審核意見承擔全部責任。

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

除其他事項外，我們與審核委員會溝通了計劃的審核範圍、時間安排、重大審核發現等，包括我們在審核中識別出內部控制的任何重大缺陷。

我們還向審核委員會提交聲明，說明我們已符合有關獨立性的相關專業道德要求，並與他們溝通有可能合理地被認為會影響我們獨立性的所有關係和其他事項，以及在適用的情況下，相關的防範措施。

INDEPENDENT AUDITOR'S REPORT 獨立核數師報告

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Wong Chun Pong.

KPMG

Certified Public Accountants

8th Floor, Prince's Building

10 Chater Road

Central, Hong Kong

30 March 2017

從與審核委員會溝通的事項中，我們確定哪些事項對本期合併財務報表的審核最為重要，因而構成關鍵審核事項。我們在核數師報告中描述這些事項，除非法律法規不允許公開披露這些事項，或在極端罕見的情況下，如果合理預期在我們報告中溝通某事項造成的負面後果超過產生的公眾利益，我們決定不應在報告中溝通該事項。

出具本獨立核數師報告的審核項目合夥人是黃振邦。

畢馬威會計師事務所

執業會計師

香港中環

遮打道10號

太子大廈8樓

2017年3月30日

CONSOLIDATED STATEMENT OF PROFIT OR LOSS 合併損益表

for the year ended 31 December 2016
截至2016年12月31日止年度
(Expressed in Renminbi)
(以人民幣列示)

		Note	2016	2015
		附註	RMB'000 人民幣千元	RMB'000 人民幣千元
Revenue	收益	3	2,335,777	3,166,351
Cost of sales	銷售成本		(1,049,861)	(1,532,435)
Gross profit	毛利		1,285,916	1,633,916
Other income	其他收入	4	21,988	78,394
Selling and distribution expenses	銷售開支		(149,754)	(194,541)
Administrative expenses	行政開支		(473,240)	(459,633)
Other operating expenses	其他經營開支	5	(78,989)	(8,608)
Profit from operations before fair value gain on investment properties	投資物業公允值收益前經營利潤		605,921	1,049,528
Fair value gain on investment properties	投資物業公允值收益	12	326,451	296,543
Profit from operation after fair value gain on investment properties	投資物業公允值收益後經營利潤		932,372	1,346,071
Share of loss of joint ventures	分佔合營公司虧損		(1,492)	—
Fair value change on embedded derivative component of the convertible notes	可轉股票據的嵌入式衍生部分的 公允值變動	27	(668)	19,319
Gain on early redemption of convertible notes	提前贖回可轉股票據產生之收益	27	14,391	—
Finance income	財務收入	6(a)	8,299	9,161
Finance costs	融資成本	6(a)	(240,439)	(150,549)
Profit before taxation	除稅前利潤	6	712,463	1,224,002
Income tax	所得稅	7(a)	(357,315)	(626,272)
Profit for the year	年內利潤		355,148	597,730

CONSOLIDATED STATEMENT OF PROFIT OR LOSS 合併損益表

for the year ended 31 December 2016
截至2016年12月31日止年度
(Expressed in Renminbi)
(以人民幣列示)

		Note	2016	2015
		附註	RMB'000 人民幣千元	RMB'000 人民幣千元
Attributable to:	以下各方應佔：			
Equity shareholders of the Company	本公司權益股東		350,280	556,875
Non-controlling interests	非控股權益		4,868	40,855
Profit for the year	年內利潤		355,148	597,730
Earnings per share	每股盈利			
Basic (RMB cents)	基本(人民幣分)	10	8.7	13.9
Diluted (RMB cents)	攤薄(人民幣分)	10	8.7	13.9

The notes on pages 137 to 267 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 33(b).

第137至267頁所載附註屬於該等財務報表的一部分。本年度應付本公司權益股東股息的詳情載於附註33(b)。

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME 合併損益及其他全面收益表

for the year ended 31 December 2016
截至2016年12月31日止年度
(Expressed in Renminbi)
(以人民幣列示)

		2016 RMB'000 人民幣千元	2015 RMB'000 人民幣千元
Profit for the year	年內利潤	355,148	597,730
Other comprehensive income for the year (after tax and reclassification adjustments)	年內其他全面收入(經稅項及重新分類調整後)		
Item that may be reclassified subsequently to profit or loss:	其後可能重新分類至損益的項目：		
Exchange differences on translation of financial statements of subsidiaries outside the Mainland China	換算中國境外子公司的財務報表的匯兌差額	(51,230)	(19,492)
Other comprehensive income for the year	年內其他全面收入	(51,230)	(19,492)
Total comprehensive income for the year	年內全面收入總額	303,918	578,238
Attributable to:	以下各方應佔：		
Equity shareholders of the Company	本公司權益股東	299,050	537,383
Non-controlling interests	非控股權益	4,868	40,855
Total comprehensive income for the year	年內全面收入總額	303,918	578,238

The notes on pages 137 to 267 form part of these financial statements.

第137至267頁所載附註屬於該等財務報表的一部分。

CONSOLIDATED STATEMENT OF FINANCIAL POSITION 合併財務狀況表

at 31 December 2016
於2016年12月31日
(Expressed in Renminbi)
(以人民幣列示)

		Note	2016	2015
		附註	RMB'000 人民幣千元	RMB'000 人民幣千元
Non-current assets	非流動資產			
Property, plant and equipment	物業、廠房及設備	11	472,958	112,331
Investment properties	投資物業	12	1,520,800	778,900
Intangible assets	無形資產	13	2,956	3,983
Goodwill	商譽	14	3,631	3,631
Interest in joint ventures	於合營企業權益	15	149,394	150,386
Other non-current financial assets	其他非流動金融資產	16	180,131	111,187
Deferred tax assets	遞延稅項資產	17(b)	247,050	316,049
Prepayment for acquisition of property, plant and equipment	收購物業、廠房及設備的預付款項	18	—	368,535
Finance lease receivables	融資租賃應收款項	20	26,672	6,232
			2,603,592	1,851,234
Current assets	流動資產			
Inventories	存貨	21	9,180,960	9,628,621
Prepaid tax	預付稅項	17(a)	105,321	111,161
Trade and other receivables, prepayments and deposits	貿易及其他應收款項、預付款項及定金	22	1,550,738	1,393,270
Restricted cash	受限制現金	23	1,045,848	430,638
Cash and cash equivalents	現金及現金等值物	24	965,685	1,688,923
			12,848,552	13,252,613
Current liabilities	流動負債			
Trade and other payables	貿易及其他應付款項	25	4,084,024	4,277,132
Bank loans and other borrowings	銀行貸款及其他借貸	26	1,308,053	938,646
Convertible notes	可轉股票據	27	—	844,906
Current tax liabilities	即期稅項負債	17(a)	1,066,635	1,106,310
Deferred income	遞延收入	28	860,994	988,564
			7,319,706	8,155,558
Net current assets	流動資產淨值		5,528,846	5,097,055
Total assets less current liabilities	總資產減流動負債		8,132,438	6,948,289

CONSOLIDATED STATEMENT OF FINANCIAL POSITION 合併財務狀況表

at 31 December 2016
於2016年12月31日
(Expressed in Renminbi)
(以人民幣列示)

		Note	2016	2015
		附註	RMB'000 人民幣千元	RMB'000 人民幣千元
Non-current liabilities	非流動負債			
Bank loans and other borrowings	銀行貸款及其他借貸	26	1,477,510	1,464,520
Senior notes	優先票據	29	1,519,351	626,894
Corporate bonds	公司債券	30	9,674	—
Deferred income	遞延收入	28	3,804	3,524
Deferred tax liabilities	遞延稅項負債	17(b)	14,815	14,771
			3,025,154	2,109,709
NET ASSETS	資產淨值		5,107,284	4,838,580
Capital and reserves	股本及儲備	33		
Share capital	股本		31,825	31,825
Reserves	儲備		4,852,252	4,604,866
Total equity attributable to equity shareholders of the Company	本公司權益股東應佔權益總額		4,884,077	4,636,691
Non-controlling interests	非控股權益		223,207	201,889
TOTAL EQUITY	權益總額		5,107,284	4,838,580

Approved and authorised for issue by the board of directors on 30 March 2017.

於2017年3月30日獲董事會批准及授權刊發。

Wang Jianli
王健利

Chairman and Executive Director
主席兼執行董事

Wang Dewen
王德文

Executive Director and Chief Executive officer
執行董事兼行政總裁

The notes on pages 137 to 267 form part of these financial statements.

第137至267頁所載附註屬於該等財務報表的一部分。

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

合併權益變動表

for the year ended 31 December 2016
截至2016年12月31日止年度
(Expressed in Renminbi)
(以人民幣列示)

Attributable to equity shareholders of the Company 本公司權益股東應佔		Reserve - transaction with non- controlling interests	Equity settled share-based payment reserve	Capital redemption reserve	Exchange reserve	Retained profits	Total	Non- controlling interests	Total equity	
Note	Share capital	Share premium	PRC statutory reserve	Capital reserve	Capital redemption reserve	Exchange reserve	Retained profits	Total	Non- controlling interests	
附註	股本	股份溢價	中國法定 儲備	資本儲備	資本贖回 儲備	匯兌儲備	保留利潤	總計	非控股權益	
附註	33(c)	33(d)(i)	33(d)(ii)	33(d)(v)	33(d)(iv)	33(d)(iii)	33(d)(vi)	33(d)(v)	33(d)(vii)	
附註	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
附註	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	
Balance at 1 January 2015	3,1825	1,222,221	303,580	1,435,617	13,881	40,705	1,296,046	4,292,129	81,034	4,373,163
Changes in equity for 2015										
Profit for the year	—	—	—	—	—	—	556,875	556,875	40,855	597,730
Other comprehensive income	—	—	—	—	—	(19,492)	—	(19,492)	—	(19,492)
Total comprehensive income	—	—	—	—	—	(19,492)	556,875	537,383	40,855	578,238
Dividends approved in respect of the previous year	—	(192,485)	—	—	—	—	—	(192,485)	—	(192,485)
Capital injection by non-controlling interests	—	—	—	—	—	—	—	—	80,000	80,000
Equity settled share-based transaction	—	—	—	—	(1,087)	—	751	(336)	—	(336)
Appropriation to PRC statutory reserve	—	—	79,535	—	—	—	(79,535)	—	—	—
Balance at 31 December 2015	3,1825	1,029,736	383,115	1,435,617	12,794	21,213	1,774,137	4,636,091	201,889	4,838,580

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY 合併權益變動表

for the year ended 31 December 2016
截至2016年12月31日止年度
(Expressed in Renminbi)
(以人民幣列示)

		Attributable to equity shareholders of the Company 本公司權益股東應佔				Non-controlling interests		Total equity					
	Note	Share capital	Share premium	PRC statutory reserve	Capital reserve	Reserve with non-controlling interests	Equity settled with share-based payment reserve	Capital redemption reserve	Exchange reserve	Retained profits	Total	Total	
		人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	
Balance at 1 January 2016	於2016年1月1日的結餘	31,825	1,029,736	383,115	1,435,617	(51,866)	12,794	120	2,1213	1,774,137	4,636,691	201,889	4,838,580
Changes in equity for 2016	2016年權益變動												
Profit for the year	年內利潤	—	—	—	—	—	—	—	—	350,280	350,280	4,868	355,148
Other comprehensive income	其他全面收入	—	—	—	—	—	—	—	(51,230)	—	(51,230)	—	(51,230)
Total comprehensive income	全面收入總額	—	—	—	—	—	—	—	(51,230)	350,280	299,050	4,868	303,918
Dividends approved in respect of the previous year	批准上一年度股息	—	(51,470)	—	—	—	—	—	—	—	(51,470)	—	(51,470)
Capital injection by non-controlling interests	非控股權益注資	—	—	—	—	—	—	—	—	—	—	20,300	20,300
Contribution to non-controlling interests	非控股權益收回投資	—	—	—	—	—	—	—	—	—	—	(3,850)	(3,850)
Equity settled share-based transaction	以權益結算以股份為其基礎的交易	—	—	—	—	—	(194)	—	—	—	(194)	—	(194)
Appropriation to PRC statutory reserve	轉撥至中國法定儲備	—	—	82,181	—	—	—	—	—	(82,181)	—	—	—
Balance at 31 December 2016	於2016年12月31日的結餘	31,825	978,266	465,296	1,435,617	(51,866)	12,600	120	(30,017)	2,042,236	4,894,077	223,207	5,107,284

The notes on pages 137 to 267 form part of these financial statements.

第137至第267頁所載附註屬於該等財務報表的一部分。

CONSOLIDATED CASH FLOW STATEMENT 合併現金流量表

for the year ended 31 December 2016
截至2016年12月31日止年度
(Expressed in Renminbi)
(以人民幣列示)

		Note	2016	2015
		附註	RMB'000 人民幣千元	RMB'000 人民幣千元
Operating activities	經營活動			
Cash generated from/(used in) operations	經營業務所得/(所用)現金	24(b)	39,220	(1,206,419)
PRC tax paid	已付中國稅項		(322,107)	(504,223)
Net cash used in operating activities	經營活動所用現金淨額		(282,887)	(1,710,642)
Investing activities	投資活動			
Proceeds from disposal of property, plant and equipment	出售物業、廠房及設備所得款項		230	5,586
Proceeds from disposal of other non-current financial assets	出售其他非流動金融資產所得款項		2,000	—
Payment for purchase of property, plant and equipment	購買物業、廠房及設備付款		(35,389)	(23,211)
Payment for purchase of other non-current financial assets	購買其他非流動金融資產付款		(58,245)	(3,030)
Net proceeds for available-for-sale investments	出售可供出售投資所得款項淨額		547	39,382
Payment for intangible assets	購買無形資產付款		(104)	(1,473)
Dividends received	已收股息		131	1,189
Interest received	已收利息		8,299	9,161
Prepayment for investment	預付投資款項		—	(245,700)
Payment for investment in a joint venture	投資合營企業的付款		(500)	(150,386)
Net cash used in investing activities	投資活動所用現金淨額		(83,031)	(368,482)

The notes on pages 137 to 267 form part of these financial statements.

第137至267頁所載附註屬於該等財務報表的一部分。

CONSOLIDATED CASH FLOW STATEMENT 合併現金流量表

for the year ended 31 December 2016
截至2016年12月31日止年度
(Expressed in Renminbi)
(以人民幣列示)

		Note	2016年 RMB'000 人民幣千元	2015年 RMB'000 人民幣千元
		附註		
Financing activities	融資活動			
Dividends paid	已付股息	33(b)(ii)	(51,470)	(192,485)
Capital return to non-controlling interests	資本回報予非控股權益		(3,850)	—
Proceeds from new bank loans and other borrowings	新增銀行貸款及其他借貸 所得款項		1,754,473	1,295,516
Capital injection by non-controlling interests to subsidiaries	非控股權益對子公司注資		20,300	80,000
Repayment of bank loans and other borrowings	償還銀行貸款及其他借貸		(1,372,076)	(454,450)
Interest and other borrowing costs paid	已付利息及其他借貸成本		(406,556)	(166,384)
Payment of pledged deposits for loans	支付貸款所需的存款保證金		(368,490)	—
Net proceeds from the issue of convertible notes	發行可轉股票據所得款項淨額		—	736,104
Redemption of convertible notes	贖回可轉股票據		(798,344)	—
Net proceeds from the issue of senior notes	發行優先票據所得款項淨額		826,379	623,642
Net proceeds from the issue of corporate bonds	發行公司債券所得款項淨額		9,565	—
Net cash (used in)/generated from financing activities	融資活動(所用)/所得 現金淨額		(390,069)	1,921,943
Net decrease in cash and cash equivalents	現金及現金等值物減少淨額		(755,987)	(157,181)
Cash and cash equivalents at 1 January	於1月1日的現金及現金等值物	24	1,688,923	1,819,029
Effect of foreign exchange rate changes	外匯匯率變動的影響		32,749	27,075
Cash and cash equivalents at 31 December	於12月31日的現金及現金等值物	24	965,685	1,688,923

The notes on pages 137 to 267 form part of these financial statements.

第137至267頁所載附註屬於該等財務報表的一部分。

NOTES TO THE FINANCIAL STATEMENTS 財務報表附註

(Expressed in Renminbi unless otherwise indicated)
(除另有指明外，均以人民幣列示)

I SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards (“IFRSs”), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards (“IASs”) and Interpretations issued by the International Accounting Standards Board (“IASB”) and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). Significant accounting policies adopted by the group are disclosed below.

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 1(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

I 重大會計政策

(a) 合規聲明

此等財務報表已根據國際會計準則理事會(「國際會計準則理事會」)所頒佈之所有適用國際財務報告準則(「國際財務報告準則」)(此統稱包括所有適用的個別國際財務報告準則、國際會計準則(「國際會計準則」)及詮釋)及香港公司條例披露規定編製。此等財務報表亦符合香港聯合交易所有限公司(「聯交所」)證券上市規則(「上市規則」)之適用披露規定。本集團所採納的重大會計政策載於下文。

國際會計準則理事會已頒佈若干新訂及經修訂的國際財務報告準則，該等準則於本集團及本公司當前會計期間首次生效或可提早採納。附註1(c)載列在與該等財務報表所呈列與本集團當前及過往會計期間有關的範圍內，因首次採用該等變更而導致會計政策任何變更的資料。

NOTES TO THE FINANCIAL STATEMENTS 財務報表附註

(Expressed in Renminbi unless otherwise indicated)
(除另有指明外，均以人民幣列示)

I SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2016 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in joint ventures.

These financial statements are presented in Renminbi ("RMB") rounded to the nearest thousand. The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

- available-for-sale investments (see note I (g));
- derivative financial instruments (see note I (h)); and
- investment properties (see note I (i)).

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

I 重大會計政策(續)

(b) 財務報表的編製基準

截至2016年12月31日止年度的合併財務報表涵蓋本公司及其各子公司(統稱「本集團」)及本集團於合營企業之權益。

該等財務報表以人民幣呈列，約整至最接近千元計算。按下文會計政策所述，編製財務報表時以歷史成本作為計量基準，惟以下資產及負債按公允值列賬：

- 可供出售投資(附註I(g))；
- 衍生金融工具(附註I(h))；及
- 投資物業(附註I(i))。

管理層在編製符合國際財務報告準則的財務報表時，須作出對政策的應用及資產、負債、收入及支出的呈報金額造成影響的判斷、估計及假設。估計及相關假設根據過往經驗及於所有情況下視為合理的多種其他因素作出，其結果成為管理層在無法依循其他途徑即時得知資產及負債的賬面值時作出判斷的依據。實際結果可能有別於該等估計。

NOTES TO THE FINANCIAL STATEMENTS 財務報表附註

(Expressed in Renminbi unless otherwise indicated)
(除另有指明外，均以人民幣列示)

I SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(b) Basis of preparation of the financial statements (Cont'd)

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 2.

(c) Changes in accounting policies

The IASB has issued a number of new IFRSs and amendments to IFRSs that are first effective for the current accounting period of the Group. None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

I 重大會計政策(續)

(b) 財務報表的編製基準(續)

管理層持續審核該等估計及相關假設。倘會計估計的修訂僅對作出修訂的期間產生影響，則有關修訂會在該期間內予以確認；倘該項修訂對當前及未來期間均有影響，則在作出修訂的期間及未來期間均予以確認。

管理層在採用國際財務報告準則時所作出對財務報表有重大影響之判斷及估計不確定因素之主要來源於附註2討論。

(c) 會計政策的變動

國際會計準則理事會已頒佈多項於本集團當前會計期間首次生效的新訂國際財務報告準則及國際財務報告準則修訂。

該等變動概無對本集團當前或過往期間業績及財務狀況的編製或呈列造成重大影響。

本集團並無應用於當前會計期間尚未生效的任何新訂準則或詮釋。

NOTES TO THE FINANCIAL STATEMENTS 財務報表附註

(Expressed in Renminbi unless otherwise indicated)
(除另有指明外，均以人民幣列示)

I SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, 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. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

I 重大會計政策(續)

(d) 子公司及非控股權益

子公司是由本集團控制的實體。倘本集團因參與一家公司的業務而可或有權獲得可變回報，且能藉對該公司行使權力而影響該等回報時，則視為本集團對該公司擁有控制權。評估本集團是否有權力時，僅考慮本集團及其他各方持有的實質權利。

於子公司的投資自控制權開始日期起至控制權終止日期止計入合併財務報表。集團內公司間的結餘、交易及現金流量以及集團內公司間交易所產生的任何未變現利潤，在編製合併財務報表時均全數抵銷。集團內公司間交易所產生的未變現虧損則僅在並無出現減值跡象的情況下以與抵銷未變現收益相同的方法予以抵銷。

非控股權益指本公司並非直接或間接應佔的子公司權益，且本集團並未同意與該等權益持有人增訂條款而導致本集團整體須就該等權益符合金融負債定義承擔合約責任。對各業務合併而言，本集團可選擇以公允值或按非控股權益所佔子公司可識別資產淨值的比例計量任何非控股權益。

NOTES TO THE FINANCIAL STATEMENTS 財務報表附註

(Expressed in Renminbi unless otherwise indicated)
(除另有指明外，均以人民幣列示)

I SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(d) Subsidiaries and non-controlling interests (Cont'd)

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with notes I(p), (q) or (r) depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note I(g)) or, when appropriate, the cost on initial recognition of an investment in a joint venture (see note I(e)).

In the Company's statement of financial position, investment in a subsidiary is stated at cost less impairment losses (see note I(m)).

I 重大會計政策(續)

(d) 子公司及非控股權益(續)

非控股權益於合併財務狀況表的權益內與本公司權益股東應佔權益分開呈列。本集團業績的非控股權益在合併損益表及合併損益及其他全面收益表賬面呈列為年內損益總額及全面收入總額在非控股權益與本公司權益股東之間的分配。非控股權益持有人的貸款及對該等持有人所負的其他合約責任視乎負債性質，根據附註I(p)、(q)或(r)於合併財務狀況表中呈列為金融負債。

倘本集團於子公司的權益變動並未導致失去控制權，則入賬列作股權交易，而合併權益內控股及非控股權益的金額會就此作出調整，以反映相關權益的變動，但商譽不會作出調整且不會確認損益。

當本集團失去對一間子公司的控制權，則入賬列作出售該子公司的全部權益，因此產生的收益或虧損會於損益確認。於失去控制權之日在該前子公司保留的任何權益按公允價值確認，且有關金額視為初步確認金融資產時的公允價值(見附註I(g))，或(如適用)初步確認於合營企業投資時的成本(見附註I(e))。

在本公司的財務狀況表內，於子公司的投資按成本減減值虧損列賬(見附註I(m))。

NOTES TO THE FINANCIAL STATEMENTS 財務報表附註

(Expressed in Renminbi unless otherwise indicated)
(除另有指明外，均以人民幣列示)

I SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(e) Joint ventures

A joint venture is an arrangement whereby the Group or Company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in a joint venture is accounted for in the consolidated financial statements under the equity method. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see notes I (f) and (m)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

I 重大會計政策(續)

(e) 合營企業

合營企業是一項安排，據此，本集團或本公司與其他方在合約上協定分享此項安排的控制權，並有權擁有其淨資產。

於合營企業的投資以權益法於合併財務報表入賬。根據權益法，投資初步按成本列賬，其後就本集團應佔該被投資公司的可識別資產淨值的收購日期公允值超出投資成本的任何部分(如有)作出調整。其後，就本集團應佔該被投資公司的資產淨值的收購後變動及與投資相關的任何減值虧損(見附註 I (f) 及 (m)) 作出調整。收購日期超出成本的任何部分、本集團年內應佔被投資公司的收購後稅後業績及任何減值虧損於合併損益表內確認，而本集團應佔被投資公司的其他全面收入的收購後稅後項目則於合併損益及其他全面收益表內確認。

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(Expressed in Renminbi unless otherwise indicated)
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I SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(e) Joint ventures (Cont'd)

When the Group's share of losses exceeds its interest in the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the joint venture.

Unrealised profits and losses resulting from transactions between the Group and its joint venture are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

When the Group ceases to have joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note I(g)).

In the Company's statement of financial position, investments in joint venture are stated at cost less impairment losses (see note I(m)).

I 重大會計政策(續)

(e) 合營企業(續)

當本集團應佔一間合營企業的虧損超出其於該企業的權益時，本集團的權益扣減至零並會終止確認進一步虧損，但本集團產生法定或推定責任或代表被投資公司付款則除外。就此而言，本集團的權益為以權益法入賬的投資賬面值，連同實質上屬本集團於合營企業投資淨額一部分的長期權益。

本集團與合營企業進行交易產生的未變現利潤及虧損將以本集團於被投資公司的權益為限予以對銷，除非該未變現虧損證明已轉讓資產出現減值，在此情況下，則即時於損益內確認相關虧損。

當本集團不再對合營企業擁有共同控制權時，則按出售於被投資公司的全部權益入賬，所產生之收益或虧損於損益中確認。任何於喪失共同控制權當日在前被投資公司保留的權益按公允值確認及該金額被視為於初步確認金融資產的公允值(見附註I(g))。

在本公司財務狀況表內，於合營企業的投資按成本減減值虧損(見附註I(m))列賬。

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I SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(f) Goodwill

Goodwill represents the excess of

- (i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over
- (ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or Groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note I (m)).

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

I 重大會計政策(續)

(f) 商譽(續)

商譽指(i)超過(ii)的差額：

- (i) 所轉讓對價的公允值、於被收購公司的任何非控股權益金額及本集團先前於被收購公司持有的股本權益公允值的總和；
- (ii) 被收購公司的可識別資產及負債於收購當日計量的公允淨值。

當(ii)較(i)為大，則該超出數額即時在損益表內確認為議價收購的收益。

商譽按成本減累計減值虧損列賬。來自業務合併的商譽將分配至預期可受惠於合併協同效益的現金產生單位或現金產生單位組合，並會每年進行減值測試(見附註I(m))。

年內出售現金產生單位時，已將所購入商譽的任何應佔金額計入出售損益內。

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I SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(g) Other investments in equity securities

The Group's policies for investments in equity securities, other than investments in subsidiaries and joint ventures, are as follows:

Investments in equity securities are initially stated at fair value, which is their transaction price unless it is determined that the fair value at initial recognition differs from the transaction price and that fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise below. These investments are subsequently accounted for as follows, depending on their classification:

Investments in securities which are not held for trading are classified as available-for-sale securities. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve. As an exception to this, investments in equity securities that do not have a quoted price in an active market for an identical instrument and whose fair value cannot otherwise be reliably measured are recognised in the statement of financial position at cost less impairment losses (see note I(m)). Dividend income from equity securities is recognised in profit or loss in accordance with the policies set out in note I(w)(vi).

When the investments are derecognised or impaired (see note I(m)), the cumulative gain or loss recognised in equity is reclassified to profit or loss. Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire.

I 重大會計政策(續)

(g) 於股本證券的其他投資

本集團對股本證券的投資(除對子公司及合營企業的投資外)政策如下:

股本證券的投資初步按公允價值列賬，有關公允價值為交易價，除非確定初步確認的公允價值與交易價有所不同及於活躍市場上就相同資產或負債的報價可證明該公允價值，或公允價值乃根據評估技術(從可觀察市場獲取的數據)計算。成本包括應佔交易成本，但下文另有所指者除外。該等投資(視乎分類)隨後按下列方式列賬:

不屬於持作買賣的證券投資分類為可供出售證券。公允價值於各報告期末重新計量，所產生的任何收益或虧損於其他全面收入內確認，並另行累積計入公允價值儲備的權益。在例外情況下，當股本證券投資於活躍市場並無相同工具的報價且公允價值無法可靠計量時，則按成本減減值虧損於財務狀況表確認(見附註I(m))。股本證券股息收入按附註I(w)(vi)所載政策於損益內確認。

當終止確認投資或投資出現減值時(見附註I(m))，於權益內確認的累計收益或虧損重新分類至損益。在本集團承諾購買/出售投資或投資到期當日確認/終止確認有關投資。

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I SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(h) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

(i) Investment property

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note I(l)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are stated at fair value, unless they are still in the course of construction or development at the end of the reporting period and their fair value cannot be reliably measured at that time. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in note I(w) (ii).

I 重大會計政策(續)

(h) 衍生金融工具

衍生金融工具初步按公允值確認，於各報告期末重新計量公允值。重新計量公允值的收益或虧損即時於損益確認。

(i) 投資物業

投資物業是指為賺取租金收入及／或為資本增值而以租賃權益(見附註 I(l)) 擁有或持有的土地及／或建築物，當中包括就當前尚未確定未來用途持有的土地及正在建造或開發以供日後用作投資物業的物業。

投資物業按公允值列賬，除非於報告期末仍在建造或開發且不能可靠確定公允值。投資物業公允值的變動，或報廢或處置投資物業所產生的任何收益或虧損均於損益中確認。投資物業的租金收入按照附註 I(w)(ii) 所述方式入賬。

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I SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(j) Property, plant and equipment

Items of property, plant and equipment are stated in the consolidated statement of financial position at cost less accumulated depreciation and impairment losses (see note I(m)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note I(y)).

Construction in progress is transferred to property, plant and equipment when it is ready for its intended use. No depreciation is provided against construction in progress.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in the consolidated statement of profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

		Years	Estimated residual value as a percentage of costs 估計剩餘價值 佔成本百分比
		年期	
Buildings	樓宇	20 - 40	5%
Motor vehicles	汽車	4	5%
Office equipment	辦公設備	3 - 5	3% - 5%

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

I 重大會計政策(續)

(j) 物業、廠房及設備

物業、廠房及設備項目按成本減累計折舊及減值虧損(見附註I(m))於合併財務狀況表內列賬。

自建物業、廠房及設備項目的成本包括材料成本、直接勞工成本以及拆卸及搬遷項目與恢復項目所在地原貌的初步估計成本(如有關)及適當比例的間接生產成本及借貸成本(見附註I(y))。

當在建工程可作擬定用途時，轉為物業、廠房及設備。在建工程不計提折舊。

報廢或出售物業、廠房及設備項目所產生的收益或虧損按出售所得款項淨額與該項目賬面值的差額釐定，並於報廢或出售當日的合併損益表確認。

折舊是採用直線法按估計可使用年期撇銷物業、廠房及設備項目的成本並扣除其估計剩餘價值(如有)計算，詳情如下：

倘物業、廠房及設備項目各部分的可使用年期不同，該項目的成本按合理基準於各部分之間分配，且各部分單獨折舊。資產的可使用年期及其剩餘價值(如有)均每年進行審閱。

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I SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(k) Intangible assets (other than goodwill)

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note I(m)(ii)).

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible asset with finite useful life is amortised from the date it is available for use and its estimated useful life is as follows:

Software	5 years
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Both the period and method of amortisation are reviewed annually.

(l) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

I 重大會計政策(續)

(k) 無形資產(商譽除外)

本集團所收購的無形資產以成本減累計攤銷(當估計可使用年期有限時)及減值虧損(見附註I(m)(ii))列賬。

具有有限可使用年期的無形資產攤銷按資產估計可使用年期於損益內以直線法攤銷。以下具有有限可使用年期的無形資產於其可供使用當日起攤銷，其估計可使用年期如下：

軟件	5年
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攤銷期間及方法均每年進行審核。

(l) 租賃資產

倘本集團釐定一項安排賦予於一段協定期間內使用一項指定資產或多項資產的權利，並以付款或系列付款作為交換，則該項安排(包括交易或系列交易)為或包含一項租賃。本集團經評估該項安排的實際內容後作出相關決定，並不會考慮該項安排是否屬租賃的法定形式。

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I SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(I) Leased assets (Cont'd)

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with the following exceptions:

- property held under operating leases that would otherwise meet the definition of an investment property is classified as investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease; and
- land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

I 重大會計政策(續)

(I) 租賃資產(續)

(i) 租賃予本集團的資產分類

對於本集團根據租約持有的資產，倘租賃使所有權的絕大部分風險及回報轉移至本集團，有關資產便會劃歸為以融資租賃持有。倘租賃不會使所有權的絕大部分風險及回報轉移至本集團，則劃歸為經營租賃，但下列情況除外：

- 經營租賃持有但在其它方面均符合投資物業定義的物業，會按照每項物業的基準劃歸為投資物業。如果劃歸為投資物業，其入賬方式會如同以融資租賃持有一樣；及
- 就經營租賃持作自用的土地而言，倘於租賃開始時，其公允值無法與位於其上的樓宇的公允值分開計量，則作為融資租賃持有入賬，除非該樓宇亦根據一項經營租賃清楚持有。就以上目的而言，租賃開始日期是本集團首次簽訂租賃或從前承租人接手的時間。

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I SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(I) Leased assets (Cont'd)

(ii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property (see note I(i)), property under development for sale and completed property held for sale (see note I(n)).

If a sale and leaseback transaction results in an operating lease, and it is clear that the transaction is established at fair value, any profit or loss shall be recognised immediately. If the sale price is below fair value, any profit or loss shall be recognised immediately except that, if the loss is compensated for by future lease payments at below market price, it shall be deferred and amortised in proportion to the lease payments over the period for which the asset is expected to be used. If the sale price is above fair value, the excess over fair value shall be deferred and amortised over the period for which the asset is expected to be used.

I 重大會計政策(續)

(I) 租賃資產(續)

(ii) 經營租賃支出

倘本集團根據經營租賃使用持有的資產，根據租賃作出的付款會在租期所涵蓋的會計期間內，分期等額自損益扣除，倘有其他基準更能反映租賃資產所產生的收益模式則除外。所收取的租賃獎勵於損益內確認為所作出租賃淨付款總額的組成部分。或然租金在其產生的會計期間自損益扣除。

根據經營租賃所持土地的收購成本按直線法在租期內攤銷，但分類為投資物業(附註I(i))、待售在建物業及待售已完工物業(附註I(n))的物業除外。

倘售後租回交易引致經營租賃，且該交易明顯按公允值設立，則須即時確認任何損益。倘售價低於公允值，則須即時確認任何損益，倘以低於市價的未來租賃付款補償虧損，則有關損益須遞延並按租賃付款的比例在預期使用資產期間攤銷。倘售價高於公允值，則超過公允值的差額須遞延並在預期使用資產期間攤銷。

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I SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(I) Leased assets (Cont'd)

(iii) Assets leased out under finance leases

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. Title may or may not eventually be transferred.

When the Group is a lessor under finance leases, an amount representing the minimum lease payment receivables and initial direct costs is included in the statement of financial position as loans and accounts receivable. Any unguaranteed residual value is also recognised at the inception of the lease. The difference between the sum of the minimum lease payment receivables, initial direct costs, the unguaranteed residual value and their present value is recognised as unearned finance income. Unearned finance income is recognised over the period of the lease using the effective interest rate method

I 重大會計政策(續)

(I) 租賃資產(續)

(iii) 融資租賃租出資產

轉讓資產擁有權之絕大部分風險與回報之租賃列為融資租賃。所有權最終未必會轉讓。

倘本集團作為融資租賃出租人時，應收最低租賃款額與初始直接成本之款項於財務狀況表列作貸款及應收款項。未擔保餘值亦於租賃生效時確認。應收最低租賃款額、初始直接成本及無擔保餘值之總和與其現值兩者間之差額確認為未實現融資收益。未實現融資收益於租賃期間使用實際利率法確認。

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I SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(m) Impairment of assets

(i) Impairment of investments in equity securities and other receivables

Investment in equity securities and other current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale securities are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and
- a significant or prolonged decline in the fair value of an investment in equity securities below its cost.

I 重大會計政策(續)

(m) 資產減值

(i) 股本證券的投資及其他應收款項的減值

按成本或攤銷成本入賬的股本證券的投資及其他即期及非即期應收款項或分類為可供出售證券於各報告期末審核，以釐定是否存在減值的客觀證據。減值的客觀證據包括引起本集團注意到有關下列一項或多項虧損事件的可觀察數據：

- 債務人陷入重大財務困難；
- 違反合約，如欠付或拖延償還利息或本金；
- 債務人可能破產或進行其他財務重組；
- 科技、市場、經濟或法律環境出現重大變動，對債務人有不利影響；及
- 股本證券投資的公允價值嚴重或長期下跌至低於成本。

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I SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(m) Impairment of assets

(i) Impairment of investments in equity securities and other receivables (Cont'd)

If any such evidence exists, any impairment loss is determined and recognised as follows:

- For investments in joint ventures accounted for under the equity method in the consolidated financial statements (see note I(e)), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note I(m) (ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note I(m) (ii).

I 重大會計政策(續)

(m) 資產減值(續)

(i) 股本證券的投資及其他應收款項的減值(續)

倘存在任何該等證據，則按以下方式釐定及確認任何減值虧損：

- 就根據權益法於合併財務報表入賬之合營企業之投資(見附註 I(e))而言，減值虧損乃根據附註 I(m)(ii) 透過比較投資之可收回金額與其賬面值計量。倘按附註 I(m)(ii) 用作釐定可收回金額之估計出現有利變動時，則撥回減值虧損。

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I SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(m) Impairment of assets (Cont'd)

(i) Impairment of investments in equity securities and other receivables (Cont'd)

- For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective Group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

I 重大會計政策(續)

(m) 資產減值(續)

(i) 股本證券的投資及其他應收款項的減值(續)

- 對於貿易及其他即期應收款項及其他按攤銷成本列賬的金融資產，倘貼現的影響屬重大，減值虧損以資產之賬面值與以金融資產原實際利率(即初步確認該等資產時所計算的實際利率)貼現的估計未來現金流量現值的差額計量。如該等金融資產具備類似風險特徵，例如類似逾期情況及並未單獨被評估為減值，則對該等資產進行集體評估。集體評估減值的金融資產的未來現金流量，是根據與整個組別信貸風險特徵類似的資產的過往虧損經驗作出。

倘減值虧損金額在其後期間減少，且客觀上與確認減值虧損後發生的事件有關，則減值虧損會通過損益撥回。減值虧損的撥回不得導致資產的賬面值超過以往年度並無確認減值虧損而應釐定的數額。

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I SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(m) Impairment of assets (Cont'd)

(i) Impairment of investments in equity securities and other receivables (Cont'd)

- For available-for-sale securities, the cumulative loss that has been recognised in the fair value reserve is reclassified to profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised in other comprehensive income.

I 重大會計政策(續)

(m) 資產減值(續)

(i) 股本證券的投資及其他應收款項的減值(續)

- 就可供出售證券而言，已確認於公允價值儲備的累計虧損重新分類至損益。確認至損益的累計虧損金額為收購成本(減任何本金還款及攤銷)與現時公允值的差額減過往確認於損益的資產的任何減值虧損。

有關可供出售股本證券於損益內確認的減值虧損並未通過損益撥回。該等資產的公允值的任何其後增加於其他全面收入確認。

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I SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(m) Impairment of assets (Cont'd)

(i) Impairment of investments in equity securities and other receivables (Cont'd)

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors and bill receivables included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors and bill receivables directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in the consolidated statement of profit or loss.

I 重大會計政策(續)

(m) 資產減值(續)

(i) 股本證券的投資及其他應收款項的減值(續)

減值虧損從相應資產中直接撇銷，但因包含在貿易及其他應收款項中的貿易應收賬款及應收票據的可收回性被視為難以預料而並非微乎其微，就其確認的減值虧損除外。在此情況下，呆賬的減值虧損以撥備賬記錄。當本集團確認能收回貿易應收賬款的機會微乎其微時，則視為不可收回金額會直接從貿易應收賬款及應收票據中撇銷，而在撥備賬中就該債務保留的任何金額會被撥回。倘之前計入撥備賬的款項在其後收回，則有關款項於撥備賬撥回。撥備賬的其他變動及其後收回先前直接撇銷的款項均於合併損益表中確認。

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I SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(m) Impairment of assets (Cont'd)

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- intangible assets;
- goodwill; and
- investments in subsidiaries in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, the recoverable amount is estimated annually whether or not there is any indication of impairment.

I 重大會計政策(續)

(m) 資產減值(續)

(ii) 其他資產減值

本集團會在各報告期末審核內部及外界資料，以識別是否有跡象顯示下列資產(除商譽外)可能出現減值或過往確認的減值虧損已不再存在或可能已減少：

- 物業、廠房及設備；
- 無形資產；
- 商譽；及
- 在本公司的財務狀況表內對子公司投資。

若存在上述任何跡象，則會估計有關資產的可收回金額。此外，就商譽而言，每年估計可收回金額，不論是否有減值跡象。

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I SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(m) Impairment of assets (Cont'd)

(ii) Impairment of other assets (Cont'd)

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

I 重大會計政策(續)

(m) 資產減值(續)

(ii) 其他資產減值(續)

– 計算可收回金額

資產可收回金額為其公允值減處置成本與使用價值兩者中的較高者。在評估使用價值時，估計未來現金流量會使用可反映當時市場對貨幣時間值及資產特定風險的評估的稅前貼現率，貼現至其現值。倘資產所產生現金流入並非基本上獨立於其他資產所產生者，則以能獨立產生現金流入的最小資產組別(即現金產生單位)釐定可收回金額。

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I SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(m) Impairment of assets (Cont'd)

(ii) Impairment of other assets (Cont'd)

– Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

I 重大會計政策(續)

(m) 資產減值(續)

(ii) 其他資產減值(續)

– 確認減值虧損

當資產或其所屬現金產生單位的賬面值超過其可收回金額時，減值虧損於損益確認。就現金產生單位確認的減值虧損，會首先分配以減少分配予該現金產生單位(或該組單位)的任何商譽的賬面值，然後按比例減少該單位(或該組單位)內其他資產的賬面值，但資產賬面值不會減至低於其個別的公允值減處置成本(如可計量)或使用價值(如能釐定)。

– 撥回減值虧損

有關非商譽資產，倘用作釐定可收回金額的估計出現有利變化，則會撥回減值虧損。商譽的減值虧損不會撥回。

減值虧損的撥回僅限於過往年度並未確認減值虧損而應釐定的資產賬面值。所撥回減值虧損在確認撥回的年度計入損益。

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I SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(m) Impairment of assets (Cont'd)

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with IAS 34, *Interim financial reporting*, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes I(m) (i) and (ii)).

Impairment losses recognised in an interim period in respect of goodwill, available-for-sale equity securities carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates. Consequently, if the fair value of an available-for-sale equity security increases in the remainder of the annual period, or in any other period subsequently, the increase is recognised in other comprehensive income and not profit or loss.

I 重大會計政策(續)

(m) 資產減值(續)

(iii) 中期財務報告及減值

根據香港聯合交易所有限公司證券上市規則，本集團須按國際會計準則第34號中期財務報告編製財政年度首六個月的中期財務報告。本集團於中期期末採用與財政年度年末相同的減值測試、確認及撥回標準(見附註I(m) (i)及(ii))。

於中期期間就商譽、按成本列賬的可供出售股本證券確認的減值虧損不會於其後期間撥回(即使在與該中期期間相關的財政年度年末時並無或只有少數減值虧損需要確認的情況下)。因此，可供出售股本證券的公允價值倘於同一年度餘下期間或在任何其他其後的期間有所增加，則該增加須於其他全面收入而非於損益中確認。

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I SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(n) Inventories

Inventories in respect of property development activities are carried at the lower of cost and net realisable value. Cost and net realisable values are determined as follows:

- Properties held for future development for sale and properties under development for sale

The cost of properties held for future development for sale and properties under development for sale comprises specifically identified cost, including the acquisition cost of land use right, aggregate cost of development, materials and supplies, wages and other direct expenses, an appropriate proportion of overheads and borrowing costs capitalised (see note I(y)). Net realisable value represents the estimated selling price less estimated costs of completion and costs to be incurred in selling the property.

- Completed properties held for sale

In the case of completed properties developed by the Group, cost is determined by apportionment of the total development costs for that development project, attributable to the unsold properties. Net realisable value represents the estimated selling price less costs to be incurred in selling the property.

The cost of completed properties held for sale comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

I 重大會計政策(續)

(n) 存貨

有關物業開發活動的存貨以成本及可變現淨值兩者中的較低者入賬。成本及可變現淨值按下述方式釐定：

- 待售未來待開發物業及待售在建物業

待售未來待開發物業及待售在建物業的成本包含已明確識別的成本，包括土地使用權的收購成本，發展、物料和供應品總成本、工資及其他直接支出，以及適當比例之間接費用及資本化借貸成本(見附註 I(y))。可變現淨值為估計售價減估計完工成本及出售物業所產生的成本後的金額。

- 待售已完工物業

本集團已完工物業的成本按未售物業所佔該發展項目總發展成本分攤計算。可變現淨值為估計售價減出售物業所產生的成本。

待售已完工物業的成本包括所有購買成本、轉換成本以及將存貨運往現時位置及達至現狀所產生的其他成本。

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I SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(n) Inventories (Cont'd)

– Other inventories

Other inventories mainly include low-value consumption goods and goods for sale. They are carried at the lower of cost and net realisable value. Cost is calculated using the weighted average cost formula and comprises all costs of purchase. When inventories are consumed or sold, the carrying amount of inventories is recognised as an expense in the year in which the consumption occurs or the revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs.

(o) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of doubtful debts (see note 1(m)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

I 重大會計政策(續)

(n) 存貨(續)

– 其他存貨

其他存貨主要包括低值易耗品及待售品。其他存貨按成本及可變現淨值兩者中的較低者入賬。成本利用加權平均成本公式計算，並包括所有購買成本。存貨消耗或出售時，其賬面值於消耗發生或收益確認當年確認為支出。將任何存貨撇減至可變現淨值的金額及所有存貨虧損於撇減或虧損發生期內確認為支出。

(o) 貿易及其他應收款項

貿易及其他應收款項初步按公允值確認，其後按攤銷成本減呆賬減值撥備(見附註1(m))入賬，但作為支付予關聯方的無固定還款期或貼現影響並不重大的免息貸款的應收款項除外。在此情況下，該等應收款項按成本減呆賬減值撥備入賬。

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I SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(p) Convertible notes

Convertible notes which do not contain an equity component are accounted for as follows:

At initial recognition the derivative component of the convertible notes is measured at fair value and presented as part of derivative financial instruments (see note I(h)). Any excess of proceeds over the amount initially recognised as the derivative component is recognised as the liability component. Transaction costs that relate to the issue of the convertible note are allocated to the liability and derivative components in proportion to the allocation of proceeds.

The portion of the transaction costs relating to the liability component is recognised initially as part of the liability. The portion relating to the derivative component is recognised immediately in profit or loss.

The derivative component is subsequently remeasured in accordance with note I(h). The liability component is subsequently carried at amortised cost. The interest expense recognised in profit or loss on the liability component is calculated using the effective interest method.

If the note is converted, the carrying amounts of the derivative and liability components are transferred to share capital and share premium as consideration for the shares issued. If the note is redeemed, any difference between the amount paid and the carrying amounts of both components is recognised in profit or loss.

(q) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

I 重大會計政策(續)

(p) 可轉股票據

不含權益部分的可轉股票據的會計處理方法如下：

於初始確認時，可轉股票據的衍生部分按公允價值計量，並呈列為衍生金融工具的一部分（請參閱附註I(h)）。所得款項超過初步確認為衍生部分金額的任何差額確認為負債部分。有關發行可轉股票據的交易成本按所得款項的比例分配至負債及衍生部分。

有關負債部分交易成本初步確認為負債部分，而有關衍生部分交易成本則即時於損益中確認。

衍生部分其後根據附註I(h)重新計量。負債部分其後按攤銷成本入賬。負債部分於損益中確認的利息開支按實際利率法計算。

倘票據獲轉換，衍生及負債部分的賬面值轉撥至股本及股份溢價，作為所發行股份的代價。倘票據獲贖回，衍生及負債部分的已付金額與賬面值間的任何差額於損益確認。

(q) 計息借貸

計息借貸初步按公允價值減應佔交易成本確認。於初步確認後，計息借貸按攤銷成本入賬，最初確認金額與贖回價值之間的任何差額（連同任何應付利息及費用）會在借貸期間內以實際利率法於損益確認。

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I SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(r) Trade and other payables

Trade and other payables are initially recognised at fair value. Trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(s) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(t) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Obligation for contributions to defined contribution retirement plans pursuant to the relevant labour rules and regulations in the People's Republic of China (the "PRC") are recognised as an expense in profit or loss as incurred, except to the extent that they are included in properties for sale not yet recognised as an expense.

I 重大會計政策(續)

(r) 貿易及其他應付款項

貿易及其他應付款項初步按公允價值確認。貿易及其他應付款項其後按攤銷成本列賬，除非貼現影響並不重大，在此情況下，則按成本入賬。

(s) 現金及現金等值物

現金及現金等值物包括銀行存款及現金、存放於銀行及其他金融機構的活期存款，以及短期且流動性極高的投資，該等投資可隨時變現為已知現金數額及無重大價值轉變的風險，於購入後三個月內到期。

(t) 僱員福利

(i) 短期僱員福利及定額供款退休計劃供款

薪金、年度獎金、帶薪年假、定額供款退休計劃及非貨幣福利的成本已於僱員提供合營企業服務的年度內計提。若延遲付款或結算及其影響屬重大，該等款項將按現值入賬。

除已計入待售物業而尚未確認為支出者外，根據中華人民共和國(「中國」)相關勞動法規及規例向定額供款退休計劃作出供款的責任在產生時於損益確認為支出。

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I SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(t) Employee benefits (Cont'd)

(ii) Equity settled share-based payment

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in the equity settled share-based payment reserve within equity. The fair value is measured at grant date using the binomial option pricing model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the equity settled share-based payment reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the equity settled share-based payment reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the equity settled share-based payment reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

I 重大會計政策(續)

(t) 僱員福利(續)

(ii) 以權益結算以股份為基礎的付款

向僱員所授購股權的公允價值確認為僱員成本，並於權益的以權益結算以股份為基礎的付款儲備作出相應增加。公允價值是於授出日期使用二項式期權定價模式並計及所授出購股權的條款及條件計量。倘僱員須在無條件享有購股權前符合歸屬條件，則購股權的估計公允價值總額經考慮購股權的歸屬可能性後於歸屬期內攤分。

歸屬期內會審閱預期將歸屬的購股權數目。除非原僱員開支合資格確認為資產，否則對過往年內已確認累計公允價值所作出的任何調整，均在審閱年度自損益扣除／計入損益，並對以權益結算以股份為基礎的付款儲備作出相應調整。於歸屬日期，會對確認為開支的數額作出調整，以反映所歸屬購股權的實際數目(並對以權益結算以股份為基礎的付款儲備作出相應調整)，但僅因未能達成與本公司股份市價有關的歸屬條件而遭失效的購股權則除外。權益金額於以權益結算以股份為基礎的付款儲備確認，直至購股權獲行使(屆時會轉撥至股本溢價)或購股權屆滿(屆時會直接撥入保留利潤)為止。

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I SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(t) Employee benefits (Cont'd)

(iii) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

(u) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

I 重大會計政策(續)

(t) 僱員福利(續)

(iii) 終止福利

終止福利於本集團不再能夠取消提供該等福利時及其確認涉及支付終止福利的重組成本時(以較早者為準)確認。

(u) 所得稅

年度所得稅包括即期稅項及遞延稅項資產與負債變動。即期稅項及遞延稅項資產與負債變動均在損益確認，但倘該等項目與其他全面收益表或直接於權益確認的項目有關，則有關稅項分別於其他全面收益表或直接於權益確認。

即期稅項為年度應課稅收入的預期應付稅項，採用於報告期末已生效或實質已生效的稅率計算，同時考慮就過往年度應付稅項作出的任何調整。

遞延稅項資產及負債分別由可抵扣和應稅暫時差異產生，即財務報告所呈報資產及負債的賬面值與其稅基之間的差異。遞延稅項資產亦會因未動用稅項虧損及未動用稅項抵免而產生。

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I SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(u) Income tax (Cont'd)

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

I 重大會計政策(續)

(u) 所得稅(續)

除若干有限例外情況外，所有遞延稅項負債及所有遞延稅項資產均於日後可能有應課稅利潤用以抵銷可動用資產時確認。可支持確認源自可扣稅暫時性差額的遞延稅項資產的日後應課稅利潤，包括該等源自撥回現有應課稅暫時性差額者，但該等差額須與相同稅務機關及相同應課稅實體有關，並預期於撥回可扣減暫時性差額的同一期間或源自遞延稅項資產的稅項虧損可撥回或結轉的期間撥回。在評定現有應課稅暫時性差額是否支持確認因未動用稅項虧損及抵免產生的遞延稅項資產時採用相同的標準，即倘該等暫時性差額與相同稅務機關及相同應課稅實體有關，並預期於可使用稅項虧損或抵免期間內撥回，則會考慮確認遞延稅項資產。

確認遞延稅項資產及負債的有限例外情況為不可就稅務目的扣減的商譽、不影響會計或應課稅利潤的資產或負債的初步確認(前提是他們不屬於業務合併的一部分)所產生的暫時性差額，以及有關投資子公司的暫時性差額(如屬應課稅差額可以由本集團控制轉回時間，而且在可預見的未來不大可能轉回的差額，或如屬可扣減差額，則僅限於很可能在未來轉回的差額)。

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I SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(u) Income tax (Cont'd)

Where investment properties are carried at their fair value in accordance with the accounting policy set out in note 1(i), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

I 重大會計政策(續)

(u) 所得稅(續)

凡投資物業之公允值按附註1(i)所載的會計政策計量，其遞延稅項的確認以用於報告日期之資產出售的賬面值的稅率為準，除非該物業是可折舊的，並存在於某商業模式，其目的是隨著時間的推移消耗實質上附於該物業的所有經濟利益，而不是通過出售。在所有其他情況下，已確認的遞延稅項按預期變現或清償資產及負債賬面值的方式，以報告期末已頒佈或實質已頒佈的稅率計算。遞延稅項資產及負債並未貼現。

遞延稅項資產的賬面值會於各報告期末審閱，並扣減至不再可能取得足夠應課稅利潤以動用有關稅務利益為止。任何減幅會於可能取得足夠應課稅利潤時撥回。

分派股息所產生的額外所得稅於確認支付相關股息的責任時確認。

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I SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(u) Income tax (Cont'd)

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
 - the same taxable entity; or
 - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

I 重大會計政策(續)

(u) 所得稅(續)

即期稅項結餘與遞延稅項結餘及其變動單獨呈列，且不予抵銷。即期稅項資產與即期稅項負債以及遞延稅項資產與遞延稅項負債只會在本集團有法定執行權以即期稅項資產抵銷即期稅項負債，並在符合下列附帶條件的情況下，方可相互抵銷：

- 如屬即期稅項資產及負債，本集團計劃按淨額基準結算，或同時變現該資產及清償該負債；或
- 如屬遞延稅項資產及負債，倘他們與相同稅務機關就以下其中一項徵收的所得稅有關：
 - 相同應課稅實體；或
 - 不同應課稅實體，計劃在預期有重大金額的遞延稅項負債或資產須予清償或可收回的各未來期間，按淨額基準變現即期稅項資產及清償即期稅項負債，或同時變現即期稅項資產及清償即期稅項負債。

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I SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(v) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the “holder”) for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee is initially recognised as deferred income within trade and other payables. The fair value of financial guarantees issued at the time of issuance is determined by reference to fees charged in an arm’s length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group’s policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

I 重大會計政策(續)

(v) 已發出財務擔保、撥備及或然負債

(i) 已發出財務擔保

財務擔保指要求發行人(即擔保人)支付指定款項以向擔保受益人(「持有人」)賠償因指定債務人未能根據債務工具之條款支付到期款項而導致持有人蒙受損失的合約。

本集團發出財務擔保時，該擔保的公允值初步確認為貿易及其他應付款項內的遞延收入。已發出財務擔保於發出時的公允值乃參照在正常交易中就類似服務所收取的費用(當該等資料可得時)釐定，或通過比較在有擔保下貸款人收取的實際利率與假設沒有擔保下估計貸款人應收取的利率(如該等資料能可靠估計)，參照利率差額作出估計。倘就發出有關擔保已收或應收對價，則有關對價根據適用於該類別資產的本集團政策確認。倘並無該等已收或應收對價，則於初步確認任何遞延收入時即時於損益確認開支。

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I SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(v) Financial guarantees issued, provisions and contingent liabilities (Cont'd)

(i) Financial guarantees issued (Cont'd)

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note I (v) (ii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

(ii) Other provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

I 重大會計政策(續)

(v) 已發出財務擔保、撥備及或然負債(續)

(i) 已發出財務擔保(續)

初步確認為遞延收入的擔保金額，作為已發出財務擔保的收入於擔保期內在損益攤銷。此外，倘(i)擔保持有人有可能要求本集團履行有關擔保，及(ii)對本集團提出的申索款額預期超過現時就該擔保於貿易及其他應付款項所列金額(即初步確認的金額)減累計攤銷，則根據附註I(v)(ii)確認撥備。

(ii) 其他撥備及或然負債

當本集團或本公司須就過往事件承擔法定或推定責任，且履行責任可能須流出經濟利益並可作出可靠估計時，便會就尚未確定時間或金額的其他負債確認撥備。倘貨幣的時間價值重大，則按預計履行該責任所需支出的現值計提撥備。

倘不大可能需要流出經濟利益，或有關數額無法可靠估計，則該責任披露為或然負債，但倘流出經濟利益的可能性極低則除外。須視乎一宗或多宗未來事件是否發生才能確定存在與否的可能責任亦披露為或然負債，但倘流出經濟利益的可能性極低則除外。

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(除另有指明外，均以人民幣列示)

I SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(w) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sales of properties

Revenue arising from sale of properties is recognised when the significant risks and rewards of ownership have been transferred to the buyers. The Group considers that the significant risks and rewards of ownership are transferred when the construction of relevant properties have been completed and the properties have been delivered to the buyers.

Revenue from sale of properties excludes business tax or other sales related taxes and is after deduction of any trade discounts. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the statement of financial position as receipts in advance under trade and other payables.

(ii) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

I 重大會計政策(續)

(w) 收益確認

收益按已收或應收對價的公允值計量。倘經濟利益可能流入本集團且收益及成本(視情況而定)能可靠計量，則收益於損益確認如下：

(i) 銷售物業

銷售物業所得收益於所有權的重大風險及回報已轉至買方時確認。本集團認為，當相關物業竣工並交付予買方時，所有權的重大風險及回報即視為轉移。

銷售物業所得收益不包括營業稅或其他銷售相關稅項，為扣除任何貿易折扣後所得者。在收益確認當日前就出售物業所收定金及分期付款作為預收款項和貿易及其他應付款項計入財務狀況表。

(ii) 經營租賃的租金收入

經營租賃的應收租金收入在租期所涵蓋的期間內，以等額分期款項於損益確認，但倘有其他基準更清楚地反映使用租賃資產所產生之收益模式則除外。獲授的租賃優惠於損益確認為應收租賃淨付款總額的組成部分。或然租金在產生的會計期間確認為收入。

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I SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(w) Revenue recognition (Cont'd)

(iii) Service fee income

Service fee income in relation to property management service, advertising service and other ancillary services are recognised when such services are provided to customers.

(iv) Sale of goods

Revenue is recognised when goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

(v) Finance lease income

Finance lease income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts through the expected life of the net investment of the finance lease or a shorter period, when appropriate, to the net carrying amount of the net investment of the finance lease.

(vi) Dividends

Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

I 重大會計政策(續)

(w) 收益確認(續)

(iii) 服務費收入

有關物業管理服務、廣告服務及其他配套服務的服務費收入於向客戶提供該等服務時確認。

(iv) 銷售貨品

銷售貨品收益在貨品及時送達客戶場地且客戶接納貨品及其所有權相關的風險及回報時確認。收益不包括增值稅或其他銷售稅，並已扣除任何貿易折扣。

(v) 融資租賃收入

融資租賃收入，按應計基準以實際利率法按融資租賃的投資淨額在預計可使用年期或更短期間(如適用)估計在日後收取的現金貼現至融資租賃投資淨值的賬面淨值之實際利率確認。

(vi) 股息

來自非上市投資的股息收入於股東收取付款的權利確立時確認。

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I SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(w) Revenue recognition (Cont'd)

(vii) Interest income

Interest income is recognised as it accrues using the effective interest method.

(viii) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of assets are initially recognised as deferred income and subsequently deducted from the carrying amount of assets and consequently are effectively recognised in profit or loss when the inventories are sold or transferred to investment properties upon meeting the relevant conditions, if any, attaching to them.

(x) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

I 重大會計政策(續)

(w) 收益確認(續)

(vii) 利息收入

利息收入使用實際利率法於產生時確認。

(viii) 政府補助

倘可合理保證本集團能收取政府補助且符合有關補貼所附條件，則政府補助初步於財務狀況表確認。補償本集團所涉開支的補助於開支產生期間有系統地於損益確認為收入。補償本集團資產成本的補助初步確認為遞延收入，其後自資產賬面值扣除，最終於符合所附條件（如有）而出售或轉移存貨至投資物業時於損益有效確認。

(x) 外幣換算

年內外幣交易按交易日期現行的匯率換算。以外幣計值的貨幣資產及負債按報告期末現行的匯率換算。匯兌收益及虧損於損益確認。

以外幣計值並按歷史成本計量的非貨幣資產及負債按交易日期現行的匯率換算。以外幣計值並按公允值計量的非貨幣資產及負債按計量公允值當日現行的匯率換算。

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I SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(x) Translation of foreign currencies (Cont'd)

The results of foreign operations are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into RMB at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(y) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

I 重大會計政策(續)

(x) 外幣換算(續)

海外經營業績按交易日期現行匯率的近似匯率換算為人民幣。財務狀況表項目按各報告期末的收市匯率換算為人民幣。所產生的匯兌差額於其他全面收入確認，並於權益的外匯儲備內單獨累計。

出售境外業務時，有關境外業務匯兌差額的累計金額於確認出售損益時自權益重新分類至損益。

(y) 借貸成本

購置、興建或生產需要長時間籌備以作擬定用途或出售的資產直接相關的借貸成本資本化為該資產的部分成本。其他借貸成本於產生期間支銷。

當產生資產開支與借貸成本且正進行籌備資產以作擬定用途或出售的必要工作時，則開始將借貸成本資本化為合資格資產成本一部分。當籌備合資格資產以作擬定用途或出售的必要工作絕大部分中斷或完成時，會暫停或終止將借貸成本資本化。

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I SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(z) Related parties

- (a) A person, or a close member of that person's family, is related to the Group if that person:
- (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or the Group's parent.
- (b) An entity is related to the Group if any of the following conditions applies:
- (i) The entity and the Group are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is a joint venture or joint venture of the other entity (or a joint venture or joint venture of a member of a Group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.

I 重大會計政策(續)

(z) 關聯方

- (a) 倘屬以下人士，則該人士或該人士的近親家庭成員與本集團有關聯：
- (i) 對本集團擁有控制權或共同控制權；
 - (ii) 對本集團擁有重大影響力；或
 - (iii) 為本集團或本集團母公司的主要管理層成員。
- (b) 倘實體符合以下條件，則與本集團有關聯：
- (i) 該實體與本集團屬同一集團的成員公司(即各母公司、子公司及同系子公司彼此間有關連)。
 - (ii) 一間實體為合營企業或另一實體的合營企業(或為合營企業或另一實體所屬集團的成員公司的合營企業)。
 - (iii) 兩間實體均為同一第三方的合營企業。

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I SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(z) Related parties (Cont'd)

- (b) An entity is related to the Group if any of the following conditions applies: (Cont'd)
- (iv) One entity is a joint venture of a third entity and the other entity is a joint venture of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (viii) The entity, or any member of a Group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

I 重大會計政策(續)

(z) 關聯方(續)

- (b) 倘實體符合以下條件，則與本集團有關聯：(續)
- (iv) 一間實體為第三方實體的合營企業，而另一實體亦為同一第三方實體的合營企業。
- (v) 該實體為本集團或與本集團有關聯的實體就僱員福利而設的離職後福利計劃。
- (vi) 該實體受(a)所定義人士控制或受共同控制。
- (vii) 於(a)(i)所定義人士對該實體有重大影響力或屬該實體(或該實體的母公司)主要管理層成員。
- (viii) 該實體或該實體所屬集團的任何成員公司向該集團或集團母公司提供主要管理層成員服務。

一名人士的近親家庭成員指預期在與實體的交易中可影響該人士或受該人士影響的家庭成員。

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I SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(aa) Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

I 重大會計政策(續)

(aa) 分部報告

本集團為分配資源予本集團各項業務及各個地區以及評估各項業務及各個地區的業績，會定期向本集團大多數高級行政管理層提供財務資料。從該等資料中可找出於合併財務報表呈列的經營分部及各分部項目金額。

個別重大經營分部不會於財務申報時匯總，除非該等分部擁有相若的經濟特性，且其產品及服務性質、生產流程性質、客戶類型或類別、用以分銷產品或提供服務的方法以及監管環境的性質均相若。倘個別不重大經營分部擁有大部分該等特徵，則可能會匯總。

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2 ACCOUNTING JUDGEMENT AND ESTIMATES

(a) Critical accounting judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, management has made the following accounting judgement:

Classification between inventories, owner-occupied properties and investment properties

The Group develops property projects with an initial intention to be held for sale and retains a portion of properties held for own use. Judgement is made by management in determining whether a property is designated as a property held for sale, owner-occupied property or investment properties. The Group considers its intention for holding the properties at the early development stage of the related properties. During the course of development, the related properties under development are accounted for as (1) properties under development included in current assets if the properties are intended for sale after their completion; (2) owner-occupied properties included in properties, plant and equipment if the properties are intended for own use; and (3) investment properties under development if the properties are intended to be held to earn rentals and/or for capital appreciation.

2 會計判斷及估計

(a) 應用本集團會計政策時所作重大會計判斷

在應用本集團會計政策時，管理層曾作出以下會計判斷：

存貨、自有物業及投資物業的分類

本集團開發物業項目的基本目的為持作出售並保留部分所持有物業作自用。管理層在決定某項物業指定作持作出售物業、自用物業或投資物業時須作出判斷。本集團在有關物業開發初期即考慮持有物業的目的。在開發過程中，相關發展中物業會按以下方式入賬：(1) 如物業在完成後擬作出售，則計入流動資產中的發展中物業；(2) 如物業擬作自用，則計入物業、廠房及設備中的自用物業；及(3) 如物業擬持有以賺取租金收入及／或資本增值，則計入在建投資物業。

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2 ACCOUNTING JUDGEMENT AND ESTIMATES (Cont'd)

(b) Sources of estimation uncertainty

Notes 12, 32 and 34 contain information about the assumptions and their risk factors relating to valuation of investment property, fair value of share options granted and financial instruments. Other key sources of estimation uncertainty are as follows:

(i) Recognition of government grants

Government grants are initially recognised by the Group as a deferred income in the consolidated statement of financial position when an amount is received and are subsequently recognised or amortised in profit or loss on a systematic basis when there is reasonable assurance that the Group will comply with the specific conditions attached to the government grants. The Group is required to fulfil the requirements agreed with the local governments when conducting the related infrastructure construction and the Group assesses whether the conditions attached to the government grants are met based on management's best estimates, particularly in interpreting the fulfilment of conditions which are not clearly stated in the respective agreements.

2 會計判斷及估計(續)

(b) 估計不確定因素的來源

有關投資物業估值、已授出購股權的公允值及金融工具的公允值的假設及其風險因素的資料載於附註12、32及34。估計不確定因素的其他主要來源如下：

(i) 政府補助確認

本集團於收到政府補助時在合併財務狀況表初步確認為遞延收入，其後合理確定本集團將滿足接受政府補助的條件時按系統基準在損益內確認或攤銷。本集團於進行相關基礎設施建設時須符合與地方政府協定之規定，本集團根據管理層的最佳估計，評估是否已滿足政府補助的附帶條件，尤其是在相關協定並無明確說明履行條件的情況。

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2 ACCOUNTING JUDGEMENT AND ESTIMATES (Cont'd)

(b) Sources of estimation uncertainty (Cont'd)

(ii) Provision for PRC Land Appreciation Tax ("PRC LAT")

As explained in note 7(a), the Group has estimated, made and included in tax provision for PRC LAT according to the requirements set forth in the relevant PRC tax laws and regulations. The actual PRC LAT liabilities are subject to the determination by the tax authorities upon completion of the property development projects and the tax authorities might disagree with the basis on which the provision for PRC LAT is calculated. Significant judgment is required in determining the level of provision, as the calculation of which depends on the ultimate tax determination. Given the uncertainties of the calculation basis of PRC LAT as interpreted by the local tax bureau, the actual outcomes may be higher or lower than those estimated at the end of the reporting period. Any increase or decrease in the actual outcomes/estimates will impact the income tax provision in the period in which such determination is made.

2 會計判斷及估計(續)

(b) 估計不確定因素的來源(續)

(ii) 中國土地增值稅(「中國土地增值稅」)撥備

誠如附註7(a)所述，本集團已根據相關中國稅務法律法規所載規定，估計、作出及在稅項內計入中國土地增值稅撥備。實際的中國土地增值稅負債須待物業開發項目完工後，由稅務當局釐定，而稅務當局可能不同意本集團計算中國土地增值稅撥備的基準。由於中國土地增值稅撥備視乎最終稅額計算而定，故釐定撥備水平時須作出重大判斷。鑑於當地稅務局所詮釋的中國土地增值稅計算基準並不確定，實際結果可能會高於或低於報告期末所估計者。實際結果／估計的任何增減均會影響作出有關計算期間的所得稅撥備。

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2 ACCOUNTING JUDGEMENT AND ESTIMATES (Cont'd)

(b) Sources of estimation uncertainty (Cont'd)

(iii) Inventories

As explained in note 1(n), the Group's land held for future development, properties under development and completed properties held for sale are stated at the lower of cost and net realisable value. Based on the Group's recent experience and the nature of the subject property, the Group makes estimates of the selling price, the costs of completion in case for properties under development, and the costs to be incurred in selling the properties.

If there is an increase in costs to completion or a decrease in net sales value, provision for completed properties held for sale, properties held for future development and under development for sale may be resulted. Such provision requires the use of judgment and estimates. Where the expectation is different from the original estimate, the carrying value and provision for properties in the periods in which such estimate is changed will be adjusted accordingly.

Given the volatility of the PRC property market and the distinctive nature of individual properties, the actual outcomes in terms of costs and revenue may be higher or lower than estimated at the end of the reporting period. Any increase or decrease in the provision would affect profit or loss in future years.

2 會計判斷及估計(續)

(b) 估計不確定因素的來源(續)

(iii) 存貨

誠如附註1(n)所釋，本集團未來待開發土地、在建物業及待售已完工物業按成本與可變現淨值兩者中的較低數額列賬。根據本集團近期經驗及有關物業的性質，本集團就售價、在建物業的竣工成本及出售該物業的成本作出估計。

倘竣工成本增加或淨銷售額減少，則可能須就待售已完工物業、未來待開發物業及待售在建物業作出撥備。該等撥備需要運用判斷及估計。倘預期異於最初估計，則該等物業的賬面值及撥備於有關估計變動期間將相應予以調整。

鑑於中國物業市場波動及個別物業獨特性質使然，成本及收益的實際結果可能會高於或低於報告期末所估計者。撥備的任何增減均會影響未來年度的損益。

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2 ACCOUNTING JUDGEMENT AND ESTIMATES (Cont'd)

(b) Sources of estimation uncertainty (Cont'd)

(iv) Impairment for trade and other receivables

The Group estimates impairment losses for trade and other receivables resulting from the inability of the customers to make the required payments. The Group bases the estimates on the aging of the trade and other receivable balance, customer creditworthiness, and historical write-off experience. If the financial condition of the customers were to deteriorate, actual provisions would be higher than estimated.

(v) Recognition of deferred tax assets

Deferred tax assets are recognised and measured based on the expected manner of realisation or settlement of the carrying amount of the assets, using tax rates enacted or substantively enacted at the end of the reporting period. In determining the carrying amounts of deferred tax assets, expected taxable profits are estimated which involves a number of assumptions relating to the operating environment of the Group and require a significant level of judgment exercised by the Directors. Any change in such assumptions and judgment would affect the carrying amounts of deferred tax assets to be recognised and hence the net profit in future years.

2 會計判斷及估計(續)

(b) 估計不確定因素的來源(續)

(iv) 貿易及其他應收款項減值

本集團會對因客戶未能作出所需付款所產生的貿易及其他應收款項的減值虧損作出估計。本集團根據貿易及其他應收款項結餘的賬齡、客戶信譽及過往撇銷經驗作出估計。倘客戶的財務狀況惡化，則實際撇銷金額將高於預期。

(v) 遞延稅項資產確認

遞延稅項資產按報告期末已頒佈或實質頒佈的稅率，根據預期變現或結算資產賬面值的方式確認及計量。釐定遞延稅項資產賬面值時，預期應課稅利潤的估計涉及多項有關本集團經營環境的假設，需要董事行使重大程度的判斷。該等假設及判斷的任何變動將影響將予確認的遞延稅項資產賬面值，從而影響未來年度淨利。

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2 ACCOUNTING JUDGEMENT AND ESTIMATES (Cont'd)

(b) Sources of estimation uncertainty (Cont'd)

(vi) Recognition of construction costs on properties under development

Development costs of properties are recorded as properties under development during construction stage and will be transferred to profit or loss upon the recognition of the sale of the properties. Before the final settlement of the development costs and other costs relating to the sale of the properties, these costs are accrued by the Group based on management's best estimates. Any variations on the development costs upon final settlement will impact cost of sales included in profit or loss in future years.

(vii) Determining the deferred taxation on investment properties

The Group has leased out certain of the completed properties to third parties whereby the directors consider that such arrangement is not temporary. In the circumstance, the Group has decided to treat those properties as investment properties (and reclassifying them from completed properties held for sale to investment properties) because it is the Group's intention to hold these properties in long-term for rental income and/or capital appreciation.

2 會計判斷及估計(續)

(b) 估計不確定因素的來源(續)

(vi) 在建物業建設成本的確認

物業開發成本於工程階段入賬列為在建物業，並將於確認物業銷售後轉撥至損益。於最終結算開發成本及有關物業銷售的其他成本前，該等成本由本集團按管理層的最佳估計累計。於最終結算後開發成本的任何變動將影響計入日後年度損益的銷售成本。

(vii) 釐定投資物業之遞延稅項

本集團已向第三方租出若干已完工物業，據此董事認為該等安排並非臨時性安排。在此情況下，本集團決定將該等物業視為投資物業(並將其自待售已完工物業重新歸類為投資物業)，乃因本集團擬將該等物業用作長期租金收入及/或資本升值。

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2 ACCOUNTING JUDGEMENT AND ESTIMATES (Cont'd)

(b) Sources of estimation uncertainty (Cont'd)

(vii) Determining the deferred taxation on investment properties (Cont'd)

Under IAS 12, deferred tax is required to be measured with reference to the tax consequences that would follow the manner in which the entity expects to recover the carrying amount of the assets in question. In this regard, IAS 12 has a rebuttable presumption that the carrying amount of investment property carried at fair value under IAS 40, Investment property, will be recovered through sale. This presumption is rebutted on a property-by-property basis if the investment property in question is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

In this connection, the Group has reviewed its investment property portfolio on a regular basis and has concluded that as at 31 December 2016, the Group has determined that each of these properties are held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time and consequently the presumption in IAS 12 is rebutted for these properties. As a result, the Group has continued to measure the deferred tax relating to these other properties using the tax rate that would apply as a result of recovering their value through use.

(viii) Accruals for compensations for sub-lease arrangement

As explained in note 25, the Group makes accruals for estimated compensations in relation to a sub-lease arrangement. The outcome depends on future negotiations with the relevant parties on the sub-lease arrangement. Any increase or decrease in the final outcome on the negotiations would affect profit or loss in future years.

2 會計判斷及估計(續)

(b) 估計不確定因素的來源(續)

(vii) 釐定投資物業之遞延稅項(續)

根據國際會計準則第12號，遞延稅項須按企業預期收回有關資產賬面值之方式可能產生之稅務後果計量。就此而言，國際會計準則第12號引入一項可予駁回之假設：根據國際會計準則第40號投資物業，以公允值列賬之投資物業之賬面值將通過出售收回。此假設以單獨物業為基礎可被反駁，假如該投資物業是可以折舊及以一種業務模式持有，而該模式的目的是為旨在假以時日消耗該投資物業大部分經濟收益，而非經出售。

就此而言，本集團已定期審核投資物業組合並得出結論，於2016年12月31日，本集團已確定持有各項物業所奉行之業務模式均為旨在假以時日消耗投資物業所包含之絕大部分經濟利益，故就該等物業駁回國際會計準則第12號中之假設。因此，本集團繼續採用將在透過使用而收回價值之情況下適用之稅率就該等其他物業計量遞延稅項。

(viii) 轉租安排賠償的應計費用

誠如附註25所釋，本集團就有關一項轉租安排的估計賠償作出應計費用。結果視乎將來與關聯方就轉租協議協商而定。協商最終結果的任何增減均影響未來年度的損益。

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3 REVENUE AND SEGMENT REPORTING

The principal activities of the Group are development, sales and operation of commercial trade and logistics centres and residential properties in the PRC.

Revenue represents income from sales of properties, property management services income and rental income net of business tax and other sales related taxes and is after deduction of any trade discounts.

The amounts of each significant category of revenue recognised in revenue during the year are as follows:

		2016	2015
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Sales of properties	物業銷售	2,226,617	3,102,829
Rental income	租金收入	45,130	37,743
Property management services	物業管理服務	42,092	18,409
Others	其他	21,938	7,370
		2,335,777	3,166,351

The Group's customer base is diversified and none of the customers of the Group with whom transactions have exceeded 10% of the Group's revenue.

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial data and information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations. No segment information is presented in respect of the Group's operating segment as the Group is principally engaged in one segment in the PRC. The Group does not operate in any other geographical or business segment during the year.

3 收益及分部報告

本集團的主要業務為在中國進行商貿物流中心及住宅物業的開發、銷售及經營。

收益指物業銷售收入、物業管理服務收入及租金收入，其中已扣除營業稅及其他銷售相關稅項及任何交易折扣。

年內已於收益中確認的每項重大收益類別的金額如下：

	2016	2015
	RMB'000	RMB'000
	人民幣千元	人民幣千元
Sales of properties	2,226,617	3,102,829
Rental income	45,130	37,743
Property management services	42,092	18,409
Others	21,938	7,370
	2,335,777	3,166,351

本集團的客戶群呈多元化，概無本集團任何客戶與本集團的交易額佔本集團收益的10%以上。

為分配資源予本集團各項業務及各個地區以及評估各項業務及各個地區的業績，本集團會定期向最高行政管理層提供財務數據及資料，而從該等數據及資料中可識別經營分部及於合併財務報表報告的各分部項目金額。由於本集團於中國主要從事一個分部，故並無呈列本集團的經營分部資料。年內本集團並無於任何其他地區或業務分部經營。

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4 OTHER INCOME

		2016	2015
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Dividend income	股息收入	1,308	3,567
Government grants (i)	政府補助(i)	5,531	67,082
Net gain on disposal of available-for-sale investments	出售可供出售投資收益淨額	547	2,382
Net gain on disposal of other non-current financial assets	出售其他非流動金融資產的收益淨額	2,000	—
Net gain on disposal of property, plant and equipment	出售物業、廠房及設備收益淨額	37	30
Fair value gain on derivative financial instrument	衍生金融工具的公允價值收益	9,132	—
Others	其他	3,433	5,333
		21,988	78,394

(i) During the year, the Group transferred certain completed properties held for sale to investment properties (note 12). The related government grants of RMB2,962,000 (2015: RMB59,701,000) previously recorded as deferred income (note 28) were recognised in profit or loss as other income during the year.

(i) 年內，本集團將若干待售已完工物業轉讓至投資物業（附註12）。先前入賬列為遞延收入（附註28）的相關政府補助人民幣2,962,000元（2015年：人民幣59,701,000元）年內於損益表內確認為其他收入。

5 OTHER OPERATING EXPENSES

Other operating expenses in 2016 includes accrued estimated compensations of RMB43,050,000 in relation to a sub-lease arrangement (note 25(d)).

5 其他經營開支

2016年的其他經營開支包括了轉租安排中應計預計的賠償金人民幣43,050,000元（附註25(d））。

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6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

(a) Finance income and finance costs

		2016 RMB'000 人民幣千元	2015 RMB'000 人民幣千元
Finance income	財務收入		
Interest income	利息收入	(8,299)	(9,161)
Finance costs	融資成本		
Interest on bank loans, other borrowings and corporate bonds	銀行貸款、其他借貸及公司債券的利息	170,653	140,176
Interest on convertible notes (note 27)	可轉股票據利息(附註27)	64,400	108,638
Interest on senior notes (note 29)	優先票據利息(附註29)	127,654	3,825
Less: interest expense capitalised into properties under development *	減：資本化撥入在建物業的利息開支*	(133,876)	(104,361)
		228,831	148,278
Net foreign exchange loss	匯兌虧損淨額	11,608	2,271
		240,439	150,549

* The borrowing costs have been capitalised at rates ranging from 4.75% - 9.00% per annum (2015: 5.15% - 10.23%).

6 除稅前利潤

除稅前利潤經扣除/(計入)下列各項後
得出：

(a) 財務收入及融資成本

* 資本化的借貸成本處於年利率
4.75%至9.00%之間(2015年：
5.15%至10.23%)。

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6 PROFIT BEFORE TAXATION (Cont'd)

(b) Staff costs:

		2016	2015
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Contributions to defined contribution retirement plans	定額供款退休計劃	13,070	16,827
Salaries, wages and other benefits	薪金、工資及其他福利	275,996	296,194
Equity settled share-based payments (note 32)	以權益結算以股份為基礎的付款(附註32)	(194)	(336)
		288,872	312,685

(c) Other items:

		2016	2015
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Depreciation and amortisation	折舊及攤銷	36,282	31,295
Impairment losses	減值虧損		
– trade and other receivables (note 22)	– 貿易及其他應收款項(附註22)	7,225	—
– property, plant and equipment (note 11)	– 物業、廠房及設備(附註11)	7,340	—
– intangible assets (note 13)	– 無形資產(附註13)	613	—
Write off of deposits	轉銷定金	1,000	—
Auditor's remuneration	核數師酬金	3,750	3,500
Operating lease charges	經營租賃支出	57,220	56,631
Rentals receivable from investment properties	投資物業應收租金	13,592	8,067
Cost of properties sold (i)	已售物業成本(i)	976,697	1,467,992

(i) Cost of properties sold is after netting off benefits from government grants of RMB468,759,000 for the year ended 31 December 2016 (2015: RMB303,303,000).

(i) 截至2016年12月31日止年度，已售物業成本經扣除政府補助人民幣468,759,000元後得出(2015年：人民幣303,303,000元)。

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7 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

7 合併損益表內的所得稅

(a) Taxation in the consolidated statement of profit or loss represents:

(a) 合併損益表內的稅項指：

		2016 RMB'000 人民幣千元	2015 RMB'000 人民幣千元
Current tax	即期稅項		
PRC Corporate Income Tax ("PRC CIT") (iii)	中國企業所得稅 (「中國企業所得稅」)(iii)	164,002	289,458
PRC LAT (iv)	中國土地增值稅 (iv)	124,270	344,520
		288,272	633,978
Deferred tax	遞延稅項		
Origination and reversal of temporary differences (note 17(b))	暫時性差額的產生 及撥回(附註 17(b))	69,043	(7,706)
		357,315	626,272

(i) Pursuant to the rules and regulations of the Cayman Islands, the Group is not subject to any income tax in this jurisdiction.

(i) 根據開曼群島規則及法規，本集團於該司法權區毋須繳納任何所得稅。

(ii) No provision for Hong Kong Profits Tax was made as the Group did not earn any income subject to Hong Kong Profits Tax for the year (2015: Nil).

(ii) 由於本集團期內並無賺取任何須繳納香港利得稅的收入，故並無就香港利得稅計提撥備(2015年：零)。

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7 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS (Cont'd)

(a) Taxation in the consolidated statement of profit or loss represents: (Cont'd)

(iii) PRC CIT

The Group's PRC subsidiaries are subject to statutory tax rate of 25% on their assessable profits.

In July 2013, Ganzhou Hydoo Commercial and Trade Logistics Park Development Co., Ltd. ("Ganzhou Trade Centre") was approved to enjoy a preferential PRC CIT rate of 15% for the years from 2012 to 2020 according to a tax notice issued by the local tax bureau.

In December 2015, Wuzhou Hydoo Commercial and Trade Centre Development Co., Ltd. ("Wuzhou Trade Centre") was also approved to enjoy a preferential PRC CIT rate of 15% for the years from 2015 to 2020 according to a tax notice issued by the local tax bureau.

The preferential tax treatment was based on various tax rules and regulations in relation to PRC Government's strategy in encouraging investment and development of wholesale trading markets in certain regions in the PRC.

7 合併損益表內的所得稅(續)

(a) 合併損益表內的稅項指：(續)

(iii) 中國企業所得稅

本集團的中國子公司須就其應課稅利潤按25%的法定稅率繳稅。

2013年7月，贛州毅德商貿物流園開發有限公司（「贛州商貿物流園」）根據地方稅務局頒佈的稅務通知獲批自2012年至2020年享受15%的優惠中國企業所得稅稅率。

2015年12月，梧州毅德商貿物流城開發有限公司（「梧州商貿物流城」）根據地方稅務局頒佈的稅務通知亦獲批自2015年至2020年享受15%的優惠中國企業所得稅稅率。

該稅務優惠是基於與中國政府鼓勵中國若干地區投資及發展商貿物流業的政策有關的多項稅務規則及法規。

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7 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS (Cont'd)

(a) Taxation in the consolidated statement of profit or loss represents: (Cont'd)

(iv) PRC LAT

PRC LAT which is levied on properties developed for sale by the Group in the PRC, at progressive rates ranging from 30% to 60% on the appreciation value, which under the applicable regulations is calculated based on the proceeds of sales of properties less deductible expenditures including lease charges of land use rights, borrowing costs and all qualified property development expenditures. Deferred tax assets arising from PRC LAT accrued are calculated based on the applicable income tax rates when they are expected to be cleared.

In addition, certain subsidiaries of the Group were subject to PRC LAT which were calculated based on 6% to 8% of their revenue in accordance with the authorised tax valuation method approved by respective local tax bureau.

The directors of the Company are of the opinion that the authorised tax valuation method is one of the allowable taxation methods in the PRC and the respective local tax bureaus are the competent tax authorities to approve the authorised tax valuation method in charging PRC LAT to the respective PRC subsidiaries of the Group, and the risk of being challenged by the State Administration of Taxation or any tax bureau of higher authority is remote.

(v) PRC dividend withholding tax

Withholding tax is levied on Hong Kong companies in respect of dividend distributions arising from profit of PRC subsidiaries earned after 1 January 2008 at 5%.

7 合併損益表內的所得稅(續)

(a) 合併損益表內的稅項指：(續)

(iv) 中國土地增值稅

本集團銷售於中國所開發物業須按價值增幅以30%至60%的累進稅率繳納中國土地增值稅，根據適用規例，中國土地增值稅是按銷售物業所得款項減可扣稅開支（包括土地使用權租賃支出、借貸成本及所有合資格物業開發開支）計算。中國土地增值稅產生的遞延稅項資產於他們預期結算時按適用所得稅稅率計算。

此外，本集團的若干子公司根據相關的地方稅務局批准的核定計稅方法，基於收益的6%至8%計算中國土地增值稅。

本公司董事認為，其獲准採用的核定計稅方法是中國認可的計稅方法之一，而本集團中國子公司所在地的各地方稅務局為批准該等公司以核定計稅方法徵收中國土地增值稅的主管稅務機關，故受國家稅務總局或任何上級主管稅務機關質疑的風險不大。

(v) 中國股息預扣稅

香港公司須就因中國子公司於2008年1月1日之後賺取的利潤分派的股息繳納5%的預扣稅。

NOTES TO THE FINANCIAL STATEMENTS 財務報表附註

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(除另有指明外，均以人民幣列示)

7 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS (Cont'd)

7 合併損益表內的所得稅(續)

(b) Reconciliation between income tax and accounting profit at applicable tax rates:

(b) 所得稅與按適用稅率計算的會計利潤的對賬：

		2016	2015
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Profit before taxation	除稅前利潤	712,463	1,224,002
Notional tax on profit before taxation, calculated at the rates applicable to profits in the countries concerned	按有關國家適用於利潤的稅率計算的除稅前利潤的名義稅項	207,299	331,755
Tax effect of non-deductible expenses	不可扣稅開支的稅務影響	4,730	6,507
Tax effect of non-taxable income	毋須課稅收入的稅務影響	(327)	(892)
Tax effect of unused tax losses not recognised	未確認未動用稅項虧損的稅務影響	56,059	50,509
Utilisation of previously unrecognised tax losses	動用先前未經確認的稅項虧損	(1,287)	(3,288)
PRC LAT (note 7(a) (iv))	中國土地增值稅(附註7(a)(iv))	124,270	344,520
Tax effect on PRC LAT	中國土地增值稅稅務影響	(29,652)	(77,764)
Tax concessions (note 7(a) (iii))	稅務優惠(附註7(a)(iii))	(3,777)	(25,075)
Total income tax	所得稅總額	357,315	626,272

NOTES TO THE FINANCIAL STATEMENTS 財務報表附註

(Expressed in Renminbi unless otherwise indicated)
(除另有指明外，均以人民幣列示)

8 DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

8 董事薪酬

董事薪酬根據香港公司條例第383(1)條及公司(披露董事利益資料)規例第2部披露如下：

		2016				Total
		Salaries allowances and benefits in kind	Retirement scheme contributions	Equity settled share-based payment		
		薪金、津貼及實物福利	退休計劃供款	以權益結算以股份為基礎的付款		總計
		Directors' fee				
		董事袍金				
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元
Executive directors:	執行董事：					
Wang Jianli	王健利	1,075	2,941	—	—	4,016
Wang Dewen (a)	王德文 (a)	182	2,885	79	—	3,146
Huang Dehong	黃德宏	450	1,917	53	—	2,420
Non-executive directors:	非執行董事：					
Yuan Bing	袁兵	240	—	—	—	240
Wang Wei (b)	王威 (b)	—	—	—	—	—
Independent non-executive directors:	獨立非執行董事：					
Zhao Lihua	趙立華	135	105	—	—	240
Wang Lianzhou	王連洲	135	105	—	30	270
Lam Chi Yuen Nelson	林智遠	240	—	—	30	270
		2,457	7,953	132	60	10,602

NOTES TO THE FINANCIAL STATEMENTS 財務報表附註

(Expressed in Renminbi unless otherwise indicated)
(除另有指明外，均以人民幣列示)

8 DIRECTORS' EMOLUMENTS (Cont'd)

8 董事薪酬(續)

		2015				
		Salaries allowances and benefits in kind	Retirement scheme contributions	Equity settled share-based payment 以權益結算		Total
		Directors' fee 董事袍金	薪金、津貼 及實物福利	退休計劃 供款	以股份為 基礎的付款	總計
		RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元
Executive directors:	執行董事：					
Wang Jianli	王健利	—	4,016	—	—	4,016
Wang Dewen (a)	王德文 (a)	—	2,836	65	—	2,901
Huang Dehong	黃德宏	—	2,506	48	38	2,592
Non-executive directors:	非執行董事：					
Yuan Bing	袁兵	240	—	—	—	240
Wang Wei (b)	王威 (b)	—	—	—	—	—
Independent non-executive directors:	獨立非執行董事：					
Zhao Lihua	趙立華	240	—	—	—	240
Wang Lianzhou	王連洲	240	—	—	30	270
Lam Chi Yuen Nelson	林智遠	240	—	—	30	270
		960	9,358	113	98	10,529

(a) Appointed on 26 January 2015.

(a) 於2015年1月26日獲委任。

(b) Appointed on 23 January 2015 and resigned on 21 September 2016.

(b) 於2015年1月23日獲委任並於2016年9月21日辭任。

NOTES TO THE FINANCIAL STATEMENTS 財務報表附註

(Expressed in Renminbi unless otherwise indicated)
(除另有指明外，均以人民幣列示)

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, two (2015: three) are directors. The emoluments of these directors are disclosed in note 8. The aggregate of the emoluments in respect of the other three (2015: two) individuals are as follows:

		2016 RMB'000 人民幣千元	2015 RMB'000 人民幣千元
Retirement scheme contributions	退休計劃供款	63	45
Salaries, allowances and other benefits in kind	薪金、津貼及其他實物福利	14,681	6,270
Equity settled share-based payments (note 32)	以權益結算以股份為基礎的付款 (附註32)	—	38
		14,744	6,353

The emoluments of the three (2015: two) individuals with the highest emoluments are within the following bands:

		2016 Number of individuals 人數	2015 Number of individuals 人數
HK\$3,000,001-HK\$3,500,000	3,000,001 港元至 3,500,000 港元	1	—
HK\$3,500,001-HK\$4,000,000	3,500,001 港元至 4,000,000 港元	—	1
HK\$4,000,001-HK\$4,500,000	4,000,001 港元至 4,500,000 港元	—	1
HK\$6,500,001-HK\$7,000,000	6,500,001 港元至 7,000,000 港元	1	—
HK\$7,000,001-HK\$7,500,000	7,000,001 港元至 7,500,000 港元	1	—

9 最高薪人士

五名最高薪人士中有兩名(2015年：三名)為董事。該等董事的薪酬披露於附註8。其他三名(2015年：兩名)人士的薪酬總計如下：

	2016 RMB'000 人民幣千元	2015 RMB'000 人民幣千元
Retirement scheme contributions	63	45
Salaries, allowances and other benefits in kind	14,681	6,270
Equity settled share-based payments (note 32)	—	38
	14,744	6,353

三名(2015年：兩名)最高薪人士的薪酬介乎以下範圍：

	2016 Number of individuals 人數	2015 Number of individuals 人數
HK\$3,000,001-HK\$3,500,000	1	—
HK\$3,500,001-HK\$4,000,000	—	1
HK\$4,000,001-HK\$4,500,000	—	1
HK\$6,500,001-HK\$7,000,000	1	—
HK\$7,000,001-HK\$7,500,000	1	—

NOTES TO THE FINANCIAL STATEMENTS 財務報表附註

(Expressed in Renminbi unless otherwise indicated)
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10 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of RMB350,280,000 (2015: RMB556,875,000) and the weighted average of 4,014,844,000 ordinary shares (2015: 4,014,844,000 ordinary shares).

(b) Diluted earnings per share

For the year ended 31 December 2016, the effect of deemed issue of shares under the Company's Pre-IPO Share Option Scheme for nil consideration was anti-dilutive.

The calculation of diluted earnings per share for 2015 was based on the profit attributable to equity shareholders of the Company (diluted) of RMB556,875,000 and the weighted average number of ordinary shares of 4,017,138,000 shares, calculated as follows:

(i) Weighted average number of ordinary share (diluted)

	2015 RMB'000 人民幣千元
Weighted average number of ordinary shares at 31 December	4,014,844
Effect of deemed issue of shares under the Company's Pre-IPO Share Option Scheme for nil consideration	2,294
Weighted average number of ordinary shares at 31 December (diluted)	4,017,138

(ii) For the year ended 31 December 2015, the effect of conversion of convertible notes was anti-dilutive.

10 每股盈利

(a) 每股基本盈利

每股基本盈利按本公司權益股東應佔利潤人民幣350,280,000元(2015年：人民幣556,875,000元)及普通股加權平均數4,014,844,000股(2015年：4,014,844,000股)計算。

(b) 每股攤薄盈利

截至2016年12月31日止年度，根據本公司首次公開發售前購股權計劃以零對價視作發行股份的影響已被反攤薄。

2015年每股攤薄盈利按本公司權益股東應佔利潤(攤薄)人民幣556,875,000元及普通股加權平均數4,017,138,000股計算，結果如下：

(i) 普通股加權平均數(攤薄)

2015
RMB'000
人民幣千元

(ii) 截至2015年12月31日止年度，轉換可轉股票據的影響屬非攤薄性質。

NOTES TO THE FINANCIAL STATEMENTS 財務報表附註

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II PROPERTY, PLANT AND EQUIPMENT

II 物業、廠房及設備

		Buildings 樓宇 RMB'000 人民幣千元	Motor vehicles 汽車 RMB'000 人民幣千元	Office equipment 辦公設備 RMB'000 人民幣千元	Total 總計 RMB'000 人民幣千元
Cost:	成本：				
At 1 January 2015	於 2015 年 1 月 1 日	9,769	101,247	35,206	146,222
Additions	添置	—	17,276	5,935	23,211
Transferred from inventories	轉自存貨	32,739	—	—	32,739
Disposals	出售	—	(6,790)	(190)	(6,980)
At 31 December 2015 and 1 January 2016	於 2015 年 12 月 31 日 及 2016 年 1 月 1 日	42,508	111,733	40,951	195,192
Additions	添置	379,251	19,391	5,282	403,924
Disposals	出售	—	(1,670)	(111)	(1,781)
At 31 December 2016	於 2016 年 12 月 31 日	421,759	129,454	46,122	597,335
Accumulated depreciation:	累計折舊：				
At 1 January 2015	於 2015 年 1 月 1 日	908	36,558	16,052	53,518
Charge for the year	年內支出	511	20,737	9,519	30,767
Written back on disposals	出售時撤回	—	(1,353)	(71)	(1,424)
At 31 December 2015 and 1 January 2016	於 2015 年 12 月 31 日 及 2016 年 1 月 1 日	1,419	55,942	25,500	82,861
Charge for the year	年內支出	5,343	18,693	11,728	35,764
Written back on disposals	出售時撤回	—	(1,521)	(67)	(1,588)
At 31 December 2016	於 2016 年 12 月 31 日	6,762	73,114	37,161	117,037

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II PROPERTY, PLANT AND EQUIPMENT (Cont'd)

II 物業、廠房及設備(續)

		Buildings 樓宇 RMB'000 人民幣千元	Motor vehicles 汽車 RMB'000 人民幣千元	Office equipment 辦公設備 RMB'000 人民幣千元	Total 總計 RMB'000 人民幣千元
Provision for impairment:	減值撥備：				
At 1 January 2015, 31 December 2015 and 1 January 2016	於 2015 年 1 月 1 日、 2015 年 12 月 31 日 及 2016 年 1 月 1 日	—	—	—	—
Charge for the year	年內支出	—	6,391	949	7,340
At 31 December 2016	於 2016 年 12 月 31 日	—	6,391	949	7,340
Net book value:	賬面淨值：				
At 31 December 2016	於 2016 年 12 月 31 日	414,997	49,949	8,012	472,958
At 31 December 2015	於 2015 年 12 月 31 日	41,089	55,791	15,451	112,331

The buildings are all situated on land in the PRC.

該等樓宇全部位於中國境內。

The analysis of carrying amount of leasehold land of properties is as follows:

包含租賃土地的物業賬面值分析如下：

		2016 RMB'000 人民幣千元	2015 RMB'000 人民幣千元
In the PRC	在中國		
– held under long leases (over 50 years)	– 根據長期租約(50年以上)持有	37,886	41,089
– held under medium-term leases (10 - 50 years)	– 根據中期租約(10至50年以上)持有	377,111	—
		414,997	41,089

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12 INVESTMENT PROPERTIES

(a) Reconciliation of carrying amount

		2016 RMB'000 人民幣千元
At 1 January 2015	於 2015 年 1 月 1 日	—
Transferred from inventories	轉自存貨	482,357
Fair value adjustments	公允值調整	296,543
At 31 December 2015 and 1 January 2016	於 2015 年 12 月 31 日及 2016 年 1 月 1 日	778,900
Transferred from inventories	轉自存貨	415,449
Fair value adjustments	公允值調整	326,451
At 31 December 2016	於 2016 年 12 月 31 日	1,520,800
Representing	指	
Valuation - 2016	估值 - 2016	1,520,800
Valuation - 2015	估值 - 2015	778,900
Book value	賬面值	
At 31 December 2016	於 2016 年 12 月 31 日	1,520,800
At 31 December 2015	於 2015 年 12 月 31 日	778,900

During the year ended 31 December 2016, the Group transferred certain completed properties held for sale to investment properties when there was an actual change in use from sale to earning rental income purpose. A fair value gain of RMB309,551,000 (2015: RMB277,643,000), and corresponding deferred tax of RMB47,951,000 (2015: RMB58,873,000), upon the transfer had been recognised in profit or loss.

During the year, an additional fair value gain of RMB16,900,000 (2015: RMB18,900,000) and corresponding deferred tax of RMB3,675,000 (2015: RMB4,215,000), have been recognised in profit or loss in respect of the existing investment properties.

截至 2016 年 12 月 31 日止年度，由於本集團將若干待售完工物業之實際用途更改為賺取租金收入，故本集團將有關物業轉撥至投資物業。本公司於轉撥後確認公允值收益人民幣 309,551,000 元 (2015 年：人民幣 277,643,000 元) 及其遞延稅項人民幣 47,951,000 元 (2015 年：人民幣 58,873,000 元)。

本公司就現有投資物業確認額外公允值收益人民幣 16,900,000 元 (2015 年：人民幣 18,900,000 元) 及其遞延稅項人民幣 3,675,000 元 (2015 年：人民幣 4,215,000 元)。

NOTES TO THE FINANCIAL STATEMENTS 財務報表附註

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12 INVESTMENT PROPERTIES (Cont'd)

(b) Fair value measurement of properties

Fair value hierarchy

The following table presents the fair value of the Group's properties measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

Level 3 valuations: Fair value measured using significant unobservable inputs

12 投資物業(續)

(b) 物業公允值計量

公允值層級

下表呈列於報告期末以經常性原則計量的本集團物業公允值，並按國際財務報告準則第13號公允值計量所界定分類為三個公允值級別。公允值計量參考以下估值方法所使用的輸入數據之可觀察性及重要性而分類及釐定級別：

第一級估值：僅使用第一級數據計量的公允值，即於計量日期在活躍市場對相同資產或負債未經調整的報價

第二級估值：使用第二級數據計量的公允值，即不符合第一級的可觀察數據及未有採用不可觀察的重要數據。不可觀察數據乃指無法取得市場資料的數據

第三級估值：使用不可觀察的重要數據計量的公允值

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12 INVESTMENT PROPERTIES (Cont'd)

(b) Fair value measurement of properties (Cont'd)

Fair value hierarchy (Cont'd)

Recurring fair value measurement	經常性公允價值計量		
– Investment properties	– 投資物業	1,520,800	1,520,800

12 投資物業(續)

(b) 物業公允價值計量(續)

公允價值層級(續)

Fair value as at 31 December 2016	Fair value measurement as at 31 December 2016	Fair value as at 31 December 2015	Fair value measurement as at 31 December 2015
於2016年12月31日的公允價值	分類為第三級的公允價值計量	於2015年12月31日的公允價值	分類為第三級的公允價值計量
RMB'000	RMB'000	RMB'000	RMB'000
人民幣千元	人民幣千元	人民幣千元	人民幣千元

Recurring fair value measurement	經常性公允價值計量		
– Investment properties	– 投資物業	778,900	778,900

NOTES TO THE FINANCIAL STATEMENTS 財務報表附註

(Expressed in Renminbi unless otherwise indicated)
(除另有指明外，均以人民幣列示)

12 INVESTMENT PROPERTIES (Cont'd)

(b) Fair value measurement of properties (Cont'd)

Fair value hierarchy (Cont'd)

The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

All of the Group's investment properties carried at fair value were revalued as at 31 December 2016. The valuations were carried out by an independent firm of surveyors, Savills, who have among their staff Fellows of the Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued. The Group's property manager and the senior management have discussion with the surveyors on the valuation assumptions and valuation results when the valuation is performed at each interim and annual reporting date.

Information about Level 3 fair value measurements

	Valuation techniques 估值方法	Unobservable input 不可觀察的輸入數據	Range 範圍
Investment properties 投資物業	Income capitalisation method 收益資本法	Yield 收益	5.0% to 5.5% (2015: 5.0% to 5.5%)
		Market monthly rental rate (RMB/sq.m.) 市場每月租值 (人民幣元/平方米)	19.4 - 104.0 (2015: 34.1 - 102.6)

12 投資物業(續)

(b) 物業公允值計量(續)

公允值層級(續)

本集團的政策是於轉移發生的報告期末確認公允值各層級之間的轉移。

於2016年12月31日，本集團所有以公允值列賬之投資物業由獨立測量師行第一太平戴維斯(其員工具備香港測量師學會資深會員之資格，且對所估物業所在位置及所屬類別有近期相關之經驗)進行重估。本集團物業經理及高級管理層已於各中期及年度報告日期進行估值時與測量師討論有關估值假設及估值結果。

有關第三級公允值計量之資料

NOTES TO THE FINANCIAL STATEMENTS 財務報表附註

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(除另有指明外，均以人民幣列示)

12 INVESTMENT PROPERTIES (Cont'd)

(b) Fair value measurement of properties (Cont'd)

Fair value hierarchy (Cont'd)

The fair value of completed investment properties is generally derived using the income capitalisation method. This valuation method is based on the capitalisation of the income and reversionary potential income by adopting appropriate capitalisation rates, which are derived from analysis of sale transactions and valuers' interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation have reference to recent lettings within the subject properties and the estimated rental incremental observed in other comparable properties.

Certain bank loans granted to the Group were jointly secured by investment properties with a book value of RMB41,900,000 (31 December 2015: RMB179,500,000) (note 26).

The Group's investment properties are held on leases of between 3 to 15 years in the PRC. Total future minimum lease payments under non-cancellable operating leases are receivable combined with others which are stated in note 35(c).

12 投資物業(續)

(b) 物業公允值計量(續)

公允值層級(續)

竣工投資物業的公允值一般採用收益資本法釐定。此估值方法乃基於通過採用適當之資本化比率，將收入及潛在復歸收入撥充資本，而資本化比率乃通過對銷售交易及估值師分析當時投資者之要求或期望而得出。估值時所採用的市值租金乃根據該物業的近期租務情況及其他可資比較物業已觀察的估計租金增加而釐定。

本集團獲授的若干銀行貸款以賬面值人民幣41,900,000元(2015年12月31日：人民幣179,500,000元)的投資物業作抵押(附註26)。

本集團於中國的投資物業按介乎3至15年的租期持有。不可撤銷經營租賃的日後最低租金總額與其他款項一併於附註35(c)列為應收款項。

NOTES TO THE FINANCIAL STATEMENTS 財務報表附註

(Expressed in Renminbi unless otherwise indicated)
(除另有指明外，均以人民幣列示)

13 INTANGIBLE ASSETS

13 無形資產

		Software 軟件 RMB'000 人民幣千元
Cost:	成本：	
At 1 January 2015	於 2015 年 1 月 1 日	3,512
Additions	添置	1,473
At 31 December 2015 and 1 January 2016	於 2015 年 12 月 31 日及 2016 年 1 月 1 日	4,985
Additions	添置	104
At 31 December 2016	於 2016 年 12 月 31 日	5,089
<hr style="border-top: 1px dashed black;"/>		
Accumulated amortisation:	累計攤銷：	
At 1 January 2015	於 2015 年 1 月 1 日	474
Charge for the year	年內支出	528
At 31 December 2015 and 1 January 2016	於 2015 年 12 月 31 日及 2016 年 1 月 1 日	1,002
Charge for the year	年內支出	518
At 31 December 2016	於 2016 年 12 月 31 日	1,520
<hr style="border-top: 1px dashed black;"/>		
Provision for impairment:	減值撥備：	
At 1 January 2015, 31 December 2015 and 1 January 2016	於 2015 年 1 月 1 日、2015 年 12 月 31 日 及 2016 年 1 月 1 日	—
Charge for the year	年內支出	613
At 31 December 2016	於 2016 年 12 月 31 日	613
<hr style="border-top: 1px dashed black;"/>		
Net book value:	賬面淨值：	
At 31 December 2016	於 2016 年 12 月 31 日	2,956
At 31 December 2015	於 2015 年 12 月 31 日	3,983

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(除另有指明外，均以人民幣列示)

14 GOODWILL

14 商譽

RMB'000
人民幣千元

Cost:	成本：	
At 31 December 2015, 1 January 2016 and 31 December 2016	於2015年12月31日、2016年1月1日 及2016年12月31日	3,631
Carrying amount:	賬面值：	
At 31 December 2016	於2016年12月31日	3,631
At 31 December 2015	於2015年12月31日	3,631

The Group carried out impairment testing of the goodwill at the end of each reporting period. In assessing the impairment of goodwill, the recoverable amount of the cash generating units ("CGU") is determined. The CGU related to the goodwill comprises the Company's knowledge and expertise of the management and existing customers. The directors determined that no significant provision for impairment of goodwill is necessary as at 31 December 2016 and 2015.

本集團於各報告期末對商譽進行減值測試。在評估商譽減值時，會確定現金產生單位（「現金產生單位」）的可收回金額。與商譽有關的現金產生單位包括本公司有關管理及現有客戶的知識及專長。董事認為，於2016年及2015年12月31日毋須對商譽減值作出重大撥備。

15 INTEREST IN JOINT VENTURES

15 於合營企業的權益

		2016 RMB'000 人民幣千元	2015 RMB'000 人民幣千元
Share of net assets	分佔資產淨值	149,394	150,386

Management considers that the joint ventures of the Group will not have significant impact on financial position and performance of the Group individually.

管理層認為本集團合營企業對本集團財務狀況及業績並無重大影響。

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15 INTEREST IN JOINT VENTURES (Cont'd)

Details of the Group's interest in the joint ventures, which is accounted for using the equity method in the consolidated financial statements, are as follows:

Name 名稱	Place of incorporation and business 註冊成立及 營業地點	Particulars of issued and paid up capital 已發行及已 繳足股本詳情	Group's effective interest 本集團 實際權益	Proportion of ownership interest 所有權比例		Principal activities 主要業務
				Held by the Company 本公司所持	Held by a subsidiary 子公司所持	
Hydoo Best Group Co., Ltd.	Thailand	Baht 2,196,003,600/ Baht 2,196,003,600	36.43%	—	36.43%	Property development
Hydoo Best Group Co., Ltd.	泰國	2,196,003,600 銖/ 2,196,003,600 銖	36.43%	—	36.43%	房地產開發
Shenzhen Tiandihui Hydoo Road Port Management Limited	China	RMB2,000,000/ RMB500,000	25.00%	—	25.00%	Logistics service
深圳天地匯毅德公路 港管理有限公司	中國	人民幣 2,000,000 元/ 人民幣 500,000 元	25.00%	—	25.00%	物流服務

Hydoo Best Group Co., Ltd. ("Hydoo Best") is mainly engaged in the property development. The Group and the other shareholder of Hydoo Best contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement based on the composition of governing bodies.

Shenzhen Tiandihui Hydoo Road Port Management Limited ("Shenzhen Tiandihui") is mainly engaged in the logistics service. The Group and the other shareholder of Shenzhen Tiandihui contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement based on the composition of governing bodies.

15 於合營企業的權益(續)

本集團於合營企業的權益(按權益法於合併財務報表列賬)詳情如下：

Hydoo Best Group Co., Ltd. (「Hydoo Best」) 主要從事房地產開發。本集團及 Hydoo Best 其他股東在合約上協定分享此項安排的控制權，並有權基於主管部門的組成擁有上述安排的淨資產。

深圳天地匯毅德公路港管理有限公司 (「深圳天地匯」) 主要從事物流服務。本集團及深圳天地匯其他股東經合約同意分佔該安排的控制權，並有權基於主管部門的組成擁有此安排的資產淨值。

NOTES TO THE FINANCIAL STATEMENTS 財務報表附註

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16 OTHER NON-CURRENT FINANCIAL ASSETS

		2016	2015
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Available-for-sale unlisted equity securities	可供出售非上市股本證券	152,364	111,187
Derivative financial instrument	衍生金融工具	27,767	—
		180,131	111,187

16 其他非流動金融資產

17 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the consolidated statement of financial position represents:

		2016	2015
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Prepaid tax:	預付稅項		
PRC CIT	中國企業所得稅	32	34
PRC LAT	中國土地增值稅	105,289	111,127
		105,321	111,161
Current tax liabilities:	即期稅項負債：		
PRC CIT	中國企業所得稅	567,839	553,933
PRC dividend withholding tax	中國股息預扣稅	33,038	33,038
PRC LAT	中國土地增值稅	465,758	519,339
		1,066,635	1,106,310

17 合併財務狀況表內的所得稅

(a) 合併財務狀況表內的即期稅項指：

NOTES TO THE FINANCIAL STATEMENTS 財務報表附註

(Expressed in Renminbi unless otherwise indicated)
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17 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Cont'd)

(b) Deferred tax assets and liabilities recognised:

The components of deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the movements during the year are as follows:

Deferred tax arising from:

		Fair value adjustment for investment properties	Tax losses	Advertising expenses	Deferred income	Provision for PRC LAT 中國土地 增值稅撥備	Total
		公允價值調整	稅項虧損	廣告費	遞延收入	增值稅撥備	總計
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元
At 1 January 2015	於2015年1月1日	—	21,528	9,554	193,868	68,622	293,572
(Charged)/credited to the consolidated statement of profit or loss (note 7(a))	於合併損益表(扣除)/計入(附註7(a))	(63,088)	61	(5,342)	50,312	25,763	7,706
At 31 December 2015	於2015年12月31日	(63,088)	21,589	4,212	244,180	94,385	301,278
At 1 January 2016	於2016年1月1日	(63,088)	21,589	4,212	244,180	94,385	301,278
(Charged)/credited to the consolidated statement of profit or loss (note 7(a))	於合併損益表(扣除)/計入(附註7(a))	(51,626)	43,568	(1,370)	(30,952)	(28,663)	(69,043)
At 31 December 2016	於2016年12月31日	(114,714)	65,157	2,842	213,228	65,722	232,235

17 合併財務狀況表內的所得稅(續)

(b) 已確認遞延稅項資產及負債：

於合併財務狀況表確認的遞延稅項資產/(負債)的組成部分及年內的變動如下：

遞延稅項由以下各項產生：

NOTES TO THE FINANCIAL STATEMENTS 財務報表附註

(Expressed in Renminbi unless otherwise indicated)
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17 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Cont'd)

(b) Deferred tax assets and liabilities recognised: (Cont'd)

Representing:

		2016 RMB'000 人民幣千元	2015 RMB'000 人民幣千元
Deferred tax assets	遞延稅項資產	247,050	316,049
Deferred tax liabilities	遞延稅項負債	(14,815)	(14,771)
		232,235	301,278

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 1(u), the Group has not recognised deferred tax assets in respect of cumulative tax losses of certain subsidiaries of RMB550,390,000 as at 31 December 2016 (2015: RMB330,671,000). The directors consider it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entities.

The unrecognised tax losses will expire by the end of the following years, if unused:

		2016 RMB'000 人民幣千元	2015 RMB'000 人民幣千元
2017	2017年	80	80
2018	2018年	35,342	35,644
2019	2019年	91,240	92,909
2020	2020年	199,493	202,038
2021	2021年	224,235	—
Total	總計	550,390	330,671

17 合併財務狀況表內的所得稅(續)

(b) 已確認遞延稅項資產及負債： (續)

指：

	2016 RMB'000 人民幣千元	2015 RMB'000 人民幣千元
遞延稅項資產	247,050	316,049
遞延稅項負債	(14,815)	(14,771)
	232,235	301,278

(c) 未確認遞延稅項資產

根據附註1(u)所載的會計政策，於2016年12月31日，本集團並未就若干子公司的累計稅項虧損人民幣550,390,000元(2015年：人民幣330,671,000元)確認遞延稅項資產。董事認為不大可能在有關稅務司法權區及實體獲得可用於抵銷虧損的未來應課稅利潤。

倘未經使用，未確認的稅項虧損將於以下年份結束時屆滿：

		2016 RMB'000 人民幣千元	2015 RMB'000 人民幣千元
2017	2017年	80	80
2018	2018年	35,342	35,644
2019	2019年	91,240	92,909
2020	2020年	199,493	202,038
2021	2021年	224,235	—
Total	總計	550,390	330,671

NOTES TO THE FINANCIAL STATEMENTS 財務報表附註

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17 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Cont'd)

(d) Deferred tax liabilities not recognised

As set out in note 7(a)(v), withholding tax is levied on Hong Kong companies in respect of dividend distributions arising from profit of PRC subsidiaries. Since the Group could control the quantum and timing of distribution of profits of the Group's subsidiaries in the PRC, deferred tax liabilities are only provided to the extent that such profits are expected to be distributed in the foreseeable future.

At 31 December 2016, temporary differences relating to the undistributed profits of subsidiaries amounted to RMB2,350,544,000 (2015: RMB1,922,491,000). Deferred tax liabilities of RMB117,527,000 (2015: RMB96,125,000) have not been recognised in respect of the tax that would be payable on the distribution of these retained profits as the Group controls the dividend policy of these subsidiaries and it has been determined that it is probable that these profits will not be distributed in the foreseeable future.

18 PREPAYMENT FOR ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT

At 31 December 2015, the prepayment for acquisition of property, plant and equipment represents the prepaid proceeds for an office building. The office building was handed over to the Group during the year.

17 合併財務狀況表內的所得稅(續)

(d) 未確認遞延稅項負債

誠如附註7(a)(v)所載，向香港公司派付中國子公司溢利產生的股息會收預扣稅。由於本集團能控制本集團中國子公司派發利潤的數額及時間，故本集團僅在該等利潤預期將於可預見未來派發的情況下計提遞延稅項負債。

於2016年12月31日，子公司未分派利潤的暫時差額為人民幣2,350,544,000元(2015年：人民幣1,922,491,000元)。本集團未就於分派該等保留利潤應付的稅項確認遞延稅項負債人民幣117,527,000元(2015年：人民幣96,125,000元)，因為本集團控制該等子公司的股息政策且已釐定可能不會於可預見未來分派利潤。

18 收購物業、廠房及設備的預付款項

於2015年12月31日，收購物業、廠房及設備的預付款項指購買寫字樓的預付款項。該寫字樓已於年內移交予本集團。

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19 INTEREST IN SUBSIDIARIES

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

19 於子公司的權益

下表僅載列對本集團業績、資產或負債有重大影響的主要子公司的詳情。除非另有說明，否則所持有股份的類別為普通股。

Name of company 公司名稱	Place of incorporation and business 註冊成立及 營業地點	Particulars of issued capital 已發行 股本詳情	Group's effective interest 本集團 實際權益	Proportion of ownership interest 所有權比例		Principal activities 主要業務
				Held by the Company 本公司所持	Held by a subsidiary 子公司所持	
Hongkong Hydoor Holding Limited 香港毅德控股有限公司	Hong Kong 香港	HK\$100,000 100,000 港元	100%	100%	—	Investment management 投資管理
Hydoo Estate (Ganzhou) Company Limited ("Hydoo Estate (Ganzhou)") 毅德置業(贛州)有限公司* (「毅德置業(贛州)」)	The PRC 中國	US\$32,050,000 32,050,000 美元	100%	—	100%	Property development and investment holding 房地產開發及 投資控股
Ningxiang Hydoor Guangcai Trade Centre Development Company Limited 寧鄉毅德光彩貿易廣場開發有限公司*	The PRC 中國	RMB60,000,000 人民幣 60,000,000 元	100%	—	100%	Property development 房地產開發
Jining Hydoor Logistics Centre Development Company Limited ("Jining Logistics Centre") 濟寧毅德物流城開發有限公司* (「濟寧物流城」)	The PRC 中國	RMB200,000,000 人民幣 200,000,000 元	100%	—	100%	Property development 房地產開發

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19 INTEREST IN SUBSIDIARIES (Cont'd)

19 於子公司的權益(續)

Name of company 公司名稱	Place of incorporation and business 註冊成立及 營業地點	Particulars of issued capital 已發行 股本詳情	Proportion of ownership interest 所有權比例		Principal activities 主要業務	
			Group's effective interest 本集團 實際權益	Held by the Company 本公司所持		Held by a subsidiary 子公司所持
Mianyang West Modern Trade Centre Development Company Limited ("Mianyang Trade Centre") 綿陽西部現代物流城開發有限公司* (「綿陽物流城」)	The PRC 中國	RMB200,000,000 人民幣200,000,000元	100%	—	100%	Property development 房地產開發
Guangxi Yulin Modern Trade Centre Development Company Limited ("Yulin Trade Centre") 廣西玉林現代物流城開發有限公司* (「玉林物流城」)	The PRC 中國	RMB220,000,000 人民幣220,000,000元	100%	—	100%	Property development 房地產開發
Shenzhen Hydoo Investment Management Company Limited ("Shenzhen Hydoo") 深圳市毅德投資管理有限公司*	The PRC 中國	RMB30,000,000 人民幣30,000,000元	100%	—	100%	Investment management 投資管理
Ganzhou Hydoo Commercial and Trade Logistics Park Development Co., Ltd. ("Ganzhou Trade Centre") 贛州毅德商貿物流園開發有限公司* (「贛州商貿物流園」)	The PRC 中國	RMB800,000,000 人民幣800,000,000元	100%	—	100%	Property development 房地產開發
Wuzhou Hydoo Commercial and Trade Centre Development Co., Ltd. ("Wuzhou Trade Centre") 梧州毅德商貿物流城開發有限公司* (「梧州商貿物流城」)	The PRC 中國	RMB300,000,000 人民幣300,000,000元	100%	—	100%	Property development 房地產開發

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19 INTEREST IN SUBSIDIARIES (Cont'd)

19 於子公司的權益(續)

Name of company 公司名稱	Place of incorporation and business 註冊成立及 營業地點	Particulars of issued capital 已發行 股本詳情	Group's effective interest 本集團 實際權益	Proportion of ownership interest 所有權比例		Principal activities 主要業務
				Held by the Company 本公司所持	Held by a subsidiary 子公司所持	
Heze Hydoo Commercial and Trade Centre Company Limited ("Heze Trade Centre") 菏澤毅德商貿物流城有限公司* (「菏澤商貿物流城」)	The PRC 中國	RMB300,000,000 人民幣300,000,000元	100%	—	100%	Property development 房地產開發
Xingning Hydoo Commercial and Trade Centre Company Limited ("Xingxing Trade Centre") 興寧毅德商貿物流城有限公司* (「興寧商貿物流城」)	The PRC 中國	RMB200,000,000 人民幣200,000,000元	80%	—	80%	Property development 房地產開發
Yantai Hydoo International Commercial and Trade Centre Company Limited ("Yantai Trade Centre") 煙台毅德國際商貿城有限公司* (「煙台商貿物流城」)	The PRC 中國	RMB300,000,000 人民幣300,000,000元	100%	—	100%	Property development 房地產開發
Lanzhou Hydoo Commercial and Trade Centre Company Limited ("Lanzhou Trade Centre") 蘭州毅德商貿城有限公司* (「蘭州商貿城」)	The PRC 中國	RMB300,000,000 人民幣300,000,000元	100%	—	100%	Property development 房地產開發

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19 INTEREST IN SUBSIDIARIES (Cont'd)

19 於子公司的權益(續)

Name of company 公司名稱	Place of incorporation and business 註冊成立及 營業地點	Particulars of issued capital 已發行 股本詳情	Proportion of ownership interest 所有權比例			Principal activities 主要業務
			Group's effective interest 本集團 實際權益	Held by the Company 本公司所持	Held by a subsidiary 子公司所持	
Ganzhou Jiuzhi Property Management Services Company Limited ("Ganzhou Jiuzhi") 贛州市久治物業管理有限公司* (「贛州久治」)	The PRC 中國	RMB5,200,000 人民幣 5,200,000 元	51%	—	51%	Property management services 物業管理服務
Huaiyuan Hydoo Commercial and Trade Centre Company Limited ("Huaiyuan Trade Centre") 懷遠毅德城發展有限公司* (「懷遠毅德城」)	The PRC 中國	RMB300,000,000 人民幣 300,000,000 元	60%	—	60%	Property development 房地產開發
Jiamusi Hydoo Commercial and Trade Centre Company Limited 佳木斯毅德商貿物流城有限公司*	The PRC 中國	RMB300,000,000 人民幣 300,000,000 元	100%	—	100%	Property development 房地產開發
Jinan Bright Ocean Business Management Company Limited 濟南時光海商業管理有限公司*	The PRC 中國	RMB50,000,000 人民幣 50,000,000 元	85%	—	85%	Property management services 物業管理服務

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(除另有指明外，均以人民幣列示)

19 INTEREST IN SUBSIDIARIES (Cont'd)

19 於子公司的權益(續)

Name of company 公司名稱	Place of incorporation and business 註冊成立及 營業地點	Particulars of issued capital 已發行 股本詳情	Group's effective interest 本集團 實際權益	Proportion of ownership interest 所有權比例		Principal activities 主要業務
				Held by the Company 本公司所持	Held by a subsidiary 子公司所持	
Heze Hydoo Industrial Company Limited 菏澤毅德城實業有限公司*	The PRC 中國	US\$50,000,000 50,000,000 美元	100%	—	100%	Property development 房地產開發
Shenzhen Qianhai Hydoo Financial Leasing Company Limited 深圳前海毅德融資租賃有限公司*	The PRC 中國	RMB320,000,000 人民幣 320,000,000 元	100%	—	100%	Finance lease 融資租賃
Liuzhou Hydoo Commercial and Trade Centre Company Limited 柳州毅德商貿物流城有限公司*	The PRC 中國	RMB300,000,000 人民幣 300,000,000 元	100%	—	100%	Property development 房地產開發
Yulin Jingde Real Estate Company Limited 玉林景德房地產開發有限公司*	The PRC 中國	RMB8,000,000 人民幣 8,000,000 元	51%	—	51%	Property development 房地產開發

* These entities are all PRC limited liability companies. The English translation of the company names is for reference only. The official names of these companies are in Chinese.

* 該等實體均為中國有限公司。該等公司的英文翻譯名僅供參考。該等公司的中文名稱為官方名稱。

The directors consider that no individual non-controlling interest is considered material to the Group as at 31 December 2016 and 2015.

於2016年及2015年12月31日，董事認為，概無個別對本集團屬重大的非控股權益。

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(除另有指明外，均以人民幣列示)

20 FINANCE LEASE RECEIVABLES

20 融資租賃應收款項

		2016	2015
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Finance lease receivables	融資租賃應收款項	67,629	43,061
Less: due within one year (note 22)	減：1年內到期(附註22)	(40,957)	(36,829)
		26,672	6,232

As at 31 December 2016, the total future minimum lease payments receivable under finance leases were as follows:

於2016年12月31日，根據融資租賃應收未來最低租金總額如下：

		2016			2015		
		Unearned			Unearned		
		Lease	finance	Carrying	Lease	finance	Carrying
		payments	income	amount	payments	income	amount
		receivable	未賺取	賬面值	receivable	未賺取	賬面值
		應收租金	融資收入	賬面值	應收租金	融資收入	賬面值
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元
Within 1 year (inclusive)	1年內(包括該年)	48,181	(7,224)	40,957	37,772	(943)	36,829
After 1 year but within 5 years (inclusive)	1至5年(包括首尾兩年)	29,048	(2,376)	26,672	6,794	(562)	6,232
		77,229	(9,600)	67,629	44,566	(1,505)	43,061

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(Expressed in Renminbi unless otherwise indicated)
(除另有指明外，均以人民幣列示)

21 INVENTORIES

(a) Inventories in the consolidated statement of financial position comprise:

		2016	2015
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Properties held for future development for sale	待售未來待開發物業	1,348,045	1,387,844
Properties under development for sale	待售在建物業	3,680,880	4,412,710
Completed properties held for sale	待售已完工物業	4,150,840	3,826,148
Others	其他	1,195	1,919
		9,180,960	9,628,621

As at 31 December 2016, certain properties under development for sale, completed properties held for sale and properties held for future development for sale were pledged for certain bank loans granted to the Group (note 26).

於2016年12月31日，若干待售在建物業、待售已完工物業及待售未來待開發物業用作本集團獲授若干銀行貸款的抵押(附註26)。

(b) The analysis of carrying amount of leasehold land included in properties development for sale is as follows:

		2016	2015
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Held under	根據以下各項持有		
– long leases (over 50 years) in the PRC	– 於中國的長期租約(50年以上)	446,417	639,915
– medium-term leases (10 - 50 years) in the PRC	– 於中國的中期租約(10至50年)	2,990,977	3,054,709

(b) 計入物業開發的租賃土地的賬面值分析如下：

NOTES TO THE FINANCIAL STATEMENTS 財務報表附註

(Expressed in Renminbi unless otherwise indicated)
(除另有指明外，均以人民幣列示)

21 INVENTORIES (Cont'd)

- (c) Properties held for future development for sale in the consolidated statement of financial position comprise:

		2016	2015
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Expected to be recovered after more than one year	預期於一年以後收回	1,348,045	1,387,844

21 存貨(續)

- (c) 合併財務狀況表內的待售未來待開發物業包括：

		2016	2015
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Expected to be recovered after more than one year	預期於一年以後收回	1,348,045	1,387,844

- (d) Properties under development for sale in the consolidated statement of financial position comprise:

		2016	2015
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Expected to be recovered within one year	預期於一年內收回	931,465	2,291,472
Expected to be recovered after more than one year	預期於一年以後收回	2,749,415	2,121,238
		3,680,880	4,412,710

- (d) 合併財務狀況表內的待售在建物業包括：

		2016	2015
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Expected to be recovered within one year	預期於一年內收回	931,465	2,291,472
Expected to be recovered after more than one year	預期於一年以後收回	2,749,415	2,121,238
		3,680,880	4,412,710

- (e) Completed properties held for sale in the consolidated statement of financial position comprise:

		2016	2015
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Expected to be recovered within one year	預期於一年內收回	3,976,205	3,349,357
Expected to be recovered after more than one year	預期於一年以後收回	174,635	476,791
		4,150,840	3,826,148

- (e) 合併財務狀況表內待售已完工的物業包括：

		2016	2015
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Expected to be recovered within one year	預期於一年內收回	3,976,205	3,349,357
Expected to be recovered after more than one year	預期於一年以後收回	174,635	476,791
		4,150,840	3,826,148

NOTES TO THE FINANCIAL STATEMENTS 財務報表附註

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22 TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS 22 貿易及其他應收款項、預付款項及定金

		2016 RMB'000 人民幣千元	2015 RMB'000 人民幣千元
Trade and bill receivables (a)	貿易應收款項及應收票據 (a)	48,431	44,948
Less: allowance for doubtful debts (b)	減：呆賬撥備 (b)	(7,225)	—
		41,206	44,948
Prepaid business tax and other taxes	預付營業稅及其他稅項	99,530	128,048
Deposits, prepayments and other receivables (c)	定金、預付款項及其他應收款項 (c)	1,350,171	1,183,445
Amount due from a joint venture (d)	應收合營公司款項 (d)	18,874	—
Finance lease receivables (note 20)	融資租賃應收款項 (附註 20)	40,957	36,829
		1,550,738	1,393,270

(a) Ageing analysis

As at the end of the reporting period, the ageing analysis of trade and bill receivables (net of allowance for doubtful debts) based on the date the relevant trade and bill receivables recognised, is as follows:

(a) 賬齡分析

於報告期末，按相關貿易應收款項及應收票據確認日期劃分的貿易應收款項及應收票據(扣除呆賬撥備)的賬齡分析如下：

		2016 RMB'000 人民幣千元	2015 RMB'000 人民幣千元
Within 1 month	1個月以內	32,943	30,078
1 to 3 months	1至3個月	2,378	—
3 to 6 months	3至6個月	2,125	2,735
Over 6 months	6個月以上	3,760	12,135
		41,206	44,948

NOTES TO THE FINANCIAL STATEMENTS 財務報表附註

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22 TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS (Cont'd)

(a) Ageing analysis (Cont'd)

The details on the Group's credit policy are set out in note 34(a).

Trade and bill receivables are primarily related to proceeds from the sale of properties. Proceeds from the sale of properties are made in lump-sum payments or paid by instalments in accordance with the terms of the corresponding contracts.

(b) Impairment of trade and other receivables

Impairment losses in respect of trade and other receivables are recorded using an allowance account unless the group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade and other receivables directly (see note 1(m) (i)).

22 貿易及其他應收款項、預付款項及定 金(續)

(a) 賬齡分析(續)

本集團信貸政策的詳情載於附註34(a)。

貿易應收款項及應收票據主要與物業銷售所得款項有關。物業銷售所得款項根據相應合約條款一次性支付或分期支付。

(b) 貿易及其他應收款項減值

貿易及其他應收款的減值虧損採用撥備賬記錄，除非本集團信納收回有關金額的可能性微乎其微，在此情況下，減值虧損直接與貿易及其他應收款撤銷(見附註1(m)(i))。

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22 TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS (Cont'd)

(b) Impairment of trade and other receivables (Cont'd)

The movement in the allowance for doubtful debts during the year, including both specific and collective loss components, is as follows:

		2016 RMB'000 人民幣千元
At 1 January	於 1 月 1 日	—
Impairment loss recognised	已確認的減值虧損	7,225
At 31 December	於 12 月 31 日	7,225

At 31 December 2016, trade and other receivables of RMB7,225,000 (2015: Nil) were individually determined to be impaired. The individually impaired receivables were related to customers that were in financial difficulties and management assessed that only a portion of the receivables is expected to be recovered. Consequently, specific allowances for doubtful debts of RMB7,225,000 (2015: Nil) were recognised.

- (c) The balance includes prepayments for leasehold land of RMB486,773,000 (2015: RMB416,852,000).
- (d) The balance of amount due from a joint venture is unsecured, interest free and has no fixed repayment terms.

22 貿易及其他應收款項、預付款項及定金(續)

(b) 貿易及其他應收款項減值(續)

年內包括特定及整體虧損組成部分的呆賬的減值準備變動如下：

		2016 RMB'000 人民幣千元
At 1 January	於 1 月 1 日	—
Impairment loss recognised	已確認的減值虧損	7,225
At 31 December	於 12 月 31 日	7,225

於 2016 年 12 月 31 日，貿易及其他應收款項人民幣 7,225,000 元 (2015 年：零) 被個別釐定為出現減值。個別出現減值的應收款項乃有關出現財政困難的客戶，且據管理層評估預料僅可收回部份應收賬款。因此，已就此確認特定呆賬撥備為人民幣 7,225,000 元 (2015 年：零)。

- (c) 該結餘包括預付土地款項人民幣 486,773,000 元 (2015 年：人民幣 416,852,000 元)。
- (d) 應收合營企業款項的結餘為無抵押、免息及無固定還款期。

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23 RESTRICTED CASH

23 受限制現金

		2016	2015
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Pledged to banks for certain mortgage facilities	就若干按揭融資而抵押予銀行	199,324	224,448
Pledged for bank loans	就銀行貸款抵押	574,680	206,190
Pledged for bills payables	就應付票據抵押	271,844	—
		1,045,848	430,638

24 CASH AND CASH EQUIVALENTS

24 現金及現金等值物

(a) Cash and cash equivalents comprise:

(a) 現金及現金等值物包括：

		2016	2015
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Cash at bank and on hand	銀行存款及現金	965,685	1,688,923

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24 CASH AND CASH EQUIVALENTS (Cont'd)

(b) Reconciliation of profit before taxation to cash generated from/(used in) operations:

		2016年 RMB'000 人民幣千元	2015年 RMB'000 人民幣千元
Profit before taxation	除稅前利潤	712,463	1,224,002
Adjustments for:	就下列項目調整：		
Depreciation and amortisation	折舊及攤銷	36,282	31,295
Impairment loss on property, plant and equipment	物業、廠房及設備減值虧損	7,340	—
Impairment loss on intangible assets	無形資產減值虧損	613	—
Impairment loss on trade and other receivables	貿易及其他應收款項減值虧損	7,225	—
Write off of deposits	撤銷定金	1,000	—
Net gain on disposal of property, plant and equipment	出售物業、廠房及設備收益淨額	(37)	(30)
Finance income	財務收入	(8,299)	(9,161)
Finance costs	融資成本	240,439	150,549
Change in fair value of embedded derivative component of the convertible notes	可轉股票據的嵌入式衍生工具部分之公允值變動	668	(19,319)
Fair value gain on derivative financial instrument	衍生金融工具之公允價值收益	(9,132)	—
Fair value gain on investment properties	投資物業公允值收益	(326,451)	(296,543)
Equity settled share-based payments	以權益結算以股份為基礎的付款	(194)	(336)
Net gain on disposal of available-for-sale investments	出售可供出售投資收益淨額	(547)	(2,382)
Dividend income	股息收入	(1,308)	(3,567)
Net gain from disposal of other non-current financial assets	出售其他流動金額資產之收益淨額	(2,000)	—
Share of loss of joint ventures	分估合營企業虧損	1,492	—
Government grants related to investment properties recognised in other income	於其他收入確認投資物業相關的政府補助	(2,962)	(59,701)
Gain arising from redemption of convertible notes	贖回可轉股票據產生之收益	(14,391)	—
		642,201	1,014,807

24 現金及現金等值物(續)

(b) 除稅前利潤與經營業務所得/(所用)的現金的對賬：

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24 CASH AND CASH EQUIVALENTS (Cont'd)

(b) Reconciliation of profit before taxation to cash generated from/(used in) operations: (Cont'd)

		2016年 RMB'000 人民幣千元	2015年 RMB'000 人民幣千元
Changes in working capital:	營運資金變動：		
Decrease/(increase) in inventories	存貨減少／(增加)	166,089	(2,350,664)
Increase in trade and other receivables, prepayments and deposits	貿易及其他應收款項、預付款項及定金增加	(186,133)	(99,909)
Increase in restricted cash	受限制現金增加	(246,720)	(232,483)
(Decrease)/increase in trade and other payables	貿易及其他應付款項(減少)／增加	(211,889)	298,197
(Decrease)/increase in deferred income	遞延收入(減少)／增加	(124,328)	163,633
Cash generated from/(used in) operations	經營業務所得／(所用)現金	39,220	(1,206,419)

24 現金及現金等值物(續)

(b) 除稅前利潤與經營業務所得／(所用)的現金的對賬：(續)

25 TRADE AND OTHER PAYABLES

Trade and bills payables (a) 貿易應付款項及應付票據 (a)
Receipts in advance (b) 預收款項 (b)
Other payables and accruals (c), (d) 其他應付款項及應計費用 (c) · (d)

Total

總計

25 貿易及其他應付款項

2016
RMB'000
人民幣千元

2015
RMB'000
人民幣千元

2,343,810	2,629,878
1,188,327	1,298,168
551,887	349,086
4,084,024	4,277,132

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25 TRADE AND OTHER PAYABLES (Cont'd)

- (a) Included in trade and other payables are trade creditors with the following ageing analysis as at the end of the reporting period:

		2016 RMB'000 人民幣千元	2015 RMB'000 人民幣千元
Due within 1 month or on demand	於1個月內到期或按要求償還	446,703	274,578
Due after 1 month but within 3 months	於1個月後但於3個月內到期	101,996	644,849
Due after 3 months but within 6 months	於3個月後但於6個月內到期	420,912	1,088,462
Due after 6 months	於6個月後到期	1,374,199	621,989
		2,343,810	2,629,878

Trade payables mainly represent amounts due to contractors. Payment to contractors is in installments according to progress and agreed milestones. The Group normally retains 2% to 10% as retention money.

At 31 December 2016, included in trade payables are retention payables of RMB31,525,000 (2015: RMB33,133,000), which are expected to be settled after more than one year.

- (b) Receipts in advance primarily consisted of deposits and down payments from customers for purchases of the Group's properties. Such proceeds were recorded as current liabilities before the associated sales were recognised. Sale of properties is subsequently recognised to the profit or loss in accordance with the Group's accounting policy as set out in note 1(w) (i).

25 貿易及其他應付款項(續)

- (a) 於報告期末，貿易及其他應付款項包括應付賬款，其賬齡分析如下：

		2016 RMB'000 人民幣千元	2015 RMB'000 人民幣千元
Due within 1 month or on demand	於1個月內到期或按要求償還	446,703	274,578
Due after 1 month but within 3 months	於1個月後但於3個月內到期	101,996	644,849
Due after 3 months but within 6 months	於3個月後但於6個月內到期	420,912	1,088,462
Due after 6 months	於6個月後到期	1,374,199	621,989
		2,343,810	2,629,878

貿易應付款項主要指應付承建商款項。本集團根據進度及工程重要節點向承建商分期付款。本集團一般保留2%至10%相關款項作為保證金。

於2016年12月31日，計入應付貿易款項的金額人民幣31,525,000元(2015年：人民幣33,133,000元)預期於一年後結算。

- (b) 預收款項主要包括來自購買本集團物業的客戶的定金及分期付款。該等所得款項於相關銷售獲確認前入賬為流動負債。物業銷售隨後根據附註1(w)(i)所載本集團的會計政策確認為損益。

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25 TRADE AND OTHER PAYABLES (Cont'd)

(c) At 31 December 2016, included in other payables and accruals are deposits of RMB56,531,000 (2015: RMB21,372,000), which are expected to be settled after more than one year. All of the other payables and accrued expenses are expected to be settled within one year.

(d) At 31 December 2016, other payables and accruals included an amount of RMB43,050,000, representing estimated compensations in relation to a sub-lease arrangement. Subsequent to year end, the lessor issued a notice to the Group for termination of the sub-lease arrangement and the Group is in the process of negotiation with the lessor on the compensations in respect of such termination.

26 BANK LOANS AND OTHER BORROWINGS

At 31 December 2016, the Group's bank loans and other borrowings were repayable as follows:

25 貿易及其他應付款項(續)

(c) 於2016年12月31日，其他應付款項及應計費用包括定金人民幣56,531,000元(2015年：人民幣21,372,000元)，預期將於一年後結算。所有其他應付款項及應計開支預期將於一年內結算。

(d) 於2016年12月31日，其他應付款項及應計費用包括轉租安排中預計的賠償金人民幣43,050,000元。年後，出租方對本集團發出了終止轉租安排告知函，本集團目前正在與出租方就相關賠償金的具體金額進行協商中。

26 銀行貸款及其他借貸

於2016年12月31日，本集團的銀行貸款及其他借貸的償還情況如下：

		2016	2015
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Current	流動		
Secured	有抵押		
– short-term bank loans and other borrowings	– 短期銀行貸款及其他借貸	303,773	309,366
– current portion of non-current bank loans and other borrowings	– 非流動銀行貸款及其他借貸的流動部分	1,004,280	629,280
		1,308,053	938,646
Non-current	非流動		
Secured	有抵押		
– repayable after 1 year but within 2 years	– 一年後但兩年內還款	1,196,660	233,260
– repayable after 2 years but within 5 years	– 兩年後但五年內還款	280,850	1,231,260
		1,477,510	1,464,520
		2,785,563	2,403,166

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26 BANK LOANS AND OTHER BORROWINGS (Cont'd)

- (a) Certain banking facilities and borrowings of the Group are subject to the fulfillment of covenants relating to: (1) certain of the Group's operating subsidiaries' statement of financial position ratios; (2) restriction of profit distribution by certain of its operating subsidiaries; or (3) early repayment of principal to be triggered when 70% of the gross sellable area for the underlying property project are sold. These requirements are commonly found in lending arrangements with financial institutions. If the Group was to breach such covenants, the drawn down facilities would become repayable on demand. The Group regularly monitors its compliance with these covenants and communicates with its lenders as and when the directors foresee any non-compliance due to business needs.

At 31 December 2016, none of bank loans of the Group (2015: RMB186,650,000) were not in compliance with the imposed covenants. Such non-compliance primarily relates to operating subsidiaries which failed to achieve certain statement of financial position ratio at the end of the reporting period. All these bank loans were classified as current liabilities in the consolidated statement of financial position at 31 December 2015.

26 銀行貸款及其他借貸(續)

- (a) 本集團的若干銀行融資及借貸須待有關下列各項的契諾達成後，方會作實：(1)本集團若干營運附屬公司的財務狀況比率指標；(2)按其若干營運附屬公司分配股利限制；或(3)當相關物業項目的可售總面積的70%被出售時須優先償還貸款行貸款。該等規定常見於與金融機構訂立的貸款安排。倘本集團違反有關限制，則已提取的融資將需於要求時償還。本集團定期監控其遵守該等限制的情況；且當董事預期由於業務需求導致無法遵守時，本集團會與貸款人溝通。

於2016年12月31日，概無本集團的銀行貸款(2015年：人民幣186,650,000元)未遵守所施加的限制。該未遵守情況主要與未於報告期末實現若干財務狀況比率指標的營運子公司有關。這些銀行貸款全部於2015年12月31日的合併財務狀況表內獲分類為流動負債。

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26 BANK LOANS AND OTHER BORROWINGS (Cont'd)

- (b) Bank loans and other borrowings bear interest ranging from 2.12% to 9.00% per annum for the year ended 31 December 2016 (2015: 2.12% to 10.23% per annum), and are secured by the following assets:

		2016	2015
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Properties under development for sale	待售在建物業	1,370,392	881,683
Completed properties held for sale	待售已完工物業	1,035,441	1,146,723
Properties held for future development for sale	待售未來待開發物業	651,499	687,252
Restricted cash (note 23)	受限制現金(附註23)	574,680	206,190
Property, plant and equipment	物業、廠房及設備	377,111	—
Investment properties (note 12(b))	投資物業(附註12(b))	41,900	179,500
Prepayment for acquisition of property, plant and equipment	收購物業、廠房及設備的預付款項	—	368,535
		4,051,023	3,469,883

26 銀行貸款及其他借貸(續)

- (b) 於截至2016年12月31日止年度，銀行貸款及其他借貸分別按介乎2.12%至9.00%的年利率(2015年：2.12%至10.23%)計息，並以下列資產作抵押：

27 CONVERTIBLE NOTES

On 23 January 2015, the Company issued convertible notes in an aggregate principal amount of US dollars ("US\$") 120 million due 23 January 2020 ("Maturity Date"). The convertible notes bear interest at coupon rate of 7.00% per annum payable semi-annually. Certain subsidiaries of the Company will unconditionally and irrevocably guarantee the due payment of all sums expressed to be payable by the Company under the convertible notes.

Unless previously redeemed, repaid, converted or purchased and cancelled, the Company will redeem the convertible notes at 137.48% of its principal amount on the Maturity Date.

27 可轉股票據

於2015年1月23日，本公司發行可轉股票據本金合共120,000,000美元，於2020年1月23日(「到期日」)到期。可轉股票據按年息率7.0%計息，每半年支付一次。本公司若干子公司將就本公司根據可轉股票據應付的所有款項提供無條件及不可撤回的擔保。

除非過往已贖回、償還、轉換或購回及註銷可轉股票據，否則本公司將於到期日按本金額的137.48%贖回。

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27 CONVERTIBLE NOTES (Cont'd)

The convertible notes were originally to be convertible at the option of the holder into ordinary shares at the initial conversion price of HK\$1.956 per share upon issuance and subsequently adjusted to HK\$1.67 in 2016.

The convertible notes holder may require the Company to redeem all or some of such convertible notes when (i) the ordinary shares of the Company cease to be listed or admitted to trading or suspended for a period equal to or exceeding 30 consecutive trading days on the Stock Exchange; (ii) there is a change of control, or (iii) the Company fails to meet certain sales targets in either 2015 or 2016.

Also, the convertible notes holder shall have the right to require the Company to redeem all or some of such convertible notes at any time on or after 23 January 2018. If the convertible notes are early redeemed, the Company shall give the convertible notes holder an internal rate of return of 13.0% upon redemption of the convertible notes.

On 11 January 2016, amendments was made on the terms of the convertible notes. The right of the note holder to require the Company to redeem all or some of the convertible notes was amended to at any time on or after 11 January 2016, instead of 23 January 2018.

On 15 January 2016, 31 August 2016 and 20 September 2016, the Company redeemed an aggregate principal amount of US\$40 million, US\$50 million and US\$30 million of the outstanding convertible notes and all the convertible notes were cancelled accordingly. A gain of RMB14,391,000 resulted from the redemption was recorded in profit or loss for the year.

27 可轉股票據(續)

該等可轉股票據原先由持有人行使選擇按每股1.956港元之初始換股價轉換為普通股，其後於2016年調整為1.67港元。

倘(i)本公司普通股不再於聯交所上市或為其接納進行買賣或暫停於其買賣，而有關暫停維持連續30個交易日或以上；(ii)控制權出現變動；或(iii)於2015年或2016年本公司未能實現若干銷售目標，可轉股票據持有人可要求本公司贖回全部或部分可轉股票據。

可轉股票據持有人亦有權要求本公司於2018年1月23日或其後任何時間贖回全部或部分該等可轉股票據。倘可轉股票據獲提早贖回，於贖回可轉股票據時，本公司將給予可轉股票據持有人內部回報率13.0%。

2016年1月11日，可轉股票據的條款被修訂，票據持有人有權於2016年1月11日或其後隨時(而非2018年1月23日)要求本公司贖回全部或部分可轉股票據。

於2016年1月15日、2016年8月31日及2016年9月20日，本公司分別贖回未行使可轉股票據的本金總額40百萬美元，50百萬美元及30百萬美元，所有可轉股票據隨之註銷。贖回之收益人民幣14,391,000元錄入年內損益表內。

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27 CONVERTIBLE NOTES (Cont'd)

The convertible notes recognised in the consolidated statement of financial position of the Group are analysed as follows:

		Host liability component 主要 負債部分 RMB'000 人民幣千元	Derivative component 衍生 工具部分 RMB'000 人民幣千元	Total 總計 RMB'000 人民幣千元
Net proceeds for the issuance of the convertible notes	發行可轉股票據的所得款項淨額	525,701	210,403	736,104
Interest expenses (i)/(note 6(a))	利息開支(i)/(附註6(a))	108,638	—	108,638
Interest expenses paid during the year	年內已付利息開支	(26,208)	—	(26,208)
Change in fair value of derivative component	衍生工具部分公允值的變動	—	(19,319)	(19,319)
Exchange difference	匯兌差異	34,149	11,542	45,691
At 31 December 2015	於2015年12月31日	642,280	202,626	844,906
Interest expenses(i)/(note 6(a))	利息開支(i)/(附註6(a))	64,400	—	64,400
Interest expenses paid during the year	年內已付利息開支	(117,962)	—	(117,962)
Change in fair value of derivative component	衍生工具部分公允值的變動	—	668	668
Redemption of convertible notes	贖回可轉股票據	(798,344)	—	(798,344)
Gain on redemption of convertible notes	贖回可轉股票據的收益	193,873	(208,264)	(14,391)
Exchange difference	匯兌差異	15,753	4,970	20,723
At 31 December 2016	於2016年12月31日	—	—	—

(i) Interest expense

Interest expense on the convertible notes is calculated using the effective interest method by applying the effective interest rate of 22.21% per annum to the liability component.

(ii) Conversion rights exercised

No convertible notes were converted throughout its existing period.

(i) 利息開支

可轉股票據的利息開支採用實際利率法以負債部分的實際年利率22.21%計算。

(ii) 已行使的轉股權

於可轉股票據存續期內，概無轉換可轉股票據。

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28 DEFERRED INCOME

28 遞延收入

		2016 RMB'000 人民幣千元	2015 RMB'000 人民幣千元
Government grants	政府補助		
At 1 January	於1月1日	988,128	882,313
Movement during the year	年內變動		
– Government grants received (i)	– 已收政府補助(i)	343,931	468,819
– Amortisation	– 攤銷	(468,759)	(303,303)
– Recognised in other income related to investment properties (note 4(i))	– 與投資物業相關部分確認至其他收入(附註4(i))	(2,962)	(59,701)
		860,338	988,128
Sales and operating leaseback arrangement	銷售及經營售後租回		
At 1 January	於1月1日	3,960	5,843
Movement during the year	年內變動		
– Deferred income recognised (ii)	– 已確認遞延收入(ii)	1,142	1,028
– Amortisation	– 攤銷	(642)	(2,911)
		4,460	3,960
		864,798	992,088
Included under:	列入：		
Current liabilities	流動負債	860,994	988,564
Non-current liabilities	非流動負債	3,804	3,524
		864,798	992,088

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28 DEFERRED INCOME (Cont'd)

- (i) Pursuant to the respective agreements between the Group and local governments, such grants are for subsidising the infrastructure construction of certain projects undertaken by certain subsidiaries of the Group, including Ningxiang Trade Centre, Yulin Trade Center, Jining Logistics Center, Mianyang Trade Center, Ganzhou Trade Center, Wuzhou Trade Center, Yantai Trade Center, Heze Trade Center, Lanzhou Trade Center, Huaiyuan Trade Center and Xingning Trade Centre.
- (ii) In connection with certain sales contracts entered into by Jining Hydoo Logistics Center Development Company Limited and Wuzhou Hydoo Commercial and Trade Centre Development Company Limited for sales of properties, the Group subsequently leased back certain sold properties from the respective buyers under operating leases for terms of 10 years at agreed rental rates. Upon recognition of the sales of such properties, a portion of the sales proceeds, which represents the excess of sales price over fair value of such properties, is deferred and amortised over the respective terms. During the year, the deferred revenue arising from such sales and leaseback arrangements amounted to RMB500,000 (2015: RMB1,884,000). No such properties were sold during the year (2015: RMB4,429,000).

28 遞延收入(續)

- (i) 根據本集團與地方政府訂立的各项協議，有關補助須用於資助本集團若干附屬公司所承辦若干項目的基礎建設，該等項目包括寧鄉物流城、玉林物流城、濟寧物流城、綿陽物流城、贛州商貿物流園、梧州商貿物流城、煙台商貿物流城、菏澤商貿物流城、蘭州商貿城、懷遠毅德城及興寧商貿物流城。
- (ii) 基於濟寧毅德物流城開發有限公司及梧州毅德商貿物流城開發有限公司簽訂的若干物業銷售合約，本集團隨後按照協定的租金以經營租賃方式自有關買方租回若干已售物業，租期為10年。該等物業確認出售後，其售價超出公允值部分的款項已遞延並於相關租期攤銷。年內，自該出售及售後租回安排產生的遞延收入為人民幣500,000元(2015年：人民幣1,884,000元)。年內並無出售該等物業(2015年：人民幣4,429,000元)。

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29 SENIOR NOTES

29 優先票據

		2016 RMB'000 人民幣千元	2015 RMB'000 人民幣千元
At 1 January	於 1 月 1 日	630,614	—
Net proceeds from notes issued	發行票據所得款項淨額	826,379	623,642
Interest expenses	利息開支	127,654	3,825
Interest paid	已付利息	(118,920)	—
Exchange difference	匯兌差異	75,245	3,147
At 31 December	於 12 月 31 日	1,540,972	630,614
Less: Interest payable due within 1 year	減：於一年內到期的應付利息	(21,621)	(3,720)
Non-current portion of senior notes at 31 December	於 12 月 31 日優先票據的 非流動部分	1,519,351	626,894

(a) On 15 December 2015, the Company issued a senior note of US\$100 million (equivalent to RMB646,261,000) at 99.404% with a coupon rate of 13.75% per annum. The senior note will be due in 2018. The net proceeds from the senior note, after deducting the transaction costs, of US\$96,500,000 (equivalent to RMB623,642,000) was received by the Company on 16 December 2015. Interest expense on the senior note is calculated using the effective interest rate of 15.25% per annum.

(a) 於 2015 年 12 月 15 日，本公司發行 100 百萬美元（相當於人民幣 646,261,000 元）的 99.404% 優先票據。該等優先票據的票面年息率為 13.75%，將於 2018 年到期。經扣除交易成本後，本公司於 2015 年 12 月 16 日取得優先票據所得款項淨額 96,500,000 美元（相當於人民幣 623,642,000 元）。優先票據的利息開支按實際年利率 15.25% 計算。

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29 SENIOR NOTES (Cont'd)

- (b) On 30 August 2016, the Company issued a senior note of US\$60 million (equivalent to RMB400,872,000) at par with a coupon rate of 11% per annum. The senior note will be due in 2019. The net proceeds from the senior note, after deducting the transaction costs, of US\$59,720,000 (equivalent to RMB399,002,000) was received by the Company on 30 August 2016. Interest expense on the senior note is calculated using the effective interest rate of 11.19% per annum. Mr. Wong Choihing, a controlling shareholder of the Company and therefore, a connected person of the Company, provides a personal guarantee in favour the performance of the obligations by the Company.
- (c) On 14 September 2016, the Company issued a senior note of US\$60 million (equivalent to RMB400,716,000) at 104.81% of the principal amount plus accrued interest with a coupon rate of 13.75% per annum. The senior note will be due in 2018. The net proceeds from the senior note, after including interest in arrear and deducting the transaction costs, of US\$63,992,000 (equivalent to RMB427,377,000) was received by the Company on 15 September 2016. Interest expense on the senior note is calculated using the effective interest rate of 12.42% per annum.

30 CORPORATE BONDS

During the year, the Company issued certain unlisted bonds totalling HK\$11.5 million (equivalent to RMB10,287,000) with a coupon rate of 5.00% to 8.00% per annum. The net proceeds from bonds issued, after deducting the transaction costs, of HK\$10,693,000 (equivalent to RMB9,565,000) was received by the Company. Interest expense on these unlisted bonds are calculated with the effective interest rate of 8.41% to 13.78% per annum respectively.

29 優先票據(續)

- (b) 於2016年8月30日，本公司發行60百萬美元(相當於人民幣400,872,000元)按面值的優先票據。該等優先票據的票面年息率為11%，將於2019年到期。經扣除交易成本後，本公司於2016年8月30日取得優先票據所得款項淨額59,720,000美元(相當於人民幣399,002,000元)。優先票據的利息開支按實際年利率11.19%計算。王再興先生，為本公司控股股東，因此亦為本公司關連人士，為本公司履行責任提供擔保。
- (c) 於2016年9月14日，本公司按本金的104.81%加應計利息發行60百萬美元(相當於人民幣400,716,000元)的優先票據。該等優先票據的票面年息率為13.75%，將於2018年到期。經加上應計利率並扣除交易成本後，本公司於2016年9月15日取得優先票據所得款項淨額63,992,000美元(相當於人民幣427,377,000元)。優先票據的利息開支按實際年利率12.42%計算。

30 公司債券

本公司發行若干票面年利率為5.00%至8.00%的非上市債券合共11.5百萬港元(相等於人民幣10,287,000元)及若干票面年利率為5.00%至8.00%。本公司已收取發行債券所得款項淨額(經扣除交易成本)10,693,000港元(相等於人民幣9,565,000元)。非上市債券的利息開支分別按8.41%至13.78%的實際年利率計算。

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31 EMPLOYEE RETIREMENT BENEFITS

Defined contribution retirement plans

The Group operates a Mandatory Provident Fund Scheme (“the MPF scheme”) under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees’ relevant income, subject to a cap of monthly relevant income of HK\$30,000. Contributions to the plan vest immediately.

As stipulated by the regulations of the PRC, the Group participates in various defined contribution retirement plans organised by municipal and provincial governments for its employees. The Group is required to make contributions to the retirement plans ranging from 10% to 20% of the salaries, bonuses and certain allowances of the employees. A member of the plan is entitled to a pension equal to a fixed proportion of the salary prevailing at the member’s retirement date. The Group has no other material obligation for the payment of pension benefits associated with these plans beyond the annual contributions described above.

32 EQUITY SETTLED SHARE-BASED PAYMENTS

The Company has a share option scheme (the “Pre-IPO Share Option Scheme”), which was first adopted on 30 November 2011, whereby the directors of the Company were authorised, at their discretion, to invite employees of the Group, including directors of any entity comprising the Group, to take up options to subscribe for shares of the Company. Additional options were granted to certain employees of the Group on 16 October 2012 and 20 March 2013 respectively. After such grants, a total number of 1,715 share options were granted to employees. Each option gives the holder the right to subscribe for 1 ordinary share in the Company and is settled gross in shares.

31 僱員退休福利

定額供款退休計劃

本集團按照香港強制性公積金計劃條例的規定為根據香港僱傭條例管轄範圍受僱的僱員設立一項強制性公積金計劃（「強積金計劃」）。強積金計劃是由獨立信託人管理的定額供款退休計劃。根據強積金計劃，僱主及僱員均須按照僱員相關收入的5%向計劃供款，惟每月相關收入上限為30,000港元。此計劃的供款即時歸屬。

中國法規規定，本集團須為其僱員參與省市級政府所組織的各種定額供款退休計劃。本集團須按僱員工資、花紅及若干津貼的10%至20%向退休計劃供款。參加計劃的員工有權獲得相當於按其退休時工資的固定比率計算的退休金。除上述年度供款外，本集團毋須就與此等計劃相關的退休金福利承擔其他重大付款責任。

32 以權益結算以股份為基礎的付款

本公司於2011年11月30日首次採納購股權計劃（「首次公開售股前購股權計劃」），據此，本公司董事獲授權由彼等酌情決定，邀請本集團僱員（包括本集團旗下任何實體的董事）接納購股權以認購本公司股份。額外的購股權分別於2012年10月16日及2013年3月20日授予本集團若干僱員。在授出該等購股權後，總數為1,715份購股權已授予僱員。每份購股權賦予持有人權利認購本公司1股普通股，並以股份全數結算。

NOTES TO THE FINANCIAL STATEMENTS 財務報表附註

(Expressed in Renminbi unless otherwise indicated)
(除另有指明外，均以人民幣列示)

32 EQUITY SETTLED SHARE-BASED PAYMENTS

(a) The terms and conditions of the options granted are as follows:

		Number of instruments 工具數目	Contractual life of options 購股權合約期
(i)	Options granted on 30 November 2011 – directors – employees	(i) 於2011年11月30日授出的 購股權 – 董事 – 僱員	325 85 months 85個月 1,180 85 months 85個月
	Vesting date 歸屬日期	Percentage of vested shares 已歸屬 股份的百分比	
	31 December 2012	2012年12月31日	25%
	31 December 2013	2013年12月31日	50%
	31 December 2014	2014年12月31日	75%
	31 December 2015	2015年12月31日	100%
(ii)	Options granted on 16 October 2012 – employees	(i) 於2012年10月16日授出的 購股權 – 僱員	191 74 months 74個月
	Vesting date 歸屬日期	Percentage of vested shares 已歸屬 股份的百分比	
	31 December 2013	2013年12月31日	25%
	31 December 2014	2014年12月31日	50%
	31 December 2015	2015年12月31日	75%
	31 December 2016	2016年12月31日	100%

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(Expressed in Renminbi unless otherwise indicated)
(除另有指明外，均以人民幣列示)

32 EQUITY SETTLED SHARE-BASED PAYMENTS (Cont'd)

(a) The terms and conditions of the options granted are as follows: (Cont'd)

		Number of instruments 工具數目	Contractual life of options 購股權合約期
(iii) Options granted on 20 March 2013 – directors	(i) 於2013年3月20日授出的購股權 – 董事	19	69 months 69個月
Vesting date 歸屬日期		Percentage of vested shares 已歸屬股份的百分比	
31 December 2014	2014年12月31日	25%	
31 December 2015	2015年12月31日	50%	
31 December 2016	2016年12月31日	75%	
31 December 2017	2017年12月31日	100%	

The options are exercisable from six months after the Company's Global offering date to 31 December 2018.

Pursuant to the relevant terms of the Pre-IPO Share Option Scheme, on 31 October 2013, being the listing date of the share of the Company in Stock Exchange of Hong Kong Limited, each share with a par value of US\$1.00 each under each option granted was automatically adjusted to 48,000 options and the exercise price of each option was adjusted from HK\$48,654 to HK\$1.014 accordingly.

32 以權益結算以股份為基礎的付款(續)

(a) 授出的購股權條款及條件如下：
(續)

Number of instruments 工具數目	Contractual life of options 購股權合約期
19	69 months 69個月
Percentage of vested shares 已歸屬股份的百分比	
25%	
50%	
75%	
100%	

該等購股權可於本公司全球發售日期後六個月起至2018年12月31日行使。

根據首次公開發售前購股權計劃的相關條款，於2013年10月31日（即本公司股份於香港聯合交易所有限公司上市日期），已授出各份購股權下每股面值為1.00美元的股份已自動調整為48,000份購股權，且每份購股權的行使價已相應由48,654港元調整為1.014港元。

NOTES TO THE FINANCIAL STATEMENTS 財務報表附註

(Expressed in Renminbi unless otherwise indicated)
(除另有指明外，均以人民幣列示)

32 EQUITY SETTLED SHARE-BASED PAYMENTS (Cont'd)

- (b) The number and the weighted average exercise price of share option are as follows:

		2016		2015	
		Weighted average exercise price 加權 平均行使價	Number of Share Options 購股權 數目	Weighted average exercise price 加權 平均行使價	Number of Share Options 購股權 數目
Outstanding at the 1 January	於 1 月 1 日未行使	HK\$1.014	65,755,000	HK\$1.014	68,715,000
Forfeited during the year	年內失效	HK\$1.014	(660,000)	HK\$1.014	(2,960,000)
Outstanding at 31 December	於 12 月 31 日未行使	HK\$1.014	65,095,000	HK\$1.014	65,755,000
Exercisable at 31 December	於 12 月 31 日可行使	HK\$1.014	64,945,000	HK\$1.014	64,032,500

The options outstanding at 31 December 2016 had a remaining weighted average contractual life of 2 years (2015: 3 years).

32 以權益結算以股份為基礎的付款(續)

- (b) 購股權的數目及加權平均行使價如下：

於 2016 年 12 月 31 日未行使購股權擁有 2 年的餘下加權平均合約期 (2015 年：3 年)。

NOTES TO THE FINANCIAL STATEMENTS 財務報表附註

(Expressed in Renminbi unless otherwise indicated)
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33 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

		Share capital 股本	Share premium 股本溢價	Capital redemption reserve 資本贖回儲備	Capital reserve 資本儲備	Equity settled share-based payment reserve 以權益結算以股份為基礎的儲備	Exchange reserve 匯兌儲備	Retained profits/losses (accumulated) 保留溢利/(累計虧損)	Total equity 權益總額
	Note	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	附註	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元
The Company 本公司									
At 1 January 2015 於2015年1月1日		31,825	1,222,221	120	1,386,109	13,881	8,475	331	2,662,962
Changes in equity for 2015: 2015年權益變動：									
Loss and total comprehensive income for the year 年內虧損及全面收入總額		—	—	—	—	—	75,797	(91,613)	(15,816)
Dividends approved in respect of the previous year 過往年度所批准的股息	33(b)(ii)	—	(192,485)	—	—	—	—	—	(192,485)
Equity settled share-based transactions 以權益結算以股份為基礎的交易		—	—	—	—	(1,087)	—	751	(336)
At 31 December 2015 and 1 January 2016 於2015年12月31日及2016年1月1日		31,825	1,029,736	120	1,386,109	12,794	84,272	(90,531)	2,454,325
Changes in equity for 2016: 2016年權益變動：									
Loss and total comprehensive income for the year 年內虧損及全面收入總額		—	—	—	—	—	74,647	(181,595)	(106,948)
Dividends approved in respect of the previous year 過往年度所批准的股息	33(b)(ii)	—	(51,470)	—	—	—	—	—	(51,470)
Equity settled share-based transactions 以權益結算以股份為基礎的交易		—	—	—	—	(194)	—	—	(194)
At 31 December 2016 於2016年12月31日		31,825	978,266	120	1,386,109	12,600	158,919	(272,126)	2,295,713

33 股本、儲備及股息

(a) 權益組成部分的變動

本集團合併權益各組成部分的年初與年終結餘的對賬載於合併權益變動表。本公司權益個別組成部分於年初至年末的變動詳情載列如下：

NOTES TO THE FINANCIAL STATEMENTS 財務報表附註

(Expressed in Renminbi unless otherwise indicated)
(除另有指明外，均以人民幣列示)

33 CAPITAL, RESERVES AND DIVIDENDS (Cont'd)

(b) Dividends

(i) Dividends payable to equity shareholders of the Company attributable to the year

	2016 RMB'000 人民幣千元	2015 RMB'000 人民幣千元
Final dividend proposed after the end of the reporting period of Nil (2015: HK1.5 cents) per ordinary share	—	50,587

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	2016 RMB'000 人民幣千元	2015 RMB'000 人民幣千元
Final dividend in respect of the previous financial year, approved and paid during the following year, of HK1.5 cents (2015: HK6 cents) per ordinary share	51,470	192,485

33 股本、儲備及股息(續)

(b) 股息

(i) 歸屬於本年度應付本公司權益股東股息

	2016 RMB'000 人民幣千元	2015 RMB'000 人民幣千元
Final dividend proposed after the end of the reporting period of Nil (2015: HK1.5 cents) per ordinary share	—	50,587

(ii) 本年度批准及派付的歸屬於上個財政年度的應付本公司權益股東股息

	2016 RMB'000 人民幣千元	2015 RMB'000 人民幣千元
Final dividend in respect of the previous financial year, approved and paid during the following year, of HK1.5 cents (2015: HK6 cents) per ordinary share	51,470	192,485

NOTES TO THE FINANCIAL STATEMENTS 財務報表附註

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33 CAPITAL, RESERVES AND DIVIDENDS (Cont'd)

(c) Share capital

Authorised and issued share capital

		2016		2015	
		No. of shares	Amount	No. of shares	Amount
		股份數目	金額	股份數目	金額
		'000	HK\$'000	'000	HK\$'000
		千股	千港元	千股	千港元
Authorised:	法定：				
Ordinary shares of	每股面值0.01港元				
HK\$0.01 each	的普通股	8,000,000	80,000	8,000,000	80,000

Ordinary shares, issued and fully paid:

已發行及繳足普通股：

		Par value		Nominal value of ordinary shares 普通股面值	
		HK\$	No. of shares	HK\$'000	No. of shares
		面值	股份數目	面值	股份數目
		港元	'000	千港元	人民幣千元
At 1 January 2015,	於2015年1月1日、				
31 December 2015 and	2015年12月31日及				
31 December 2016	2016年12月31日	0.01	4,014,844	40,148	31,825

Note: There is no change in ordinary shares during 2016 and 2015.

附註：2016年至2015年普通股並無變動。

NOTES TO THE FINANCIAL STATEMENTS 財務報表附註

(Expressed in Renminbi unless otherwise indicated)
(除另有指明外，均以人民幣列示)

33 CAPITAL, RESERVES AND DIVIDENDS (Cont'd)

(d) Reserves

(i) Share premium

Under the Companies Law of the Cayman Islands, the share premium account of the Company may be applied for payment of distributions or dividends to shareholders provided that immediately following the date on which the distribution or dividend is proposed to be paid, the Company is able to pay its debts as they fall due in the ordinary course of business.

(ii) PRC statutory reserve

Pursuant to the Articles of Association of the Group's PRC subsidiaries and relevant statutory regulations, appropriations to the statutory reserve fund were made at 10% of profit after tax determined in accordance with accounting rules and regulations of the PRC until the reserve balance reaches 50% of the registered capital. This reserve fund can be utilised in setting off accumulated losses or increasing capital of the PRC subsidiaries provided that the balance after such conversion is not less than 25% of their registered capital, and is non-distributable other than in liquidation.

(iii) Exchange reserve

The exchange reserve comprises all relevant exchange differences arising from the translation of the financial statements of operations with functional currency other than Renminbi. The reserve is dealt with in accordance with the accounting policy set out in note 1(x).

33 股本、儲備及股息(續)

(d) 儲備

(i) 股份溢價

根據開曼群島公司法，本公司股份溢價賬可用於向股東支付分派或股息，惟須確保緊隨建議支付分派或股息日期後，本公司有能力支付日常業務過程中的到期債務。

(ii) 中國法定儲備

根據本集團中國子公司的組織章程細則及有關法定法規，須以按中國會計規則及法規釐定的除稅後利潤的10%向法定儲備金撥款，直至儲備結餘達到註冊資本的50%。該儲備金可用於抵銷中國子公司的累計虧損或增資，惟轉換後儲備金結餘不少於註冊資本的25%，且除於清盤時，不可用於分派。

(iii) 匯兌儲備

匯兌儲備包括因換算非人民幣的功能貨幣經營財務報表而產生的所有相關匯兌差額。該儲備按附註1(x)所載的會計政策處理。

NOTES TO THE FINANCIAL STATEMENTS 財務報表附註

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33 CAPITAL, RESERVES AND DIVIDENDS (Cont'd)

(d) Reserves (Cont'd)

(iv) Equity settled share-based payment reserve

Equity settled share-based payment reserve represents the fair value of the actual or estimated number of unexercised share options granted to employees of the Group in accordance with the accounting policy adopted for share-based payments in note 1(t)(ii).

(v) Capital reserve

Capital reserve is resulted from transactions with owners in their capacity as the equity owners. The balance comprises capital reserve surplus/deficit arising from the difference between the disposal/acquisition consideration and its net assets value at the respective date of disposal/acquisition, and the capital reserve transferring from the equity settled share-based payment reserve.

(vi) Reserve-transaction with non-controlling interests

The balance represents difference between the net identifiable assets and the consideration paid for acquisition of non-controlling interests.

33 股本、儲備及股息(續)

(d) 儲備(續)

(iv) 以權益結算以股份支付為基礎儲備

以權益結算以股份支付為基礎儲備指按附註1(t)(ii)所述根據就以股份付款採納的會計政策計算授予本集團僱員的未行使購股權實際或估計數目的公允值。

(v) 資本儲備

資本儲備來自與擁有人以其權益擁有人身份進行的交易。結餘包括出售/收購對價與相關出售/收購日期資產淨值的差額所產生資本儲備盈餘/虧絀，以及轉撥自以權益結算以股份支付為基礎儲備的資本儲備。

(vi) 儲備—與非控股權益的交易

結餘指可識別資產淨值與已付收購非控股權益之對價的差額。

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33 CAPITAL, RESERVES AND DIVIDENDS (Cont'd)

(e) Distributability of reserves

As at 31 December 2016, the Company's reserves available for distribution, calculated in accordance with the Companies Law of the Cayman Islands, amounted to approximately RMB2,263,888,000 (2015: RMB2,422,500,000), which may be distributed provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

(f) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to fund its property development projects, provide returns for shareholders and benefits for other stakeholders, by pricing properties commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

33 股本、儲備及股息(續)

(e) 可分派儲備

於2016年12月31日，根據開曼群島公司法計算的本公司可供分派儲備約為人民幣2,263,888,000元(2015年：人民幣2,422,500,000元)，該等儲備可作分派，惟緊隨建議派發股息日期後，本公司有能力償還日常業務過程中的到期債務。

(f) 資本管理

本集團管理資本的主要目標為保障本集團持續經營的能力，以向其物業開發項目提供資金，以及藉著與風險水平及以合理成本取得融資掛鈎的方式為物業定價而為股東及其他利益相關者提供回報及利益。

本集團積極定期審核及管理其資本架構，以維持與高借貸水平可能有關的較高股東回報與穩健資本狀況帶來的優勢及擔保之間的平衡，並根據經濟狀況的變動調整資本架構。

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(Expressed in Renminbi unless otherwise indicated)
(除另有指明外，均以人民幣列示)

33 CAPITAL, RESERVES AND DIVIDENDS (Cont'd)

(f) Capital management (Cont'd)

Consistent with industry practice, the Group monitors its capital structure on the basis of gearing ratio. The Group defines this ratio as total interest-bearing liabilities (includes bank loans and other borrowings, convertible notes, senior notes and corporate bonds) divided by total assets of the Group. At 31 December 2016 and 2015, the gearing ratio of the Group was calculated as follows:

		2016	2015
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Bank loans and borrowings from financial institutions	金融機構銀行貸款及其他借貸	2,785,563	2,403,166
Convertible notes	可轉股票據	—	844,906
Senior notes	優先票據	1,519,351	626,894
Corporate bonds	公司債券	9,674	—
Total interest bearing borrowings	計息借款	4,314,588	3,874,966
Total assets	總資產	15,452,144	15,103,847
Gearing ratio	資產負債比率	27.9%	25.7%

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

33 股本、儲備及股息(續)

(f) 資本管理(續)

與行業慣例相符，本集團根據資產負債比率監察其資本結構。本集團界定此比率為總計息負債(包括銀行貸款及其他借貸、可轉股票據、優先票據及公司債券)除以本集團資產總值。於2016及2015年12月31日，本集團之資產負債比率如下：

本公司或其任何子公司概不受外部施加的資本規定所限。

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34 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group is also exposed to equity price risk arising from its equity investments in other entities.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

The Group's credit risk is primarily attributable to cash and cash equivalents, restricted cash, trade and bill receivables and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

Cash and cash equivalents and restricted cash held by the Group are mainly deposited in financial institutions such as commercial banks which maintain sound reputation and financial situation. The credit risk is considered low and the Group has exposure limit to any single financial institution.

In respect of trade and bill receivables, credit risk is minimised as the Group normally receives full payment from buyers before the transfer of property ownership.

34 金融風險管理及公允值

本集團於一般業務過程中面對信貸、流動性、利率及貨幣風險。本集團亦面對持有其他實體的股權投資產生的股價風險。

本集團面對之風險及本集團為管理該等風險而採用之財務風險管理政策及慣例載述如下。

(a) 信貸風險

本集團的信貸風險主要來自現金及現金等值物、受限制現金、貿易應收款項及應收票據及其他應收款項。管理層設有明確的信貸政策並持續監察面對的該等信貸風險。

本集團所持現金及現金等值物與受限制現金主要存放於商業銀行等金融機構，該等金融機構信譽良好且財務狀況穩健。信貸風險低，且本集團對任何單一金融機構設定限額規避風險。

由於本集團通常於轉讓物業所有權前向買家收取全部款項，因此貿易應收款項及應收票據的信貸風險甚微。

NOTES TO THE FINANCIAL STATEMENTS 財務報表附註

(Expressed in Renminbi unless otherwise indicated)
(除另有指明外，均以人民幣列示)

34 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Cont'd)

(a) Credit risk (Cont'd)

In respect of other receivables due from third parties, the Group reviews the exposures and manages them based on the need of operation.

The maximum exposure to credit risk in respect of these financial guarantees at the end of the reporting period is disclosed in note 36.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 22.

(b) Liquidity risk

The Group management reviews the liquidity position of the Group on an ongoing basis, including review of the expected cash inflows and outflows, sale/pre-sale results of respective property projects, maturity of loans and borrowings and the progress of the planned property development projects in order to monitor the Group's liquidity requirements in the short and longer terms. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

34 金融風險管理及公允值(續)

(a) 信貸風險(續)

本集團根據營運需要審核及管理應收第三方的其他應收款項的相關風險。

本集團於報告期末面對的財務擔保最大信貸風險披露於附註36。

有關本集團貿易及其他應收款項所產生信貸風險的進一步量化披露載於附註22。

(b) 流動性風險

本集團管理層持續審核本集團的流動性狀況，包括審核預計現金流入及流出、各物業項目的銷售／預售業績、貸款及借貸到期情況以及計劃物業開發項目的進度，以監控本集團的短期及長期流動性需求。本集團的政策是定期監控流動性需求及有否遵守借貸契諾，以確保備有足夠的現金儲備，及向主要金融機構取得充足的已承諾資金，以應付長短期流動性需求。

NOTES TO THE FINANCIAL STATEMENTS 財務報表附註

(Expressed in Renminbi unless otherwise indicated)
(除另有指明外，均以人民幣列示)

34 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Cont'd)

(b) Liquidity risk (Cont'd)

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities excluding receipts in advance, which the Group expects to settle by delivery of completed properties. The contractual maturities are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay:

34 金融風險管理及公允值(續)

(b) 流動性風險(續)

下表載列本集團金融負債(不包括本集團預期交付已完工物業結算的預收款項)於各報告期末的餘下合約期限。合約期限是根據合約未貼現現金流量(包括以合約利率或(倘浮動)各報告期末現行的利率估算的利息付款)以及本集團需要還款的最早日期計算：

		2016				
		Contractual undiscounted cash outflow				
		合約未貼現現金流出				
		More than Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 year but less than 5 years	Total	Carrying amount
		一年內或 按要求	超過一年 但少於兩年	超過兩年 但少於五年	總計	賬面值
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元
Bank loans and other borrowings	銀行貸款及其他借貸	1,434,342	1,255,520	328,040	3,017,902	2,785,563
Trade and other payables	貿易及其他應付款項	2,807,641	88,056	—	2,895,697	2,895,697
Corporate bonds	公司債券	729	7,885	3,209	11,823	9,807
Senior notes	優先票據	198,398	1,308,318	462,004	1,968,720	1,540,972
		4,441,110	2,659,779	793,253	7,894,142	7,232,039

NOTES TO THE FINANCIAL STATEMENTS 財務報表附註

(Expressed in Renminbi unless otherwise indicated)
(除另有指明外，均以人民幣列示)

34 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Cont'd)

(b) Liquidity risk (Cont'd)

		2015				
		Contractual undiscounted cash outflow				
		合約未貼現現金流出			Total 總計	Carrying amount 賬面值
		More than 1 year but less than 2 years	More than 1 year but less than 5 years	More than 2 year but less than 5 years		
		Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 year but less than 5 years	Total 總計	Carrying amount 賬面值
		一年內或 按要求	超過一年 但少於兩年	超過兩年 但少於五年	總計	賬面值
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元
Bank loans and other borrowings	銀行貸款及其他借貸	1,079,279	312,039	1,275,400	2,666,718	2,403,166
Trade and other payables	貿易及其他應付款項	2,902,382	72,862	—	2,975,244	2,975,244
Convertible notes	可轉股票據	943,845	—	—	943,845	844,906
Senior notes	優先票據	89,287	89,287	783,291	961,865	630,614
		5,014,793	474,188	2,058,691	7,547,672	6,853,930

(c) Interest rate risk

The Group's interest rate risk arises primarily from cash and cash equivalents, restricted cash and borrowings issued at variable rates and at fixed rates expose the group to cash flow interest rate risk and fair value interest rate risk respectively.

The Group does not anticipate significant impact on cash and cash equivalents and the pledged deposits because the interest rates of bank deposits are not expected to change significantly.

The interest rates and terms of repayment of bank loans of the Group are disclosed in note 26 to the financial statements. The Group does not carry out any hedging activities to manage its interest rate exposure.

34 金融風險管理及公允值(續)

(b) 流動性風險(續)

2015

Contractual undiscounted cash outflow

合約未貼現現金流出

	More than 1 year but less than 2 years	More than 1 year but less than 5 years	More than 2 year but less than 5 years	Total 總計	Carrying amount 賬面值
	一年內或 按要求	超過一年 但少於兩年	超過兩年 但少於五年	總計	賬面值
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元
Bank loans and other borrowings	1,079,279	312,039	1,275,400	2,666,718	2,403,166
Trade and other payables	2,902,382	72,862	—	2,975,244	2,975,244
Convertible notes	943,845	—	—	943,845	844,906
Senior notes	89,287	89,287	783,291	961,865	630,614
	5,014,793	474,188	2,058,691	7,547,672	6,853,930

(c) 利率風險

本集團利率風險主要來自現金及現金等值物、受限制現金及浮動利率和固定利率借款，而浮動利率和固定利率使本集團分別面對現金流利率風險及公允值利率風險。

本集團預期現金及現金等值物及已抵押存款不會受重大影響，因為預期銀行存款利率不會有重大變動。

本集團銀行貸款的利率及償還條款披露於財務報表附註26。本集團並無就管理利率風險進行任何對沖活動。

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(除另有指明外，均以人民幣列示)

34 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Cont'd)

(c) Interest rate risk (Cont'd)

(i) Interest rate profile

		2016		2015	
		Effective Interest rate		Effective Interest rate	
		實際利率		實際利率	
		%	RMB'000	%	RMB'000
		%	人民幣千元	%	人民幣千元
Fixed rate borrowings:	固定利率借貸：				
Bank loans and other borrowings	銀行貸款及其他借貸	5.68	831,139	6.99	1,033,150
Convertible notes	可轉股票據	—	—	22.21	844,906
Senior notes	優先票據	13.25	1,519,351	15.25	630,614
Corporate bonds	公司債券	9.88	9,674	—	—
Variable rate borrowings:	浮動利率借貸：				
Bank loans and other borrowings	銀行貸款及其他借貸	5.18	1,954,424	5.98	1,370,016
Total borrowings	總借貸		4,314,588		3,878,686
Net fixed rate borrowings as a percentage of total net borrowings	固定利率借貸淨額佔總借貸淨額的百分比		55%		65%

NOTES TO THE FINANCIAL STATEMENTS 財務報表附註

(Expressed in Renminbi unless otherwise indicated)
(除另有指明外，均以人民幣列示)

34 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Cont'd)

(c) Interest rate risk (Cont'd)

(ii) Sensitivity analysis

At 31 December 2016, it is estimated that a general increase/decrease of 50 basis points (2015: 50 basis points) in interest rates, with all other variables held constant, would have decreased/increased the Group's profit after tax and total equity attributable to equity shareholders of the Company by approximately RMB7,329,000 (2015: decreased/increased the Group's profit after tax and total equity attributable to equity shareholders of the Company by approximately RMB5,138,000), which has not taken into account of effect of interest capitalisation.

The sensitivity analysis above indicates the instantaneous change in the Group's profit after tax (and retained profits) and other components of consolidated equity that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of the reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting period, the impact on the Group's profit after tax (and retained profits) and other components of consolidated equity is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis as 2015.

34 金融風險管理及公允值(續)

(c) 利率風險(續)

(ii) 敏感度分析

於2016年12月31日，在其他所有變量保持不變的情況下，倘利率整體上升/下降50個基點(2015年：50個基點)，在並無計及利息資本化的影響下，估計本集團的除稅後利潤及本公司權益股東應佔總權益將減少/增加約人民幣7,329,000元(2015年：除稅後利潤減少/增加約人民幣5,138,000元)。

上述敏感度分析顯示本集團的除稅後利潤(及保留利潤)以及合併權益的其他部分可能產生的即時變動。敏感度分析假設利率變動於報告期末已發生，並已用於重新計量本集團所持有並於報告期末使本集團面對公允值利率風險的金融工具。關於本集團於報告期末持有的浮動利率非衍生工具產生的現金流量利率風險，對本集團的除稅後利潤(及保留利潤)以及合併權益的其他組成部分的影響，以該利率變動對利息支出或收入的年度影響估計。有關分析乃按2015年的相同基準作出。

NOTES TO THE FINANCIAL STATEMENTS 財務報表附註

(Expressed in Renminbi unless otherwise indicated)
(除另有指明外，均以人民幣列示)

34 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Cont'd)

(d) Currency risk

The Group is exposed to foreign currency risk primarily on bank deposits, convertible bonds and senior notes to which the transactions relate. The currencies giving rise to this risk are primarily US dollars and Hong Kong dollars.

(i) Exposure to currency risk

The following table details the Group's exposure at the end of each reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purpose, the amounts of the exposure are shown in RMB, translated using the spot rate at the end of each reporting period.

34 金融風險管理及公允價值(續)

(d) 貨幣風險

本集團面對外幣風險，主要來自與交易有關的銀行存款、可轉股票據及優先票據。引致有關風險的貨幣主要為美元及港元。

(i) 貨幣風險

下表詳述本集團於各報告期末面對以有關實體功能貨幣以外貨幣計值的已確認資產或負債產生的貨幣風險。就呈列而言，風險金額以人民幣列示，並於各報告期末使用現貨匯率換算。

		2016		2015	
		United States	Hong Kong	United States	Hong Kong
		Dollars	Dollars	Dollars	Dollars
		美元	港元	美元	港元
		RMB'000	RMB'000	RMB'000	RMB'000
		人民幣千元	人民幣千元	人民幣千元	人民幣千元
Cash and cash equivalents	現金及現金等值物	92,048	9,557	515,462	2,364
Restricted cash	受限制現金	444,018	—	206,190	—
Derivative financial instrument	衍生金融工具	27,767	—	—	—
Convertible notes	可轉股票據	—	—	(844,906)	—
Senior notes	優先票據	(1,540,972)	—	(630,614)	—
Corporate bonds	公司債券	—	(9,674)	—	—
Bank loans and other borrowings	銀行貸款及其他借款	(149,839)	—	—	—
Net exposure arising from recognised assets and liabilities	已確認資產及負債產生的風險淨值	(1,126,978)	(117)	(753,868)	2,364

NOTES TO THE FINANCIAL STATEMENTS 財務報表附註

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(除另有指明外，均以人民幣列示)

34 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Cont'd)

(d) Currency risk (Cont'd)

(ii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's profit after tax (and retained profits) that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant.

	2016			2015		
	Increase/ (decrease) in foreign exchange rates 外匯比率 上升/ (下降)	Effect on profit after tax and retained profits 對除稅後 利潤及 保留利潤 的影響	Effect on other components of equity 對權益 其他部分 的影響	Increase/ (decrease) in foreign exchange rates 外匯比率 上升/ (下降)	Effect on profit after tax and retained profits 對除稅後 利潤及 保留利潤 的影響	Effect on other components of equity 對權益 其他部分 的影響
	RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元
United States Dollars 美元	5%/	2,256/	58,605/	5%/	5,996/	37,693/
	(5%)	(2,256)	(58,605)	(5%)	(5,996)	(37,693)
Hong Kong Dollars 港元	5%/	—/	6/	5%/	118/	118/
	(5%)	—	(6)	(5%)	(118)	(118)

34 金融風險管理及公允值(續)

(d) 貨幣風險(續)

(ii) 敏感度分析

倘於報告期末對本集團有重大影響的外匯比率於該日期發生變動，並假設所有其他風險變量保持不變，下表顯示本集團的除稅後利潤(及保留利潤)可能產生的即時變動。

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34 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Cont'd)

(d) Currency risk (Cont'd)

(ii) Sensitivity analysis (Cont'd)

The foreign currency sensitivity analysis is calculated based on the major net foreign currency exposure of the Group as at the reporting date, assuming 5% shift of RMB against US\$ and HKD on the profit after tax and retained profits and excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis is performed on the same basis for 2015.

(e) Equity price risk

The Group is exposed to equity price changes arising from equity investments classified as available-for-sale unlisted equity securities (see note 16).

The Group's unquoted investments are held for long term strategic purposes. Their performance is assessed at least bi-annually against performance of similar listed entities, based on the limited information available to the Group, together with an assessment of their relevance to the Group's long term strategic plan.

34 金融風險管理及公允值(續)

(d) 貨幣風險(續)

(ii) 敏感度分析(續)

外幣敏感度分析乃根據本集團於報告日期的主要外幣風險淨額計算(假設就除稅後利潤及保留利潤而言，人民幣兌美元及港元存在5%的變動)，及不包括將海外業務的財務報表換算為本集團的呈列貨幣引起的差額。該分析乃按2015年的相同基準進行。

(e) 權益投資價格風險

本集團面對分類為可供出售非上市股本證券的權益投資產生的價格變動風險(見附註16)。

本集團的未報價投資是持作長期策略用途。本集團會根據就同類上市實體表現可得的有限資料而對該等投資表現至少每兩年評估一次，連同評估彼等與本集團長期策略計劃的相關性。

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34 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Cont'd)

(f) Fair value measurement

(i) Financial instruments measured at fair value

The following table presents the fair value of financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique is listed in note 12(b).

34 金融風險管理及公允價值(續)

(f) 公允價值計量

(i) 按公允價值計量的金融工具

下表呈列於報告期末以經常性準則計量的金融工具公允價值，並按國際財務報告準則第13號，*公允價值計量*所界定分類為三個公允價值級別。公允價值計量是參考附註12(b)所列估值方法所使用的輸入數據可觀察性及重要性而分類及釐定其級別。

		Fair value measurements as at 31 December 2016		Fair value measurements as at 31 December 2015	
		categorised into Level 2		categorised into Level 2	
		Fair value at 31 December 2016	Fair value at 31 December 2016	Fair value at 31 December 2015	Fair value at 31 December 2015
		於2016年12月31日的公允價值	於2016年12月31日分類為第二級的公允價值計量	於2015年12月31日的公允價值	於2015年12月31日分類為第二級的公允價值計量
		RMB'000	RMB'000	RMB'000	RMB'000
		人民幣千元	人民幣千元	人民幣千元	人民幣千元
Recurring fair value measurements	經常性公允價值計量				
Assets:	資產：				
Other non-current financial assets:	其他非流動金融資產				
– Derivative financial instrument	– 衍生金融工具	27,767	27,767	—	—
Liabilities:	負債：				
Derivative financial instruments:	衍生金融工具：				
– Embedded derivative component of the convertible notes	– 可轉換股票據的嵌入式衍生部分	—	—	202,626	202,626

NOTES TO THE FINANCIAL STATEMENTS 財務報表附註

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(除另有指明外，均以人民幣列示)

34 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Cont'd)

(f) Fair value measurement (Cont'd)

(i) Financial instruments measured at fair value (Cont'd)

During the years ended 31 December 2016 and 2015, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels and fair value hierarchy as at the end of the reporting period in which they occur.

Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of wealth management products in Level 2 is the estimated amount that the Group would receive upon expiry or termination at the end of the reporting period, taking into account the related current interest rates.

The fair value of the derivative component of conversion option and redemption option embedded in the convertible bonds are determined using binomial tree model.

(ii) Fair value of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost were not materially different from their fair values as at 31 December 2016 and 2015.

34 金融風險管理及公允價值(續)

(f) 公允價值計量(續)

(i) 按公允價值計量的金融工具(續)

截至2015年及2016年12月31日止年度，第一級與第二級之間並無任何轉移，亦無轉入或轉出第三級。本集團的政策為於發生公允價值等級轉移的報告期間結束時，確認不同級別之間的轉移。

第二級公允價值計量所用的估值方法及輸入數據

第二級的理財產品公允價值為估計本集團將於報告期末收取的屆滿或終止金額，當中已計及相關現行利率。

嵌入可轉股債券的轉換期權及贖回期權之衍生部分的公允價值使用二項式樹狀模型釐定。

(ii) 並非按公允價值列賬的金融資產及負債的公允價值

本集團按成本或攤銷成本列賬的金融工具賬面值與其於2016年及2015年12月31日的公允價值並無重大差異。

NOTES TO THE FINANCIAL STATEMENTS 財務報表附註

(Expressed in Renminbi unless otherwise indicated)
(除另有指明外，均以人民幣列示)

35 COMMITMENTS

- (a) Capital commitments outstanding at 31 December 2016 contracted but not provided for in the financial statements were as follows:

		2016 RMB'000 人民幣千元	2015 RMB'000 人民幣千元
Construction and development contracts	建設及發展合約	1,111,114	2,146,456
Land agreements	土地協議	240,550	228,770
		1,351,664	2,375,226

- (b) At 31 December 2016, the total future minimum lease payments under non-cancellable operating lease are payable as follows:

		2016 RMB'000 人民幣千元	2015 RMB'000 人民幣千元
Within 1 year	一年內	13,728	57,441
After 1 year but within 2 years	一年後但兩年內	10,250	51,828
After 2 years but within 5 years	兩年後但五年內	28,926	104,352
After 5 years	五年後	37,355	47,000
		90,259	260,621

The Group leases a number of building facilities under operating leases. The leases typically run for an initial period of 1 to 10 years, with an option to renew the lease after that date at which time all terms are renegotiated. None of the leases includes contingent rentals.

35 承擔

- (a) 於2016年12月31日已訂約但於財務報表內無撥備的資本承擔如下：

	2016 RMB'000 人民幣千元	2015 RMB'000 人民幣千元
Construction and development contracts	1,111,114	2,146,456
Land agreements	240,550	228,770
	1,351,664	2,375,226

- (b) 於2016年12月31日，根據不可撤銷經營租賃應付未來最低租金總值到期情況如下：

	2016 RMB'000 人民幣千元	2015 RMB'000 人民幣千元
Within 1 year	13,728	57,441
After 1 year but within 2 years	10,250	51,828
After 2 years but within 5 years	28,926	104,352
After 5 years	37,355	47,000
	90,259	260,621

本集團按照經營租賃租用多種樓宇設施。租期初步一般為一年至十年，到期後可選擇續約，屆時會重新商定所有條款。概無租賃包括或然租金。

NOTES TO THE FINANCIAL STATEMENTS 財務報表附註

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35 COMMITMENTS (Cont'd)

- (c) At 31 December 2016, the total future minimum lease payments under non-cancellable operating leases are receivables as follows:

		2016 RMB'000 人民幣千元	2015 RMB'000 人民幣千元
Within 1 year	一年內	37,043	59,830
After 1 year but within 2 years	一年後但兩年內	32,956	57,277
After 2 years but within 5 years	兩年後但五年內	72,219	134,572
After 5 years	五年後	47,662	93,830
		189,880	345,509

The Group leases out a number of properties under operating leases. The leases typically run for an initial period of 2 to 15 years. None of the leases includes contingent rentals.

All properties held under operating leases that would otherwise meet the definition of investment property are classified as investment property.

35 承擔(續)

- (c) 於2016年12月31日，根據不可撤銷經營租賃應收未來最低租金總值到期情況如下：

本集團根據經營租賃出租多項物業。租期初步一般為兩年至十五年。概無租賃包括或然租金。

所有根據經營租約持有並符合投資物業定義之物業歸類為投資物業。

NOTES TO THE FINANCIAL STATEMENTS 財務報表附註

(Expressed in Renminbi unless otherwise indicated)
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36 CONTINGENT LIABILITIES

Guarantees

The Group provided guarantees in respect of mortgage facilities granted by certain banks in connection with the mortgage loans entered into by purchasers of the Group's properties. Pursuant to the terms of the guarantees, if there is default of the mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage loans together with any accrued interest and penalty owned by the defaulted purchasers to the banks. The Group's guarantee period commences from the dates of grant of the relevant mortgage loans and ends upon the earlier of the buyer obtained the individual property ownership certificate and the full settlement of mortgage loans by the buyer.

The maximum amount of guarantees given to banks for mortgage facilities granted to the purchasers of the Group's properties at the end of each reporting period is as follows:

		2016	2015
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties	就本集團物業買方獲授的按揭融資而向銀行作出的擔保	2,881,778	2,818,864

The directors consider that it is not probable that the Group will sustain a loss under these guarantees as the Group can take over the ownerships of the related properties and sell the properties to recover any amounts paid by the Group to the banks. The directors of the Company also consider that the fair market value of the underlying properties is able to cover the outstanding mortgage loans guaranteed by the Group in the event the purchasers default payments to the banks.

The Group has not recognised any deferred income in respect of these guarantees as its fair value is considered to be minimal by the directors of the Company.

36 或然負債

擔保

本集團為若干銀行就本集團物業買方所訂立的按揭貸款而授出的按揭融資提供擔保。根據擔保條款，倘該等買方拖欠按揭付款，則本集團須負責償還欠負的按揭貸款連同違約買方應予銀行的任何應計利息及罰款。本集團的擔保期由相關按揭貸款授出日期起，直至買家取得個別房產證及全數繳付按揭貸款(以較早者為準)時止。

於各報告期末就本集團物業買方獲授的按揭融資而向銀行作出的最大擔保金額如下：

		2016	2015
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties	就本集團物業買方獲授的按揭融資而向銀行作出的擔保	2,881,778	2,818,864

董事認為，由於本集團可接管相關物業的所有權並出售有關物業，以收回本集團向銀行支付的任何金額，因此本集團不大可能因該等擔保而遭致虧損。本公司董事亦認為，倘買方拖欠償還銀行付款，則相關物業的公允市值能彌補本集團所擔保的未償還按揭貸款。

由於本公司董事認為該等擔保的公允價值極低，故本集團並未就該等擔保確認任何遞延收入。

NOTES TO THE FINANCIAL STATEMENTS 財務報表附註

(Expressed in Renminbi unless otherwise indicated)
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37 MATERIAL RELATED PARTY TRANSACTIONS

Except for the amount due from a joint venture as set out in note 22, the other material related party transactions are disclosed as follows:

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 8 and certain of the highest paid employees as disclosed in note 9, is as follows:

		2016	2015
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Contribution to defined contribution retirement plans	定額供款退休計劃	516	462
Wages, salaries and other benefits in kind	工資、薪金及其他實物福利	30,170	23,500
Equity settled share-based payments	以權益結算以股份為基礎的付款	—	554
		30,686	24,516

Total remuneration is included in "staff costs" (see note 6(b)).

(b) Applicability of the Listing Rules relating to connected transactions

Mr. Wong Choihing provides a personal guarantee in favour the performance of the obligations by the Company and the subsidiary guarantors under of the US\$60,000,000, 11% senior notes issued on 30 August 2016. Mr. Wong Choihing is a controlling shareholder of the Company and therefore, a connected person of the Company under Chapter 14A of the Listing Rules. The personal guarantee constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. However, as the personal guarantee is not secured by any assets of the Group and is conducted on normal commercial terms or better, the personal guarantee is fully exempted from shareholders' approval, annual review and all disclosure requirements pursuant to Rule 14A.90 of the Listing Rules.

No other related party transactions falls under the definition of connected transaction or continuing connected transaction as defined in Chapter 14A of the Listing Rules.

37 重大關聯方交易

除載於附註22應收聯營公司款項外，其他重大關聯方交易披露如下：

(a) 主要管理人員薪酬

本集團主要管理人員薪酬包括附註8所披露向本公司董事支付的金額及附註9所披露向若干最高薪僱員支付的金額，載列如下：

		2016	2015
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Contribution to defined contribution retirement plans	定額供款退休計劃	516	462
Wages, salaries and other benefits in kind	工資、薪金及其他實物福利	30,170	23,500
Equity settled share-based payments	以權益結算以股份為基礎的付款	—	554
		30,686	24,516

薪酬總額載於「員工成本」(請參閱附註6(b))。

(b) 上市規則對關連交易的適用性

王再興先生為本公司及附屬公司擔保人履行2016年8月30日發行的60,000,000美元11%優先票據的責任提供個人擔保。王再興先生為本公司控股股東，因此亦為本公司的關連人士。根據上市規則第14A章，該擔保人擔保構成本公司的關連交易。然而，由於個人擔保並無本集團任何資產作抵押，並以正常或更佳的商業條款進行，故個人擔保獲完全豁免根據上市規則第14A.90條遵守股東批准、年度審核及所有披露規定。

概無其他關聯方交易屬於上市規則第14A章所定義的關連交易或持續關連交易。

NOTES TO THE FINANCIAL STATEMENTS 財務報表附註

(Expressed in Renminbi unless otherwise indicated)
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38 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

38 公司層面的財務狀況表

		2016	2015
	Note	RMB'000	RMB'000
	附註	人民幣千元	人民幣千元
Non-current assets	非流動資產		
Interests in subsidiaries	於子公司的權益	2,314,592	1,755,981
Other non-current financial asset	其他非流動金融資產	27,767	—
		2,342,359	1,755,981
Current assets	流動資產		
Deposits, prepayments and other receivables	按金、預付款項及其他應收款項	1,639,742	1,611,965
Cash and cash equivalents	現金及現金等值物	50,395	602,122
		1,690,137	2,214,087
Current liabilities	流動負債		
Other payables and accruals	其他應付及應計款項	57,919	43,943
Bank loans and other borrowings	銀行貸款及其他借貸	149,839	—
Convertible notes	可轉股票據	—	844,906
		207,758	888,849
Net current assets	流動資產淨值	1,482,379	1,325,238
Total assets less current liabilities	總資產減流動負債	3,824,738	3,081,219

NOTES TO THE FINANCIAL STATEMENTS 財務報表附註

(Expressed in Renminbi unless otherwise indicated)
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38 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION (Cont'd)

38 公司層面的財務狀況表(續)

		Note	2016	2015
		附註	RMB'000 人民幣千元	RMB'000 人民幣千元
Non-current liabilities	非流動負債			
Senior notes	優先票據		1,519,351	626,894
Corporate bonds	公司債券		9,674	—
			1,529,025	626,894
NET ASSETS	資產淨值		2,295,713	2,454,325
Capital and reserves	股本及儲備	33(a)		
Share capital	股本		31,825	31,825
Reserves	儲備		2,263,888	2,422,500
TOTAL EQUITY	權益總額		2,295,713	2,454,325

Approved and authorised for issue by the board of directors on 30 March 2017.

於2017年3月30日獲董事會批准及授權刊發。

Wang Jianli
王健利

Chairman and Executive Director
主席兼執行董事

Wang Dewen
王德文

Executive Director and Chief Executive Officer
執行董事兼行政總裁

39 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

As at 31 December 2016, the directors consider the immediate parent and ultimate controlling party of the Group to be Most Trend Holdings Limited, which is incorporated in the British Virgin Islands with limited liability and beneficially owned by the Controlling Shareholders. This entity does not produce financial statements available for public use.

39 直接及最終控股方

於2016年12月31日，董事認為本集團直接母公司及最終控股方為至毅控股有限公司，該公司於英屬維爾京群島註冊成立為有限公司並由最終控股股東實益擁有。該實體並無編製作公開用途的財務報表。

NOTES TO THE FINANCIAL STATEMENTS 財務報表附註

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40 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2016

Up to the date of issue of these financial statements, the IASB has issued a few amendments and new standards which are not yet effective for the year ended 31 December 2016 and which have not been adopted in these financial statements.

40 於截至2016年12月31日止年度已頒佈但未生效的修訂、新準則及詮釋的可能影響

直至該等財務報表刊發日期，國際會計準則理事會已頒佈若干於截至2016年12月31日止年度尚未生效且並無於該等財務報表採納的修訂及新準則。

Effective for
accounting periods
beginning on or after
於以下日期或之後
開始之會計期間生效

Amendments to IAS 12, <i>Recognition of deferred tax assets for unrealised losses</i> 國際會計準則第12號(修訂本)， <i>確認未變現虧損之遞延稅項資產</i>	1 January 2017 2017年1月1日
Amendments to IAS 7, <i>Disclosure Initiative</i> 國際會計準則第7號(修訂本)， <i>披露計劃</i>	1 January 2017 2017年1月1日
IFRS 15, <i>Revenue from contracts with customers (i)</i> 國際財務報告準則第15號， <i>來自客戶合約的收益(i)</i>	1 January 2018 2018年1月1日
IFRS 9, <i>Financial instruments</i> 國際財務報告準則第9號， <i>金融工具</i>	1 January 2018 2018年1月1日
Amendments to IFRS 2, <i>Classification and Measurement of Share-based Payment Transactions</i> 國際財務報告準則第2號(修訂本)， <i>以股份為基礎支付之交易之分類與計量</i>	1 January 2018 2018年1月1日
IFRS 16, <i>Leases (ii)</i> 國際財務報告準則第16號， <i>租賃(ii)</i>	1 January 2019 2019年1月1日
Amendments to IFRS 10 and IAS 28, <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> 國際財務報告準則第10號及國際會計準則第28號(修訂本)， <i>投資者與其聯營公司或合營企業之間的資產出售或注資</i>	To be determined 待定

NOTES TO THE FINANCIAL STATEMENTS 財務報表附註

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40 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2016 (Cont'd)

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far the Group has identified some aspects of the new standards which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. As the Group has not completed its assessment, further impacts may be identified in due course and will be taken into consideration when determining whether to adopt any of these new requirements before their effective date and which transitional approach to take, where there are alternative approaches allowed under the new standards.

(i) IFRS 15, Revenue from contracts with customers

The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

40 於截至2016年12月31日止年度已頒佈但未生效的修訂、新準則及詮釋的可能影響(續)

本集團正在評估預期該等修訂、新準則對首次運用期間可能產生的影響。截至目前為止，本集團已識別出可能對合併財務報表造成重大影響的部分新準則，並將其預期影響在下文進行詳細討論。由於目前本集團尚未完成評估，因此將在適當時候識別出其他影響。本集團在決定是否提前採用該等修訂或新準則，以及採用何種過渡方法(適用於根據新準則可以採用替代方案的情況)時將會考慮採用該等修訂或新準則所帶來的影響。

(i) 國際財務報告準則第15號，來自客戶合約的收益

國際會計準則理事會頒佈了一條收入確認的新準則，該準則將取代涵蓋商品及服務合同的國際會計準則第18號及涵蓋建造合同的國際會計準則第11號。新準則適用的原則為收入在商品或服務的控制權轉移給客戶時才予以確認，並允許在採用該準則時使用追溯法或改良型追溯法。

NOTES TO THE FINANCIAL STATEMENTS 財務報表附註

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40 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2016 (Cont'd)

(i) IFRS 15, Revenue from contracts with customers (Cont'd)

Management is currently assessing the effects of applying the new standard on the Group's consolidated financial statements and has identified the following areas that are likely to be affected:

- revenue from service — the application of IFRS 15 may result in the identification of separate performance obligations which could affect the timing of the recognition of revenue.
- accounting for certain costs incurred in fulfilling a contract — certain costs which are currently expensed may need to be recognised as an asset under IFRS 15, and
- rights of return — IFRS 15 requires separate presentation on the balance sheet of the right to recover the goods from the customer and the refund obligation.

At this stage, the Group is not able to estimate the impact of the new rules on the Group's consolidated financial statements. The Group will make more detailed assessments of the impact over the next twelve months.

IFRS 15 is mandatory for financial years commencing on or after 1 January 2018. At this stage, the Group does not intend to adopt the standard before its effective date.

40 於截至2016年12月31日止年度已頒佈但未生效的修訂、新準則及詮釋的可能影響(續)

(i) 國際財務報告準則第15號，來自客戶合約的收益(續)

管理層目前正在評估採用該項新準則將對合併財務報表產生的影響，並識別出下列可能受到影響的方面：

- 服務收入—國際財務報告準則第15號的運用可能要求對單獨的履行義務進行認定，因此影響收入確認的時間。
- 履行合同產生的若干成本的會計處理—根據國際財務報告準則第15號，目前以開支列賬的若干成本可能需要確認為資產，及
- 退還權利—國際財務報告準則第15號要求將從客戶處收回商品的權利及退款的義務單獨在資產負債表上列報。

目前，本集團無法對該新準則將對合併財務報表帶來的影響進行估計，且將就其對未來12個月的影響進行詳細的評估。

國際財務報告準則第15號須於自2018年1月1日或之後開始的財政年度內強制實施。目前，本集團未打算在該準則生效日前進行採用。

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40 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2016 (Cont'd)

(ii) IFRS 16, Leases

IFRS 16 will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under IFRS 16.

The new standard is mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

There are no other IFRSs that are not yet effective that would be expected to have a material impact on the Group.

40 於截至2016年12月31日止年度已頒佈但未生效的修訂、新準則及詮釋的可能影響(續)

(ii) 國際財務報告準則第16號，租賃

由於國際財務報告準則第16號消除了經營性租賃與融資性租賃的區別，這將導致幾乎所有租賃都將在資產負債表中確認。根據新準則，一項資產(使用租賃物的權利)和需要支付租金的金融負債都需要進行確認，短期及低價值的租賃除外。

對出租人的會計處理變動不大。

該項新準則主要對本集團經營性租賃的會計處理造成影響。於報告日期，本集團負有不可撤銷的經營性租賃承擔。然而，本集團目前尚未確定該等承擔將對用於未來支付的資產和負債確認造成影響的範圍，以及其將如何對本集團的溢利及現金流量劃分造成影響。

若干承擔或會由短期和低價值租賃所涵蓋，同時部分承擔可能與不符合資格作為國際財務報告準則第16號所指租賃之安排有關。

該項新準則須於自2019年1月1日或之後開始的財政年度內強制實施。目前，本集團未打算在該準則生效日前進行採用。

並無其他尚未生效的國際財務報告準則預期會對本集團造成重大影響。

INVESTMENT PROPERTIES HELD BY THE GROUP 本集團持有之投資物業

COMPLETED INVESTMENT PROPERTIES

已完工投資性物業

No. 序號	Properties 物業	Type 類型	Term of land 土地年限	Floor area 樓面面積 sq.m. 平方米	Percentage of interest of the Company 本公司 權益比例
1	Portion of office and retail units of Haode Yinzu, 18 Zhangjiang South Avenue, Zhanggong District, Ganzhou, Jiangxi Province, PRC 中國 江西省 贛州市 章貢區 章江南大道18號 豪德銀座 辦公及零售單位的部分	office 辦公 commercial 商業	Medium 中期	1,836 382	100%
2	Guangcai Trade Plaza Convention Center of Ningxiang Trade Center, 2 Yuxing Road, Yutan Town, Ningxiang County, Changsha, Hunan Province, PRC 中國 湖南省 長沙市 寧鄉縣 玉潭鎮玉興路2號 寧鄉商貿物流中心 光彩貿易廣場會展中心	convention center 會展中心	Medium 中期	33,823	100%

INVESTMENT PROPERTIES HELD BY THE GROUP 本集團持有之投資物業

No.	Properties	Type	Term of land	Floor area 樓面面積 sq.m. 平方米	Percentage of interest of the Company 本公司 權益比例
序號	物業	類型	土地年限		
3	Portion of Jewel Market and Convention Center of Wuzhou Trade Center, I West Shundi Avenue, Changzhou District, Wuzhou, Guangxi Zhuang Autonomous Region, PRC 中國 廣西壯族自治區 梧州市 長洲區 舜帝大道西段I號 梧州商貿物流中心寶石城及會展中心的部分	convention center 會展中心	Medium 中期	18,250	100%
4	Portion of Small Commodity Market of Zone B of Jining Trade Center, Taibai West Road and State Road 105, Jining, Shandong Province, PRC 中國 山東省 濟寧市 太白西路與105國道交匯處 濟寧商貿物流中心B區 小商品城的部分	commercial 商業	Medium 中期	50,481	100%

INVESTMENT PROPERTIES HELD BY THE GROUP 本集團持有之投資物業

No. 序號	Properties 物業	Type 類型	Term of land 土地年限	Floor area 樓面面積 sq.m. 平方米	Percentage of interest of the Company 本公司 權益比例
5	<p>Portion of Comprehensive Exhibition Center, Ganzhou Hydoo Trade Center, Southwest side of Tan Dong Road Two, Ganzhou, Jiangxi Province, PRC 中國 江西省 贛州市 潭東二路西南側 贛州毅德商貿物流園 綜合會展中心之部分</p>	commercial 商業	Medium 中期	58,853	100%
6	<p>Portion of Hall 3, Hydoo International Trade Center, 1228 North Second Ring Road, Yulin, Guangxi Zhuang Autonomous Region, PRC 中國 廣西壯族自治區 玉林市 二環北路1228號 毅德國際商貿城 3號館之部分</p>	commercial 商業	Medium 中期	28,011	100%

INDEPENDENT AUDITOR'S REPORT 獨立核數師報告



Independent auditor's report to the shareholders of Hydo International Holding Limited

(Incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Hydo International Holding Limited (the "Company") and its subsidiaries (the "Group") set out on pages 137 to 295, which comprise the consolidated statement of financial position as at 31 December 2017, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code") together with any ethical requirements that are relevant to our audit of the financial statements in the Cayman Islands, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

致毅德國際控股有限公司列位股東的獨立核數師報告

(於開曼群島註冊成立的有限公司)

意見

本核數師(以下簡稱「我們」)已審核列載於第137至295頁的毅德國際控股有限公司(以下簡稱「貴公司」)及其附屬公司(以下統稱「貴集團」)的合併財務報表，此財務報表包括於2017年12月31日的合併財務狀況表與截至該日止年度的合併損益表、合併損益及其他全面收益表、合併權益變動表和合併現金流量表，以及合併財務報表附註，包括主要會計政策概要。

我們認為，該等合併財務報表已根據國際會計準則理事會頒布的《國際財務報告準則》真實而中肯地反映了貴集團於2017年12月31日的合併財務狀況及截至該日止年度的合併財務表現及合併現金流量，並已遵照香港《公司條例》的披露要求妥為擬備。

意見的基礎

我們已根據香港會計師公會頒布的《香港審核準則》進行審核。我們在該等準則下承擔的責任已在本報告「核數師就審核合併財務報表承擔的責任」部分中作進一步闡述。根據香港會計師公會頒布的《專業會計師道德守則》(以下簡稱「守則」)以及與我們對開曼群島合併財務報表的審核相關的道德要求，我們獨立於貴集團，並已履行這些道德要求以及守則中的其他專業道德責任。我們相信，我們所獲得的審核憑證能充足及適當地為我們的審核意見提供基礎。

關鍵審核事項

關鍵審核事項是根據我們的專業判斷，認為對本期合併財務報表的審核最為重要的事項。這些事項是在我們審核整體合併財務報表及出具意見時進行處理的。我們不會對這些事項提供單獨的意見。

Transfer of inventories to investment properties and valuation of investment properties 轉撥存貨到投資物業及投資物業的估值	
Refer to note 11 to the consolidated financial statements and the accounting policies on page 156. 請參閱合併財務報表附註11及第156頁的會計政策。	
The key audit matter 關鍵審核事項	How the matter was addressed in our audit 我們於審核時如何處理關鍵審核事項
<p>As at 31 December 2017, the Group held a portfolio of investment properties located in Jiangxi, Guangxi, Shandong and Hunan provinces in Mainland China with an aggregate fair value of RMB2,260 million which accounted for 15% of the Group's total assets at that date. The investment properties principally comprise commercial trade logistics centres.</p> <p>於2017年12月31日，貴集團持有位於中國內地江西、廣西、山東及湖南省的投資物業組合，總值為人民幣22.6億元，佔貴集團資產總值的15%。投資物業主要包括商業貿易物流中心。</p> <p>During the year ended 31 December 2017, the Group transferred inventories, which principally comprised commercial trade logistics centres and shops, with an aggregate carrying value of RMB351 million to investment properties. Management is required to exercise judgement in determining if the relevant criteria as set out in the prevailing accounting standards have been met in order to transfer inventories to investment properties. Such judgements are principally qualitative in nature.</p> <p>截至2017年12月31日止年度，貴集團以存貨轉撥到投資物業的主要包括商業貿易物流中心及商舖，其總賬面值為人民幣3.51億元。管理層需要對存貨轉撥到投資物業是否符合現行會計準則中規定的相關標準作出判斷。這些判斷主要是定性的。</p> <p>The net changes in fair value of investment properties recorded in the consolidated statement of profit or loss represented 54% of the Group's profit before taxation for the year ended 31 December 2017, including an amount of RMB384 million which arose from the fair value gain upon the transfer of inventories to investment properties.</p> <p>於合併損益表中所錄得投資物業公允值淨變動相當於貴集團截至2017年12月31日止年度之除稅前溢利之54%，包括於人民幣3.84億元，於存貨轉撥到投資物業時產生的公允值收益。</p>	<p>Our audit procedures assess the transfer of inventories to investment properties and the valuation of investment properties included the following:</p> <p>我們對評估存貨轉撥到投資物業及投資物業的估值採取的審核程序包括：</p> <ul style="list-style-type: none"> challenging management's criteria for determining the change in use of the properties transferred from inventories to investment properties by inspecting the lease agreements for the properties, property management contracts and other relevant documentation and inspecting management's business plans for these properties; 通過檢查物業的租賃協議、物業管理合同和其他相關文件以及檢查管理層對這些物業的業務計劃，挑戰管理層確定從存貨轉撥到投資物業用途變化的準則； conducting site visits to investment properties transferred from inventories, on a sample basis, to observe the leasing activities of the respective properties and assess the change in use of the properties as asserted by management; 對從存貨轉撥到投資物業的項目進行實地視察，以抽樣方式觀察各項物業的租賃活動，並評估管理層聲稱的物業用途變化； obtaining and inspecting the valuation reports prepared by the external property valuers engaged by management and on which the directors' assessment of the fair values of investment properties was based; 取得並檢查由管理層委聘的外部物業估值師所編製且作為董事對投資物業公允值作出評估的基準的估值報告； assessing the external property valuers' qualifications, experience and expertise in the properties being valued and considering their objectivity and independence; 評估外部物業估值師對所估值物業的資歷、經驗和專業知識，並考慮其客觀性和獨立性；

INDEPENDENT AUDITOR'S REPORT

獨立核數師報告

The key audit matter 關鍵審核事項	How the matter was addressed in our audit 我們於審核時如何處理關鍵審核事項
<p>The fair values of the investment properties as at 31 December 2017 were assessed by the directors based on independent valuations prepared by a firm of qualified external property valuers. The determination of these fair values involves significant judgement and estimation, particularly in relation to selecting the appropriate valuation methodology, capitalisation rates, market rents and average market price of the comparable properties.</p> <p>投資物業於2017年12月31日的公允值乃由董事基於一間合資格外部物業估值師編製的獨立估值而評估。對該等公允值的確定涉及重大判斷及估計，特別與選用適當的估值方法、資本化比率、可資比較物業的市場租金及平均市價有關。</p> <p>We identified the transfer of inventories to investment properties and the valuation of investment properties as a key audit matter because of the exercise of management judgement in assessing if the criteria for the transfer of inventories to investment properties were met and because of the inherent risks involved in estimating the valuations of investment properties, particularly in light of the current economic circumstances and various property market cooling measures introduced by local governments in various cities across Mainland China.</p> <p>我們識別出存貨轉撥到投資物業及投資物業的估值作為關鍵審核事項，因為在評估是否符合將存貨轉撥到投資物業的標準時，以及由於估計投資物業的估值涉及的固有風險，特別是鑑於當前的經濟環境和地方政府在中國內地各個城市推出的各種房地產市場降溫措施，管理層需要行使判斷。</p>	<ul style="list-style-type: none"> • with the assistance of our internal property valuation specialists, discussing with the external property valuers their valuation methodology and the key estimates and assumptions adopted in their valuations; • 在我們的內部物業估值專家協助下，與外部物業估值師討論他們的估值方法以及估值採用的主要估計和假設； • challenging the key estimates and assumptions (including capitalisation rates, prevailing market rents and comparable market transactions) adopted in the valuations, on a sample basis, by comparison with available market data and/or government produced market statistics; and • 通過與現有市場數據和或政府編製的市場統計數據進行比較，質疑估值中採用的主要估計和假設（包括資本化比率、現行市場租金和可比較市場交易）；及 • comparing tenancy information, including committed rents and occupancy rates, provided by the Group to the external property valuers with underlying contracts and related documentation, on a sample basis. • 通過抽樣的方式，將租賃信息，包括承諾的租金和入住率，與貴集團提供給外部物業估值師的基本合同和相關文件進行對比。

INDEPENDENT AUDITOR'S REPORT 獨立核數師報告

Assessing the net realisable value of inventories 評估存貨的可變現淨值	
<i>Refer to note 20 to the consolidated financial statements and the accounting policies on page 193.</i> 請參閱合併財務報表附註20及第193頁的會計政策。	
The key audit matter 關鍵審核事項	How the matter was addressed in our audit 我們於審核時如何處理關鍵審核事項
<p>As at 31 December 2017, the aggregate carrying value of the Group's properties held for development ("PHD"), properties under development ("PUD") and completed properties held for sale (together "inventories") totalled RMB 8,234 million. These principally comprise shops and commercial trade logistics centres in Lanzhou, Jining, Heze and Ganzhou.</p> <p>於2017年12月31日，貴集團的持作發展物業（「持作發展物業」）、在建物業（「在建物業」）及待售已完工物業（統稱「存貨」）的總賬面值合共為人民幣82.34億元。該等存貨主要包括於蘭州、濟寧、荷澤及贛州的商舖及商業貿易物流中心。</p> <p>Inventories are stated at the lower of cost and net realisable value. The calculation of the net realisable value for each property development project at the financial reporting date is performed by management.</p> <p>存貨以成本與可變現淨值的較低者列值。各個物業開發項目於財政報告日的可變現淨值由管理層計算。</p> <p>The calculation of the net realisable value of inventories involves significant management judgement and estimation in preparing the updated estimations of the costs to complete each property development project for PHD and PUD as well as in assessing the expected future selling prices for each property development project (with reference to recent sales transactions in nearby locations and the rates of new property sales) and the estimated future selling costs (including price discounts which may be required to stimulate sales).</p> <p>編製持作發展物業及在建物業各個物業開發項目竣工成本的最新估計，以及評估各個物業開發項目的預期未來售價（參考毗鄰地段近期的銷售交易及新物業銷售比率）及估計未來銷售成本（包括促進銷售可能需要的價格折扣）時，計算存貨的可變現淨值涉及重大管理層判斷及估計。</p>	<p>Our audit procedures to assess the net realisable value of inventories included the following:</p> <p>我們評估存貨的可變現淨值採取的審核程序包括：</p> <ul style="list-style-type: none"> • assessing the design, implementation and operating effectiveness of key internal controls over the preparation and monitoring of management budgets and forecasts of construction and other costs for each property development project; • 評估就編製及監察各個物業開發項目的預算管理、建築及其他成本的預測進行的主要內部控制，在設計、實施和運作上的有效性； • conducting site visits to property development sites, on a sample basis, and discussing with management the progress of each property development project and the development budgets reflected in the latest forecasts for each property development project; • 以抽樣方式對物業開發用地進行實地視察，並與管理層討論各個物業開發項目的進度及反映於各個物業開發項目最新預測的發展預算； • evaluating the valuation methodologies and challenging the key estimates and assumptions adopted in the valuations, including expected future selling prices, by comparing expected future selling prices to, where available, recently transacted prices for similar properties and the prices of comparable properties located in the nearby vicinity of each development; • 透過將預期未來銷售價格與在適用情況下所獲近期類似物業的交易價格及位於各個發展項目類近地區的可比較物業價格作比較，評估估值方法，並對估值中採用的主要估計及假設（包括預期未來銷售價格）提出質疑；

INDEPENDENT AUDITOR'S REPORT 獨立核數師報告

The key audit matter 關鍵審核事項	How the matter was addressed in our audit 我們於審核時如何處理關鍵審核事項
<p>We identified assessing the net realisable value of inventories of the Group as a key audit matter because of the inherent risks involved in estimating net realisable values, particularly in light of the current economic circumstances and various property market cooling measures introduced by local governments in various cities across Mainland China.</p> <p>由於估計可變現淨值涉及的固有風險，特別是現時中國內地各個城市的經濟狀況及當地政府推行的各項樓市降溫措施，故我們確定評估貴集團存貨的可變現淨值屬關鍵審核事項。</p>	<ul style="list-style-type: none"> • comparing the estimated construction costs to complete each property development project with the Group's latest budgets and comparing the costs incurred to 31 December 2017 with budgets as at 31 December 2016 to assess the accuracy of management's forecasting and budgeting process; and • 將完成各個物業開發項目的估計建設成本與本集團的最新預算進行比較，並將截至2017年12月31日產生的成本與2016年12月31日的預算進行比較，以評估管理層在預測及預算過程的準確性；及 • performing sensitivity analyses to determine the extent of changes in key estimates and assumptions that, either individually or collectively, would be required for inventories to be materially misstated and considering the likelihood of such a movement in those key estimates and assumptions arising and the potential for management bias in their selection. • 進行敏感性分析，以確定主要估計將導致存貨發生重大錯報的變動程度，並考慮該等重要估計及假設出現變動的可能性和選擇上出現管理偏差的潛在性。

<p>Accounting for government grants 政府補助的會計處理</p>	
<p>Refer to note 29 to the consolidated financial statements and the accounting policies on page 185. 請參閱合併財務報表附註29及第185頁的會計政策。</p>	
<p>The key audit matter 關鍵審核事項</p> <p>Government grants are initially recognised by the Group as a deferred income in the consolidated statement of financial position when an amount is received and are subsequently recognised or amortised in profit or loss on a systematic basis when there is reasonable assurance that the Group will comply with the specific conditions attached to the government grants.</p> <p>在收到政府補貼金額時，貴集團在合併財務狀況表中初始確認為遞延收入，並且在有合理保證貴集團將遵守貴集團附加於政府補貼的具體條件時，則根據系統的方法確認或攤銷於損益中。</p> <p>During the year ended 31 December 2017, deferred income in respect of government grants recognised in profit or loss amounted to RMB221 million and unamortised deferred income amounted to RMB716 million as at 31 December 2017.</p> <p>截至2017年12月31日止年度，就政府補貼於損益確認的遞延收入為數人民幣221百萬元，而於2017年12月31日，未攤銷遞延收入為數人民幣716百萬元。</p> <p>The Group is required to fulfil the requirements agreed with the local governments when conducting the related infrastructure construction and there is a risk that if the agreed criteria are not met, the respective local governments may request recourse or reclamation of the grants already advanced.</p> <p>貴集團在進行相關基礎設施建設時，必須滿足與地方政府達成的要求，並且存在如果未達到協定準則的風險，各地方政府可以要求追溯或填補已經發放的補貼。</p> <p>We identified accounting for government grants as a key audit matter because of its significance to the consolidated financial statements and because of the exercise of management judgement in assessing whether the conditions attached to the government grants are met, particularly in interpreting the fulfilment of conditions which are not clearly stated in the respective agreements.</p> <p>我們識別出政府補貼的會計處理為關鍵審核事項，是因為其對合併財務報表的重要性，以及由於在評估政府補貼的附帶條件是否得到滿足時由管理層行使判斷，特別是在解釋各自協議中未明確規定的條件時。</p>	<p>How the matter was addressed in our audit 我們於審核時如何處理關鍵審核事項</p> <p>Our audit procedures to assess the accounting for government grants included the following: 我們評估政府補助的會計處理採取的審核程序包括：</p> <ul style="list-style-type: none"> • inspecting the agreements signed between the Group and the local governments and identifying the specific conditions attached to the respective government grants; • 檢查貴集團與地方政府之間簽訂的協議，並確定各政府補貼所附的具體條件； • performing physical inspection of the relevant projects and assessing whether the conditions attached to the respective government grants had fulfilled or not at the reporting date; • 對相關項目進行實地視察，並在報告日評估各政府補貼附帶的條件是否已達到； • obtaining confirmations from the respective local governments in respect of the fulfilment by the Group of the criteria set out in the respective agreements; • 獲得各地方政府確認關於貴集團履行各協議中規定的相關條件； • assessing whether the government grants had been properly recognised in accordance with the requirements of the prevailing accounting standards with reference to the terms in the respective agreements, the fulfilment of conditions as set out in these agreements and assessing management's interpretation of the fulfilment of the conditions; and • 通過參照相關協議中的條款，查看協議條款的履行情況，評估管理層對履行條件的解釋，以評估政府補貼是否已根據現行會計準則的要求得到適當確認；及 • re-calculating the amount of government grants recognised in profit or loss for the current year and comparing our calculations with the amounts recorded by the Group. • 重新計算本年度在損益中確認的政府補貼金額，並將我們的計算與貴集團記錄的金額進行比較。

INDEPENDENT AUDITOR'S REPORT 獨立核數師報告

Provision for land appreciation tax ("LAT") in Mainland China 中國內地土地增值稅(「土地增值稅」)撥備	
Refer to note 6 to the consolidated financial statements and the accounting policies on page 177 to 180. 請參閱合併財務報表附註6及第177至180頁的會計政策。	
The key audit matter 關鍵審核事項	How the matter was addressed in our audit 我們於審核時如何處理關鍵審核事項
<p>LAT in Mainland China is one of the main components of the Group's taxation charge. 中國內地的土地增值稅是貴集團稅務支出的主要組成部分之一。</p> <p>LAT is levied on sale of properties, at progressive rates ranging from 30% to 60% based on the appreciation of land value. At the end of each financial reporting period, management estimates the provision for LAT based on its understanding and interpretation of the relevant tax rules and regulations, the estimated total sales of properties less total deductible expenditure, which includes lease charges for land use rights, property development costs, borrowing costs and development expenditure. When the LAT is subsequently determined, the actual payments may be different from the estimates. 貴集團銷售開發的房地產需要就土地增值額按照超率累進稅率30%-60%繳納土地增值稅。在每個財務期末，管理層需要對土地增值稅的計提金額進行估算，在作出估算的判斷時，主要考慮的要素包括相關稅務法律法規的規定和解釋，預計的銷售房地產取得的收入減去預計可扣除的土地成本、房地產開發成本、利息費用、開發費用等。貴集團在土地增值稅匯算清繳時，實際應付稅金可能與貴集團預估的金額存在差異。</p> <p>We identified provision for LAT in Mainland China as a key audit matter because of its significance to the consolidated financial statements and because the estimated provisions for LAT are based on management's judgement and interpretation of complicated tax laws and regulations. 由於土地增值稅的計提對合併財務報表的重要性，且管理層作出估計時的判斷包括對相關稅務法律法規和實務做法的理解等要素，因此我們將土地增值稅的計提識別為貴集團關鍵審核事項。</p>	<p>Our audit procedures to assess the provision for LAT in Mainland China included the following: 我們評估中國內地土地增值稅撥備採取的審核程序包括：</p> <ul style="list-style-type: none"> assessing the design, implementation and operating effectiveness of management's key internal controls over the calculation of the estimated LAT provisions; 評估管理層關於計算估計土地增值稅撥備的關鍵內部控制的設計、實施和運營有效性； engaging our internal taxation specialists to evaluate the Group's LAT provisions as at 31 December 2017 which involved challenging management's assumptions and judgements based on our experience, knowledge and understanding of the practices of the application of the relevant tax laws by the various local tax bureaus; 聘請內部稅務專家評估貴集團於2017年12月31日的土地增值稅撥備，包括根據我們的經驗、知識和對各地方稅務局應用相關稅法常規的理解，對管理層的假設和判斷提出質疑； evaluating management's assumptions and judgments based on our assessment of the value of the estimated sales of properties and the deductible expenditure; and 根據我們對物業估計銷售價值和可扣除開支的評估，質疑管理層的假設及判斷；及 re-calculating the provision for LAT of the Group and comparing our calculations with the amounts recorded by the Group. 重新計算貴集團的土地增值稅撥備，並將我們的計算與貴集團記錄的金額進行比較。

INDEPENDENT AUDITOR'S REPORT 獨立核數師報告

Information other than the consolidated financial statements and auditor's report thereon

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated financial statements

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

合併財務報表及其核數師報告以外的信息

董事需對其他信息負責。其他信息包括刊載於年報內的全部信息，但不包括合併財務報表及我們的核數師報告。

我們對合併財務報表的意見並不涵蓋其他信息，我們亦不對該等其他信息發表任何形式的鑒證結論。

結合我們對合併財務報表的審核，我們的責任是閱讀其他信息，在此過程中，考慮其他信息是否與合併財務報表或我們在審核過程中所了解的情況存在重大抵觸或者似乎存在重大錯誤陳述的情況。基於我們已執行的工作，如果我們認為其他信息存在重大錯誤陳述，我們需要報告該事實。在這方面，我們沒有任何報告。

董事就合併財務報表須承擔的責任

董事須負責根據國際會計準則理事會頒布的國際財務報告準則及香港《公司條例》的披露要求擬備真實而中肯的合併財務報表，並對其認為為使合併財務報表的擬備不存在由於欺詐或錯誤而導致的重大錯誤陳述所需的內部控制負責。

在擬備合併財務報表時，董事負責評估貴集團持續經營的能力，並在適用情況下披露與持續經營有關的事項，以及使用持續經營為會計基礎，除非董事有意將貴集團清盤或停止經營，或別無其他實際的替代方案。

審核委員會協助董事履行監督貴集團的財務報告過程的責任。

INDEPENDENT AUDITOR'S REPORT 獨立核數師報告

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSA's, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

核數師就審核合併財務報表承擔的責任

我們的目標，是對合併財務報表整體是否不存在由於欺詐或錯誤而導致的重大錯誤陳述取得合理保證，並出具包括我們意見的核數師報告。我們是僅向整體股東報告。除此以外，我們的報告不可用作其他用途。我們概不就本報告的內容，對任何其他人士負責或承擔法律責任。

合理保證是高水平的保證，但不能保證按照《香港審核準則》進行的審核，在某一重大錯誤陳述存在時總能發現。錯誤陳述可以由欺詐或錯誤引起，如果合理預期它們單獨或滙總起來可能影響合併財務報表使用者依賴財務報表所作出的經濟決定，則有關的錯誤陳述可被視作重大。

在根據《香港審核準則》進行審核的過程中，我們運用了專業判斷，保持了專業懷疑態度。我們亦：

- 識別和評估由於欺詐或錯誤而導致合併財務報表存在重大錯誤陳述的風險，設計及執行審核程序以應對這些風險，以及獲取充足和適當的審核憑證，作為我們意見的基礎。由於欺詐可能涉及串謀、偽造、蓄意遺漏、虛假陳述，或凌駕於內部控制之上，因此未能發現因欺詐而導致的重大錯誤陳述的風險高於未能發現因錯誤而導致的重大錯誤陳述的風險。
- 了解與審核相關的內部控制，以設計適當的審核程序，但目的並非對貴集團內部控制的有效性發表意見。
- 評價董事所採用會計政策的恰當性及作出會計估計和相關披露的合理性。

INDEPENDENT AUDITOR'S REPORT 獨立核數師報告

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.
- 對董事採用持續經營會計基礎的恰當性作出結論。根據所獲取的審核憑證，確定是否存在與事項或情況有關的重大不確定性，從而可能導致對貴集團的持續經營能力產生重大疑慮。如果我們認為存在重大不確定性，則有必要在核數師報告中提請使用者注意合併財務報表中的相關披露。假若有關的披露不足，則我們應當發表非無保留意見。我們的結論是基於核數師報告日止所取得的審核憑證。然而，未來事項或情況可能導致貴集團不能持續經營。
- 評價合併財務報表的整體列報方式、結構和內容，包括披露，以及合併財務報表是否中肯反映交易和事項。
- 就貴集團內實體或業務活動的財務信息獲取充足、適當的審核憑證，以便對合併財務報表發表意見。我們負責貴集團審核的方向、監督和執行。我們為審核意見承擔全部責任。

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

除其他事項外，我們與審核委員會溝通了計劃的審核範圍、時間安排、重大審核發現等，包括我們在審核中識別出內部控制的任何重大缺陷。

我們還向審核委員會提交聲明，說明我們已符合有關獨立性的相關專業道德要求，並與他們溝通有可能合理地被認為會影響我們獨立性的所有關係和其他事項，以及在適用的情況下，相關的防範措施。

INDEPENDENT AUDITOR'S REPORT 獨立核數師報告

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Wong Chun Pong.

KPMG

Certified Public Accountants

8th Floor, Prince's Building

10 Chater Road

Central, Hong Kong

29 March 2018

從與審核委員會溝通的事項中，我們確定哪些事項對本期合併財務報表的審核最為重要，因而構成關鍵審核事項。我們在核數師報告中描述這些事項，除非法律法規不允許公開披露這些事項，或在極端罕見的情況下，如果合理預期在我們報告中溝通某事項造成的負面後果超過產生的公眾利益，我們決定不應在報告中溝通該事項。

出具本獨立核數師報告的審核項目合夥人是黃振邦。

畢馬威會計師事務所

執業會計師

香港中環

遮打道10號

太子大廈8樓

2018年3月29日

CONSOLIDATED STATEMENT OF PROFIT OR LOSS 合併損益表

for the year ended 31 December 2017
截至2017年12月31日止年度
(Expressed in Renminbi)
(以人民幣列示)

		Note	2017	2016
		附註	RMB'000 人民幣千元	RMB'000 人民幣千元
Revenue	收益	3	1,792,421	2,335,777
Cost of sales	銷售成本		(1,076,609)	(1,049,861)
Gross profit	毛利		715,812	1,285,916
Other income	其他收入	4	491,800	21,988
Selling and distribution expenses	銷售開支		(147,277)	(149,754)
Administrative and other operating expenses	行政及其他經營開支		(461,682)	(552,229)
Profit from operations before fair value gain on investment properties	投資物業公允價值收益前經營利潤		598,653	605,921
Fair value gain on investment properties	投資物業公允價值收益	11	387,870	326,451
Profit from operation after fair value gain on investment properties	投資物業公允價值收益後經營利潤		986,523	932,372
Share of loss of an associate	分佔聯營企業虧損	14	(300)	—
Share of loss of joint ventures	分佔合營企業虧損	15	(2,943)	(1,492)
Fair value change on embedded derivative component of the convertible notes	可轉股票據的嵌入式衍生部分的公允價值變動		—	(668)
Gain on early redemption of convertible notes	提前贖回可轉股票據產生之收益		—	14,391
Finance income	財務收入	5(a)	5,722	8,299
Finance costs	融資成本	5(a)	(275,021)	(240,439)
Profit before taxation	除稅前利潤	5	713,981	712,463
Income tax	所得稅	6(a)	(458,726)	(357,315)
Profit for the year	年內利潤		255,255	355,148

CONSOLIDATED STATEMENT OF PROFIT OR LOSS 合併損益表

for the year ended 31 December 2017
截至2017年12月31日止年度
(Expressed in Renminbi)
(以人民幣列示)

			2017	2016
		Note	RMB'000	RMB'000
		附註	人民幣千元	人民幣千元
Attributable to:	以下各方應佔：			
Equity shareholders of the Company	本公司權益股東		245,573	350,280
Non-controlling interests	非控股權益		9,682	4,868
Profit for the year	年內利潤		255,255	355,148
Earnings per share	每股盈利			
Basic (RMB cents)	基本(人民幣分)	9	6.1	8.7
Diluted (RMB cents)	攤薄(人民幣分)	9	6.1	8.7

The notes on pages 147 to 295 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 32(b).

第147至295頁所載附註屬於該等財務報表的一部分。本年度應付本公司權益股東股息的詳情載於附註32(b)。

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME 合併損益及其他全面收益表

for the year ended 31 December 2017
截至2017年12月31日止年度
(Expressed in Renminbi)
(以人民幣列示)

		2017	2016
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Profit for the year	年內利潤	255,255	355,148
Other comprehensive income for the year (after tax and reclassification adjustments)	年內其他全面收入(經稅項及重新分類調整後)		
Item that may be reclassified subsequently to profit or loss:	其後可能重新分類至損益的項目：		
Exchange differences on translation of financial statements of subsidiaries outside the Mainland China	換算中國境外子公司的財務報表的匯兌差額	78,671	(51,230)
Other comprehensive income for the year	年內其他全面收入	78,671	(51,230)
Total comprehensive income for the year	年內全面收入總額	333,926	303,918
Attributable to:	以下各方應佔：		
Equity shareholders of the Company	本公司權益股東	324,244	299,050
Non-controlling interests	非控股權益	9,682	4,868
Total comprehensive income for the year	年內全面收入總額	333,926	303,918

The notes on pages 147 to 295 form part of these financial statements.

第147至295頁所載附註屬於該等財務報表的一部分。

CONSOLIDATED STATEMENT OF FINANCIAL POSITION 合併財務狀況表

at 31 December 2017
於2017年12月31日
(Expressed in Renminbi)
(以人民幣列示)

			2017	2016
		Note	RMB'000	RMB'000
		附註	人民幣千元	人民幣千元
Non-current assets	非流動資產			
Property, plant and equipment	物業、廠房及設備	10	457,896	472,958
Investment properties	投資物業	11	2,259,900	1,520,800
Intangible assets	無形資產	12	19,555	2,956
Goodwill	商譽	13	2,252	3,631
Interest in an associate	於聯營企業權益	14	3,700	—
Interest in joint ventures	於合營企業權益	15	146,451	149,394
Other financial assets	其他金融資產	16	84,731	180,131
Deferred tax assets	遞延稅項資產	17(b)	148,399	247,050
Finance lease receivable	融資租賃應收款項	19	19,155	26,672
			3,142,039	2,603,592
Current assets	流動資產			
Inventories	存貨	20	8,234,259	9,180,960
Prepaid tax	預付稅項	17(a)	95,437	105,321
Other financial assets	其他金融資產	16	13,548	—
Other current assets	其他流動資產	21	371,000	—
Trade and other receivables, prepayments and deposits	貿易及其他應收款項、預付款項 及定金	22	1,088,503	1,550,738
Pledged and restricted cash	已抵押及受限制現金	23	857,666	1,045,848
Cash and cash equivalents	現金及現金等值物	24	1,000,443	965,685
			11,660,856	12,848,552

CONSOLIDATED STATEMENT OF FINANCIAL POSITION 合併財務狀況表

at 31 December 2017
於2017年12月31日
(Expressed in Renminbi)
(以人民幣列示)

		Note	2017	2016
		附註	RMB'000 人民幣千元	RMB'000 人民幣千元
Current liabilities	流動負債			
Trade and other payables	貿易及其他應付款項	25	4,152,778	4,084,024
Bank loans and other borrowings	銀行貸款及其他借貸	26	1,201,859	1,308,053
Senior notes	優先票據	27	1,042,899	—
Corporate bonds	公司債券	28	6,665	—
Current tax liabilities	即期稅項負債	17(a)	869,706	1,066,635
Deferred income	遞延收入	29	716,672	860,994
			7,990,579	7,319,706
Net current assets	流動資產淨值		3,670,277	5,528,846
Total assets less current liabilities	總資產減流動負債		6,812,316	8,132,438
Non-current liabilities	非流動負債			
Bank loans and other borrowings	銀行貸款及其他借貸	26	861,770	1,477,510
Senior notes	優先票據	27	390,964	1,519,351
Corporate bonds	公司債券	28	259,770	9,674
Deferred income	遞延收入	29	3,132	3,804
Deferred tax liabilities	遞延稅項負債	17(b)	77,419	14,815
			1,593,055	3,025,154
NET ASSETS	資產淨值		5,219,261	5,107,284

CONSOLIDATED STATEMENT OF FINANCIAL POSITION 合併財務狀況表

at 31 December 2017
於2017年12月31日
(Expressed in Renminbi)
(以人民幣列示)

		Note	2017	2016
		附註	RMB'000 人民幣千元	RMB'000 人民幣千元
Capital and reserves	股本及儲備	32		
Share capital	股本		31,825	31,825
Reserves	儲備		5,159,765	4,852,252
Total equity attributable to equity shareholders of the Company	本公司權益股東應佔權益總額		5,191,590	4,884,077
Non-controlling interests	非控股權益		27,671	223,207
TOTAL EQUITY	權益總額		5,219,261	5,107,284

Approved and authorised for issue by the board of directors on 29 March 2018.

於2018年3月29日獲董事會批准及授權刊發。

Wang Jianli
王健利

Chairman and Executive Director
主席兼執行董事

Wang Dewen
王德文

Executive Director and Chief Executive Officer
執行董事兼行政總裁

The notes on pages 147 to 295 form part of these financial statements.

第147至295頁所載附註屬於該等財務報表的一部分。

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

合併權益變動表

for the year ended 31 December 2017
截至2017年12月31日止年度
(Expressed in Renminbi)
(以人民幣列示)

Attributable to equity shareholders of the Company 本公司權益股東應佔		Reserve - transaction	Equity settled	Non- controlling interests	Total equity				
Share capital	Share premium	PRC statutory reserve	Capital reserve	Capital redemption reserve	Exchange reserve	Retained profits	Total	Non- controlling interests	Total equity
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元
3,1825	1,029,736	383,115	1,435,617	12,794	120	1,774,137	4,636,091	201,889	4,838,580
Balance at 1 January 2016 於2016年1月1日的結餘									
Changes in equity for 2016 2016年權益變動年內利潤									
Profit for the year 其他全面收入									
Total comprehensive income									
Dividends approved in respect of the previous year									
Capital injection by non-controlling interests									
Contribution to non-controlling interests									
Equity settled share-based transaction									
Appropriation to PRC statutory reserve									
3,1825	978,266	465,296	1,435,617	12,600	120	2,047,236	4,884,077	223,207	5,107,284
Balance at 31 December 2016 於2016年12月31日的結餘									

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

合併權益變動表

for the year ended 31 December 2017
截至2017年12月31日止年度
(Expressed in Renminbi)
(以人民幣列示)

		Attributable to equity shareholders of the Company 本公司權益股東應佔										
		Share capital	Share premium	Share statutory reserve	PRC statutory reserve	Capital reserve	Capital redemption reserve	Exchange reserve	Retained profits	Total	Non-controlling interests	Total equity
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元
Balance at 1 January 2017	於2017年1月1日的結餘	3,1825	978,266	465,296	1,435,617	12,600	120	(30,017)	2,042,236	4,884,077	223,207	5,107,284
Changes in equity for 2017	2017年權益變動年內利潤	—	—	—	—	—	—	—	245,573	245,573	9,682	255,255
Profit for the year	其他全面收入	—	—	—	—	—	—	78,671	—	78,671	—	78,671
Other comprehensive income	全面收入總額	—	—	—	—	—	—	78,671	245,573	324,244	9,682	333,926
Total comprehensive income	以權益結算以股份為基礎的交易	—	—	—	—	3	—	—	—	3	—	3
Equity settled share-based transaction	沒收購股權	—	—	—	—	(2,176)	—	—	2,176	—	—	—
Share options forfeited	收購附屬公司	—	—	—	—	—	—	—	—	—	—	—
Acquisition of additional interest in subsidiary	收購附屬公司	—	—	—	—	—	—	—	—	—	—	—
from non-controlling interests	的額外權益	—	—	—	—	—	—	—	—	(16,734)	(20,922)	(37,656)
Disposal of subsidiaries	出售子公司	—	—	(30,110)	—	—	—	—	23,976	—	(171,446)	(171,446)
Capital injection by non-controlling interests	非控股權益注資	—	—	—	—	—	—	—	—	—	12,750	12,750
Dividends declared to non-controlling interests	宣派予非控股權益的股息	—	—	—	—	—	—	—	—	—	(25,600)	(25,600)
Appropriation to PRC statutory reserve	轉撥至中國法定儲備	—	—	52,168	—	—	—	—	(52,168)	—	—	—
Balance at 31 December 2017	於2017年12月31日的結餘	3,1825	978,266	487,354	1,435,617	10,427	120	48,654	2,261,793	5,191,390	27,671	5,219,261

The notes on pages 147 to 295 form part of these financial statements.
第147至295頁所載附註屬於該等財務報表的一部分。

CONSOLIDATED CASH FLOW STATEMENT 合併現金流量表

for the year ended 31 December 2017
截至2017年12月31日止年度
(Expressed in Renminbi)
(以人民幣列示)

		Note	2017	2016
		附註	RMB'000 人民幣千元	RMB'000 人民幣千元
Operating activities	經營活動			
Cash generated from operations	經營業務所得現金	24(b)	606,442	39,220
PRC tax paid	已付中國稅項		(353,543)	(322,107)
Net cash generated from/(used in) operating activities	經營活動所得/(所用)現金淨額		252,899	(282,887)
Investing activities	投資活動			
Proceeds from disposal of property, plant and equipment	出售物業、廠房及設備所得款項		992	230
Proceeds from disposal of other non-current financial assets	出售其他非流動金融資產所得款項		280,000	2,000
Net proceeds from repayment of prepaid investment cost	償還預付投資成本所得款項淨額		424,285	—
Payment for purchase of property, plant and equipment	購買物業、廠房及設備付款		(19,369)	(35,389)
Payment for purchase of other financial assets	購買其他金融資產付款		(20,647)	(58,245)
Net proceeds for disposal of wealth management products	出售理財產品所得款項淨額		4,036	547
Payment for purchase of intangible assets	購買無形資產付款		(9,717)	(104)
Dividends received	已收股息		—	131
Interest received	已收利息		5,722	8,299
Payment for purchase of wealth management products	購買理財產品付款		(371,000)	—
Net cash inflow from disposal of subsidiaries	出售子公司所得淨現金流入	24(d)	83,841	—
Payment for investment in a joint venture	投資合營企業的付款		—	(500)
Payment for investment in an associate	投資聯營企業的付款		(4,000)	—
Net cash generated from/(used in) investing activities	投資活動所得/(所用)現金淨額		374,143	(83,031)

The notes on pages 147 to 295 form part of these financial statements.

第147至295頁所載附註屬於該等財務報表的一部分。

CONSOLIDATED CASH FLOW STATEMENT 合併現金流量表

for the year ended 31 December 2017
截至2017年12月31日止年度
(Expressed in Renminbi)
(以人民幣列示)

			2017	2016
		Note	RMB'000	RMB'000
		附註	人民幣千元	人民幣千元
Financing activities	融資活動			
Proceeds from new bank loans and other borrowings	新增銀行貸款及其他借貸所得款項	24(c)	832,344	1,754,473
Repayment of bank loans and other borrowings	償還銀行貸款及其他借貸	24(c)	(1,554,278)	(1,372,076)
Interest and other borrowing costs paid	已付利息及其他借貸成本	24(c)	(340,784)	(406,556)
Net proceeds/(payment) of pledged deposits for loans	抵押貸款淨收益/(付款)		249,259	(368,490)
Net cash payment for acquisition of additional interest in subsidiaries from non-controlling interests	從非控股權益收購子公司額外權益的淨現金付款		(23,395)	—
Redemption of convertible notes	贖回可轉股票據		—	(798,344)
Dividends paid	已付股息	32(b)(ii)	—	(51,470)
Capital return to non-controlling interests	資本回報予非控股權益		—	(3,850)
Capital injection by non-controlling interests to subsidiaries	非控股權益對子公司注資		6,250	20,300
Net proceeds from the issue of senior notes	發行優先票據所得款項淨額		—	826,379
Net proceeds from the issue of corporate bonds	發行公司債券所得款項淨額	24(c)	256,360	9,565
Net cash used in financing activities	融資活動所用現金淨額		(574,244)	(390,069)
Net increase/(decrease) in cash and cash equivalents	現金及現金等值物增加/(減少)淨額		52,798	(755,987)
Cash and cash equivalents at 1 January	於1月1日的現金及現金等值物	24	965,685	1,688,923
Effect of foreign exchange rate changes	外匯匯率變動的影響		(18,040)	32,749
Cash and cash equivalents at 31 December	於12月31日的現金及現金等值物	24	1,000,443	965,685

The notes on pages 147 to 295 form part of these financial statements.

第147至295頁所載附註屬於該等財務報表的一部分。

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

(Expressed in Renminbi unless otherwise indicated)
(除另有指明外，均以人民幣列示)

I SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards (“IFRSs”), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards (“IASs”) and Interpretations issued by the International Accounting Standards Board (“IASB”) and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). Significant accounting policies adopted by the Group are disclosed below.

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note I(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

I 重大會計政策

(a) 合規聲明

此等財務報表已根據國際會計準則理事會(「國際會計準則理事會」)所頒佈之所有適用國際財務報告準則(「國際財務報告準則」)(此統稱包括所有適用的個別國際財務報告準則、國際會計準則(「國際會計準則」)及詮釋)及香港公司條例披露規定編製。此等財務報表亦符合香港聯合交易所有限公司(「聯交所」)證券上市規則(「上市規則」)之適用披露規定。本集團所採納的重大會計政策載於下文。

國際會計準則理事會已頒佈若干新訂及經修訂的國際財務報告準則，該等準則於本集團及本公司當前會計期間首次生效或可提早採納。附註I(c)載列在與該等財務報表所呈列與本集團當前及過往會計期間有關的範圍內，因首次採用該等變更而導致會計政策任何變更的資料。

NOTES TO THE FINANCIAL STATEMENTS 財務報表附註

(Expressed in Renminbi unless otherwise indicated)
(除另有指明外，均以人民幣列示)

I SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2017 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in an associate and joint ventures.

These financial statements are presented in Renminbi ("RMB") rounded to the nearest thousand. The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

- derivative financial instruments (see note I(h)); and
- investment properties (see note I(i)).

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

I 重大會計政策(續)

(b) 財務報表的編製基準

截至2017年12月31日止年度的合併財務報表涵蓋本公司及其各子公司(統稱「本集團」)及本集團於聯營企業和合營企業之權益。

該等財務報表以人民幣呈列，約整至最接近千元計算。按下文會計政策所述，編製財務報表時以歷史成本作為計量基準，惟以下資產及負債按公允值列賬：

- 衍生金融工具(附註I(h))；及
- 投資物業(附註I(i))。

管理層在編製符合國際財務報告準則的財務報表時，須作出對政策的應用及資產、負債、收入及支出的呈報金額造成影響的判斷、估計及假設。估計及相關假設根據過往經驗及於所有情況下視為合理的多種其他因素作出，其結果成為管理層在無法依循其他途徑即時得知資產及負債的賬面值時作出判斷的依據。實際結果可能有別於該等估計。

NOTES TO THE FINANCIAL STATEMENTS 財務報表附註

(Expressed in Renminbi unless otherwise indicated)
(除另有指明外，均以人民幣列示)

I SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(b) Basis of preparation of the financial statements (Cont'd)

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 2.

(c) Changes in accounting policies

The IASB has issued several new IFRSs and amendments to IFRSs that are first effective for the current accounting period of the Group. None of these impact on the accounting policies of the Group. However, additional disclosure has been included in note 24(c) to satisfy the new disclosure requirements introduced by the amendments to IAS 7, Statement of cash flows: Disclosure initiative, which require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

I 重大會計政策(續)

(b) 財務報表的編製基準(續)

管理層持續審核該等估計及相關假設。倘會計估計的修訂僅對作出修訂的期間產生影響，則有關修訂會在該期間內予以確認；倘該項修訂對當前及未來期間均有影響，則在作出修訂的期間及未來期間均予以確認。

管理層在採用國際財務報告準則時所作出對財務報表有重大影響之判斷及估計不確定因素之主要來源於附註2討論。

(c) 會計政策的變動

國際會計準則理事會已頒佈多項於本集團當前會計期間首次生效的新訂國際財務報告準則及國際財務報告準則修訂。該等修訂概不影響本集團的會計政策。然而，附註24(c)已包括額外披露以滿足國際會計準則第7號修訂所引入的新披露規定，該現金流量表：披露計劃，要求實體提供披露，使財務報表使用者能夠評估融資活動產生的負債變動，包括因現金流量及非現金變動而產生的變動。

本集團並無應用於當前會計期間尚未生效的任何新訂準則或詮釋。

NOTES TO THE FINANCIAL STATEMENTS 財務報表附註

(Expressed in Renminbi unless otherwise indicated)
(除另有指明外，均以人民幣列示)

I SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, 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. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

I 重大會計政策(續)

(d) 子公司及非控股權益

子公司是由本集團控制的實體。倘本集團因參與一家公司的業務而可有權獲得可變回報，且能藉對該公司行使權力而影響該等回報時，則視為本集團對該公司擁有控制權。評估本集團是否有權力時，僅考慮本集團及其他各方持有的實質權利。

於子公司的投資自控制權開始日期起至控制權終止日期止計入合併財務報表。集團內公司間的結餘、交易及現金流量以及集團內公司間交易所產生的任何未變現利潤，在編製合併財務報表時均全數抵銷。集團內公司間交易所產生的未變現虧損則僅在並無出現減值跡象的情況下以與抵銷未變現收益相同的方法予以抵銷。

非控股權益指本公司並非直接或間接應佔的子公司權益，且本集團並未同意與該等權益持有人增訂條款而導致本集團整體須就該等權益符合金融負債定義承擔合約責任。對各業務合併而言，本集團可選擇以公允值或按非控股權益所佔子公司可識別資產淨值的比例計量任何非控股權益。

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(Expressed in Renminbi unless otherwise indicated)
(除另有指明外，均以人民幣列示)

I SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(d) Subsidiaries and non-controlling interests (Cont'd)

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with notes I(p), (q) or (r) depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note I(g)) or, when appropriate, the cost on initial recognition of an investment in an associate and joint venture (see note I(e)).

In the Company's statement of financial position, investment in a subsidiary is stated at cost less impairment losses (see note I(m)).

I 重大會計政策(續)

(d) 子公司及非控股權益(續)

非控股權益於合併財務狀況表的權益內與本公司權益股東應佔權益分開呈列。本集團業績的非控股權益在合併損益表及合併損益及其他全面收益表賬面呈列為年內損益總額及全面收入總額在非控股權益與本公司權益股東之間的分配。非控股權益持有人的貸款及對該等持有人所負的其他合約責任視乎負債性質，根據附註I(p)、(q)或(r)於合併財務狀況表中呈列為金融負債。

倘本集團於子公司的權益變動並未導致失去控制權，則入賬列作股權交易，而合併權益內控股及非控股權益的金額會就此作出調整，以反映相關權益的變動，但商譽不會作出調整且不會確認損益。

當本集團失去對一間子公司的控制權，則入賬列作出售該子公司的全部權益，因此產生的收益或虧損會於損益確認。於失去控制權之日在該前子公司保留的任何權益按公允價值確認，且有關金額視為初步確認金融資產時的公允價值(見附註I(g))，或(如適用)初步確認於聯營企業及合營企業投資時的成本(見附註I(e))。

在本公司的財務狀況表內，於子公司的投資按成本減減值虧損列賬(見附註I(m))。

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I SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(e) Associates and joint ventures

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A joint venture is an arrangement whereby the Group or Company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in an associate or a joint venture is accounted for in the consolidated financial statements under the equity method. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see notes I (f) and (m)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

I 重大會計政策(續)

(e) 聯營企業及合營企業

聯營企業是指集團或公司對其管理層(包括參與財務和經營政策決策)有重大影響力，但不包括控制權或共同控制權的實體。

合營企業是一項安排，據此，本集團或本公司與其他方在合約上協定分享此項安排的控制權，並有權擁有其淨資產。

於聯營企業或合營企業的投資以權益法於合併財務報表入賬。根據權益法，投資初步按成本列賬，其後就本集團應佔該被投資公司的可識別資產淨值的收購日期公允值超出投資成本的任何部分(如有)作出調整。其後，就本集團應佔該被投資公司的資產淨值的收購後變動及與投資相關的任何減值虧損(見附註 I (f) 及 (m)) 作出調整。收購日期超出成本的任何部分、本集團年內應佔被投資公司的收購後稅後業績及任何減值虧損於合併損益表內確認，而本集團應佔被投資公司的其他全面收入的收購後稅後項目則於合併損益及其他全面收益表內確認。

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I SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(e) Associates and joint ventures (Cont'd)

When the Group's share of losses exceeds its interest in the associate or the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate or the joint venture.

Unrealised profits and losses resulting from transactions between the Group and its associates and joint venture are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note I(g)).

I 重大會計政策(續)

(e) 聯營企業及合營企業(續)

當本集團應佔一間聯營企業或合營企業的虧損超出其於該企業的權益時，本集團的權益扣減至零並會終止確認進一步虧損，但本集團產生法定或推定責任或代表被投資公司付款則除外。就此而言，本集團的權益為以權益法入賬的投資賬面值，連同實質上屬本集團於聯營企業或合營企業投資淨額一部分的長期權益。

本集團與聯營企業及合營企業進行交易產生的未變現利潤及虧損將以本集團於被投資公司的權益為限予以對銷，除非該未變現虧損證明已轉讓資產出現減值，在此情況下，則即時於損益內確認相關虧損。

當本集團不再對聯營企業有重大影響或對合營企業擁有共同控制權時，則按出售於被投資公司的全部權益入賬，所產生之收益或虧損於損益中確認。任何於喪失重大影響或共同控制權當日在前被投資公司保留的權益按公允值確認及該金額被視為於初步確認金融資產的公允值(見附註I(g))。

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I SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(f) Goodwill

Goodwill represents the excess of

- (i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over
- (ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or Groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note I(m)).

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

I 重大會計政策(續)

(f) 商譽

商譽指(i)超過(ii)的差額：

- (i) 所轉讓對價的公允值、於被收購公司的任何非控股權益金額及本集團先前於被收購公司持有的股本權益公允值的總和；
- (ii) 被收購公司的可識別資產及負債於收購當日計量的公允淨值。

當(ii)較(i)為大，則該超出數額即時在損益表內確認為議價收購的收益。

商譽按成本減累計減值虧損列賬。來自業務合併的商譽將分配至預期可受惠於合併協同效益的現金產生單位或現金產生單位組合，並會每年進行減值測試(見附註I(m))。

年內出售現金產生單位時，已將所購入商譽的任何應佔金額計入出售損益內。

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I SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(g) Other investments in equity securities

The Group's policies for investments in equity securities, other than investments in subsidiaries, associates and joint ventures, are as follows:

Investments in equity securities are initially stated at fair value, which is their transaction price unless it is determined that the fair value at initial recognition differs from the transaction price and that fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise below. These investments are subsequently accounted for as follows, depending on their classification:

Investments in securities which are not held for trading are classified as available-for-sale securities. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve. As an exception to this, investments in equity securities that do not have a quoted price in an active market for an identical instrument and whose fair value cannot otherwise be reliably measured are recognised in the statement of financial position at cost less impairment losses (see note I(m)). Dividend income from equity securities is recognised in profit or loss in accordance with the policies set out in note I(w)(vi).

When the investments are derecognised or impaired (see note I(m)), the cumulative gain or loss recognised in equity is reclassified to profit or loss. Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire.

I 重大會計政策(續)

(g) 於股本證券的其他投資

本集團對股本證券的投資(除對子公司、聯營企業及合營企業的投資外)政策如下：

股本證券的投資初步按公允價值列賬，有關公允價值為交易價，除非確定初步確認的公允價值與交易價有所不同及於活躍市場上就相同資產或負債的報價可證明該公允價值，或公允價值乃根據評估技術(從可觀察市場獲取的數據)計算。成本包括應佔交易成本，但下文另有所指者除外。該等投資(視乎分類)隨後按下列方式列賬：

不屬於持作買賣的證券投資分類為可供出售證券。公允價值於各報告期末重新計量，所產生的任何收益或虧損於其他全面收入內確認，並另行累積計入公允價值儲備的權益。在例外情況下，當股本證券投資於活躍市場並無相同工具的報價且公允價值無法可靠計量時，則按成本減減值虧損於財務狀況表確認(見附註I(m))。股本證券股息收入按附註I(w)(vi)所載政策於損益內確認。

當終止確認投資或投資出現減值時(見附註I(m))，於權益內確認的累計收益或虧損重新分類至損益。在本集團承諾購買/出售投資或投資到期當日確認/終止確認有關投資。

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I SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(h) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

(i) Investment property

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note I(l)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are stated at fair value, unless they are still in the course of construction or development at the end of the reporting period and their fair value cannot be reliably measured at that time. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in note I(w)(ii).

I 重大會計政策(續)

(h) 衍生金融工具

衍生金融工具初步按公允值確認，於各報告期末重新計量公允值。重新計量公允值的收益或虧損即時於損益確認。

(i) 投資物業

投資物業是指為賺取租金收入及／或為資本增值而以租賃權益(見附註 I(l)) 擁有或持有的土地及／或建築物，當中包括就當前尚未確定未來用途持有的土地及正在建造或開發以供日後用作投資物業的物業。

投資物業按公允值列賬，除非於報告期末仍在建造或開發且不能可靠確定公允值。投資物業公允值的變動，或報廢或處置投資物業所產生的任何收益或虧損均於損益中確認。投資物業的租金收入按照附註 I(w)(ii) 所述方式入賬。

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I SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(j) Property, plant and equipment

Items of property, plant and equipment are stated in the consolidated statement of financial position at cost less accumulated depreciation and impairment losses (see note I(m)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note I(y)).

Construction in progress is transferred to property, plant and equipment when it is ready for its intended use. No depreciation is provided against construction in progress.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in the consolidated statement of profit or loss on the date of retirement or disposal.

I 重大會計政策(續)

(j) 物業、廠房及設備

物業、廠房及設備項目按成本減累計折舊及減值虧損(見附註I(m))於合併財務狀況表內列賬。

自建物業、廠房及設備項目的成本包括材料成本、直接勞工成本以及拆卸及搬遷項目與恢復項目所在地原貌的初步估計成本(如有關)及適當比例的間接生產成本及借貸成本(見附註I(y))。

當在建工程可作擬定用途時，轉為物業、廠房及設備。在建工程不計提折舊。

報廢或出售物業、廠房及設備項目所產生的收益或虧損按出售所得款項淨額與該項目賬面值的差額釐定，並於報廢或出售當日的合併損益表確認。

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I SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(j) Property, plant and equipment (Cont'd)

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

		Years	Estimated residual value as a percentage of costs
		年期	估計剩餘價值佔成本百分比
Buildings	樓宇	20 - 40	5%
Motor vehicles	汽車	4	5%
Office equipment	辦公設備	3 - 5	5%

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

I 重大會計政策(續)

(j) 物業、廠房及設備(續)

折舊是採用直線法按估計可使用年期撇銷物業、廠房及設備項目的成本並扣除其估計剩餘價值(如有)計算，詳情如下：

		Years	Estimated residual value as a percentage of costs
		年期	估計剩餘價值佔成本百分比
Buildings	樓宇	20 - 40	5%
Motor vehicles	汽車	4	5%
Office equipment	辦公設備	3 - 5	5%

倘物業、廠房及設備項目各部分的可使用年期不同，該項目的成本按合理基準於各部分之間分配，且各部分單獨折舊。資產的可使用年期及其剩餘價值(如有)均每年進行審閱。

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I SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(k) Intangible assets (other than goodwill)

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note I(m)(ii)).

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible asset with finite useful life is amortised from the date it is available for use and its estimated/contracted useful life is as follows:

Software	5-10 years
Franchises granted	15 years

Both the period and method of amortisation are reviewed annually.

(l) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

I 重大會計政策(續)

(k) 無形資產(商譽除外)

本集團所收購的無形資產以成本減累計攤銷(當估計可使用年期有限時)及減值虧損(見附註 I(m)(ii)) 列賬。

具有有限可使用年期的無形資產攤銷按資產估計可使用年期於損益內以直線法攤銷。以下具有有限可使用年期的無形資產於其可供使用當日起攤銷，其估計/合約可使用年期如下：

軟件	5-10年
授予特許經營權	15年

攤銷期間及方法均每年進行審核。

(l) 租賃資產

倘本集團釐定一項安排賦予於一段協定期間內使用一項指定資產或多項資產的權利，並以付款或系列付款作為交換，則該項安排(包括交易或系列交易)為或包含一項租賃。本集團經評估該項安排的實際內容後作出相關決定，並不會考慮該項安排是否屬租賃的法定形式。

NOTES TO THE FINANCIAL STATEMENTS 財務報表附註

(Expressed in Renminbi unless otherwise indicated)
(除另有指明外，均以人民幣列示)

I SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(I) Leased assets (Cont'd)

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with the following exceptions:

- property held under operating leases that would otherwise meet the definition of an investment property is classified as investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease; and
- land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

I 重大會計政策(續)

(I) 租賃資產(續)

(i) 租賃予本集團的資產分類

租賃予本集團的資產分類對於本集團根據租約持有的資產，倘租賃使所有權的絕大部分風險及回報轉移至本集團，有關資產便會劃歸為以融資租賃持有。倘租賃不會使所有權的絕大部分風險及回報轉移至本集團，則劃歸為經營租賃，但下列情況除外：

- 經營租賃持有但在其它方面均符合投資物業定義的物業，會按照每項物業的基準劃歸為投資物業。如果劃歸為投資物業，其入賬方式會如同以融資租賃持有一樣；及
- 就經營租賃持作自用的土地而言，倘於租賃開始時，其公允值無法與位於其上的樓宇的公允值分開計量，則作為融資租賃持有入賬，除非該樓宇亦根據一項經營租賃清楚持有。就以上目的而言，租賃開始日期是本集團首次簽訂租賃或從前承租人接手的時間。

NOTES TO THE FINANCIAL STATEMENTS 財務報表附註

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I SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(I) Leased assets (Cont'd)

(ii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property (see note I(i)), property under development for sale and completed property held for sale (see note I(n)).

If a sale and leaseback transaction results in an operating lease, and it is clear that the transaction is established at fair value, any profit or loss shall be recognised immediately. If the sale price is below fair value, any profit or loss shall be recognised immediately except that, if the loss is compensated for by future lease payments at below market price, it shall be deferred and amortised in proportion to the lease payments over the period for which the asset is expected to be used. If the sale price is above fair value, the excess over fair value shall be deferred and amortised over the period for which the asset is expected to be used.

I 重大會計政策(續)

(I) 租賃資產(續)

(ii) 經營租賃支出

倘本集團根據經營租賃使用持有的資產，根據租賃作出的付款會在租期所涵蓋的會計期間內，分期等額自損益扣除，倘有其他基準更能反映租賃資產所產生的收益模式則除外。所收取的租賃獎勵於損益內確認為所作出租賃淨付款總額的組成部分。或然租金在其產生的會計期間自損益扣除。

根據經營租賃所持土地的收購成本按直線法在租期內攤銷，但分類為投資物業(附註I(i))、待售在建物業及待售已完工物業(附註I(n))的物業除外。

倘售後租回交易引致經營租賃，且該交易明顯按公允值設立，則須即時確認任何損益。倘售價低於公允值，則須即時確認任何損益，倘以低於市價的未來租賃付款補償虧損，則有關損益須遞延並按租賃付款的比例在預期使用資產期間攤銷。倘售價高於公允值，則超過公允值的差額須遞延並在預期使用資產期間攤銷。

NOTES TO THE FINANCIAL STATEMENTS 財務報表附註

(Expressed in Renminbi unless otherwise indicated)
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I SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(I) Leased assets (Cont'd)

(iii) Assets leased out under finance leases

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. Title may or may not eventually be transferred.

When the Group is a lessor under finance leases, an amount representing the minimum lease payment receivables and initial direct costs is included in the statement of financial position as loans and accounts receivable. Any unguaranteed residual value is also recognised at the inception of the lease. The difference between the sum of the minimum lease payment receivables, initial direct costs, the unguaranteed residual value and their present value is recognised as unearned finance income. Unearned finance income is recognised over the period of the lease using the effective interest rate method.

I 重大會計政策(續)

(I) 租賃資產(續)

(iii) 融資租賃租出資產

融資租賃租出資產轉讓資產擁有權之絕大部分風險與回報之租賃列為融資租賃。所有權最終未必會轉讓。

倘本集團作為融資租賃出租人時，應收最低租賃款額與初始直接成本之款項於財務狀況表列作貸款及應收款項。未擔保餘值亦於租賃生效時確認。應收最低租賃款額、初始直接成本及無擔保餘值之總和與其現值兩者間之差額確認為未實現融資收益。未實現融資收益於租賃期間使用實際利率法確認。

NOTES TO THE FINANCIAL STATEMENTS 財務報表附註

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I SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(m) Impairment of assets

(i) Impairment of investments in equity securities and other receivables

Investment in equity securities and other current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale securities are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and
- a significant or prolonged decline in the fair value of an investment in equity securities below its cost.

I 重大會計政策(續)

(m) 資產減值

(i) 股本證券的投資及其他應收款項的減值

按成本或攤銷成本入賬的股本證券的投資及其他即期及非即期應收款項或分類為可供出售證券於各報告期末審核，以釐定是否存在減值的客觀證據。減值的客觀證據包括引起本集團注意到有關下列一項或多項虧損事件的可觀察數據：

- 債務人陷入重大財務困難；
- 違反合約，如欠付或拖延償還利息或本金；
- 債務人可能破產或進行其他財務重組；
- 科技、市場、經濟或法律環境出現重大變動，對債務人有不利影響；及
- 股本證券投資的公允價值嚴重或長期下跌至低於成本。

NOTES TO THE FINANCIAL STATEMENTS 財務報表附註

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I SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(m) Impairment of assets (Cont'd)

(i) Impairment of investments in equity securities and other receivables (Cont'd)

If any such evidence exists, any impairment loss is determined and recognised as follows:

- For investments in associates and joint ventures accounted for under the equity method in the consolidated financial statements (see note I(e)), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note I(m)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note I(m)(ii).

I 重大會計政策(續)

(m) 資產減值(續)

(i) 股本證券的投資及其他應收款項的減值(續)

倘存在任何該等證據，則按以下方式釐定及確認任何減值虧損：

- 就根據權益法於合併財務報表入賬之聯營企業及合營企業之投資(見附註I(e))而言，減值虧損乃根據附註I(m)(ii)透過比較投資之可收回金額與其賬面值計量。倘按附註I(m)(ii)用作釐定可收回金額之估計出現有利變動時，則撥回減值虧損。

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I SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(m) Impairment of assets (Cont'd)

(i) Impairment of investments in equity securities and other receivables (Cont'd)

- For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective Group.
- If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

I 重大會計政策(續)

(m) 資產減值(續)

(i) 股本證券的投資及其他應收款項的減值(續)

- 對於貿易及其他即期應收款項及其他按攤銷成本列賬的金融資產，倘貼現的影響屬重大，減值虧損以資產之賬面值與以金融資產原實際利率(即初步確認該等資產時所計算的實際利率)貼現的估計未來現金流量現值的差額計量。如該等金融資產具備類似風險特徵，例如類似逾期情況及並未單獨被評估為減值，則對該等資產進行集體評估。集體評估減值的金融資產的未來現金流量，是根據與整個組別信貸風險特徵類似的資產的過往虧損經驗作出。
- 倘減值虧損金額在其後期間減少，且客觀上與確認減值虧損後發生的事件有關，則減值虧損會通過損益撥回。減值虧損的撥回不得導致資產的賬面值超過以往年度並無確認減值虧損而應釐定的數額。

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I SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(m) Impairment of assets (Cont'd)

(i) Impairment of investments in equity securities and other receivables (Cont'd)

- For available-for-sale securities, the cumulative loss that has been recognised in the fair value reserve is reclassified to profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised in other comprehensive income.

I 重大會計政策(續)

(m) 資產減值(續)

(i) 股本證券的投資及其他應收款項的減值(續)

- 就可供出售證券而言，已確認於公允價值儲備的累計虧損重新分類至損益。確認至損益的累計虧損金額為收購成本(減任何本金還款及攤銷)與現時公允值的差額減過往確認於損益的資產的任何減值虧損。

有關可供出售股本證券於損益內確認的減值虧損並未通過損益撥回。該等資產的公允值的任何其後增加於其他全面收入確認。

NOTES TO THE FINANCIAL STATEMENTS 財務報表附註

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I SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(m) Impairment of assets (Cont'd)

(i) Impairment of investments in equity securities and other receivables (Cont'd)

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors and bill receivables included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors and bill receivables directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in the consolidated statement of profit or loss.

I 重大會計政策(續)

(m) 資產減值(續)

(i) 股本證券的投資及其他應收款項的減值(續)

減值虧損從相應資產中直接撇銷，但因包含在貿易及其他應收款項中的貿易應收賬款及應收票據的可收回性被視為難以預料而並非微乎其微，就其確認的減值虧損除外。在此情況下，呆賬的減值虧損以撥備賬記錄。當本集團確認能收回貿易應收賬款的機會微乎其微時，則視為不可收回金額會直接從貿易應收賬款及應收票據中撇銷，而在撥備賬中就該債務保留的任何金額會被撥回。倘之前計入撥備賬的款項在其後收回，則有關款項於撥備賬撥回。撥備賬的其他變動及其後收回先前直接撇銷的款項均於合併損益表中確認。

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I SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(m) Impairment of assets (Cont'd)

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- intangible assets;
- goodwill; and
- investments in subsidiaries in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, the recoverable amount is estimated annually whether or not there is any indication of impairment.

I 重大會計政策(續)

(m) 資產減值(續)

(ii) 其他資產減值

本集團會在各報告期末審核內部及外界資料，以識別是否有跡象顯示下列資產(除商譽外)可能出現減值或過往確認的減值虧損已不再存在或可能已減少：

- 物業、廠房及設備；
- 無形資產；
- 商譽；及
- 在本公司的財務狀況表內對子公司投資。

若存在上述任何跡象，則會估計有關資產的可收回金額。此外，就商譽而言，每年估計可收回金額，不論是否有減值跡象。

NOTES TO THE FINANCIAL STATEMENTS 財務報表附註

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I SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(m) Impairment of assets (Cont'd)

(ii) Impairment of other assets (Cont'd)

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

I 重大會計政策(續)

(m) 資產減值(續)

(ii) 其他資產減值(續)

– 計算可收回金額

資產可收回金額為其公允價值減處置成本與使用價值兩者中的較高者。在評估使用價值時，估計未來現金流量會使用可反映當時市場對貨幣時間值及資產特定風險的評估的稅前貼現率，貼現至其現值。倘資產所產生現金流入並非基本上獨立於其他資產所產生者，則以能獨立產生現金流入的最小資產組別(即現金產生單位)釐定可收回金額。

NOTES TO THE FINANCIAL STATEMENTS 財務報表附註

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I SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(m) Impairment of assets (Cont'd)

(ii) Impairment of other assets (Cont'd)

– Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

I 重大會計政策(續)

(m) 資產減值(續)

(ii) 其他資產減值(續)

– 確認減值虧損

當資產或其所屬現金產生單位的賬面值超過其可收回金額時，減值虧損於損益確認。就現金產生單位確認的減值虧損，會首先分配以減少分配予該現金產生單位(或該組單位)的任何商譽的賬面值，然後按比例減少該單位(或該組單位)內其他資產的賬面值，但資產賬面值不會減至低於其個別的公允值減處置成本(如可計量)或使用價值(如能釐定)。

– 撥回減值虧損

有關非商譽資產，倘用作釐定可收回金額的估計出現有利變化，則會撥回減值虧損。商譽的減值虧損不會撥回。

減值虧損的撥回僅限於過往年度並未確認減值虧損而應釐定的資產賬面值。所撥回減值虧損在確認撥回的年度計入損益。

NOTES TO THE FINANCIAL STATEMENTS 財務報表附註

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I SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(m) Impairment of assets (Cont'd)

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with IAS 34, *Interim financial reporting*, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes I(m)(i) and (ii)).

Impairment losses recognised in an interim period in respect of goodwill, available-for-sale equity securities carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates. Consequently, if the fair value of an available-for-sale equity security increases in the remainder of the annual period, or in any other period subsequently, the increase is recognised in other comprehensive income and not profit or loss.

I 重大會計政策(續)

(m) 資產減值(續)

(iii) 中期財務報告及減值

根據香港聯合交易所有限公司證券上市規則，本集團須按國際會計準則第34號中期財務報告編製財政年度首六個月的中期財務報告。本集團於中期期末採用與財政年度年末相同的減值測試、確認及撥回標準(見附註I(m)(i)及(ii))。

於中期期間就商譽、按成本列賬的可供出售股本證券確認的減值虧損不會於其後期間撥回(即使在與該中期期間相關的財政年度年末時並無或只有少數減值虧損需要確認的情況下)。因此，可供出售股本證券的公允價值倘於同一年度餘下期間或在任何其他其後的期間有所增加，則該增加須於其他全面收入而非於損益中確認。

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(Expressed in Renminbi unless otherwise indicated)
(除另有指明外，均以人民幣列示)

I SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(n) Inventories

Inventories in respect of property development activities are carried at the lower of cost and net realisable value. Cost and net realisable values are determined as follows:

- Properties held for future development for sale and properties under development for sale

The cost of properties held for future development for sale and properties under development for sale comprises specifically identified cost, including the acquisition cost of land use right, aggregate cost of development, materials and supplies, wages and other direct expenses, an appropriate proportion of overheads and borrowing costs capitalised (see note I(y)). Net realisable value represents the estimated selling price less estimated costs of completion and costs to be incurred in selling the property.

- Completed properties held for sale

In the case of completed properties developed by the Group, cost is determined by apportionment of the total development costs for that development project, attributable to the unsold properties. Net realisable value represents the estimated selling price less costs to be incurred in selling the property.

The cost of completed properties held for sale comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

I 重大會計政策(續)

(n) 存貨

有關物業開發活動的存貨以成本及可變現淨值兩者中的較低者入賬。成本及可變現淨值按下述方式釐定：

- 待售未來待開發物業及待售在建物業

待售未來待開發物業及待售在建物業的成本包含已明確識別的成本，包括土地使用權的收購成本，發展、物料和供應品總成本、工資及其他直接支出，以及適當比例之間接費用及資本化借貸成本(見附註 I(y))。可變現淨值為估計售價減估計完工成本及出售物業所產生的成本後的金額。

- 待售已完工物業

待售已完工物業本集團已完工物業的成本按未售物業所佔該開發項目總開發成本分攤計算。可變現淨值為估計售價減出售物業所產生的成本。

待售已完工物業的成本包括所有購買成本、轉換成本以及將存貨運往現時位置及達至現狀所產生的其他成本。

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I SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(n) Inventories (Cont'd)

– Other inventories

Other inventories mainly include low-value consumption goods and goods for sale. They are carried at the lower of cost and net realisable value. Cost is calculated using the weighted average cost formula and comprises all costs of purchase. When inventories are consumed or sold, the carrying amount of inventories is recognised as an expense in the year in which the consumption occurs or the revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs.

(o) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of doubtful debts (see note 1(m)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

I 重大會計政策(續)

(n) 存貨(續)

– 其他存貨

其他存貨主要包括低值易耗品及待售品。其他存貨按成本及可變現淨值兩者中的較低者入賬。成本利用加權平均成本公式計算，並包括所有購買成本。存貨消耗或出售時，其賬面值於消耗發生或收益確認當年確認為支出。將任何存貨撇減至可變現淨值的金額及所有存貨虧損於撇減或虧損發生期內確認為支出。

(o) 貿易及其他應收款項

貿易及其他應收款項初步按公允值確認，其後按攤銷成本減呆賬減值撥備(見附註1(m))入賬，但作為支付予關聯方的無固定還款期或貼現影響並不重大的免息貸款的應收款項除外。在此情況下，該等應收款項按成本減呆賬減值撥備入賬。

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I SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(p) Convertible notes

Convertible notes which do not contain an equity component are accounted for as follows:

At initial recognition the derivative component of the convertible notes is measured at fair value based on the presented as part of derivative financial instruments (see note I(h)). The equity component is initially recognised as the derivative component is recognised as a whole and the fair value of the liability component. Transaction costs that relate to the issue of the convertible note are allocated to the liability and derivative components in proportion to the allocation of proceeds.

The portion of the transaction costs relating to the liability component is recognised initially as part of the liability. The portion relating to the derivative component is recognised immediately in profit or loss.

The derivative component is subsequently remeasured in accordance with note I(h). The liability component is subsequently carried at amortised cost. The interest expense recognised in profit or loss on the liability component is calculated using the effective interest method.

If the note is converted, the carrying amounts of the derivative and liability components are transferred to share capital and share premium as consideration for the shares issued. If the note is redeemed, any difference between the amount paid and the carrying amounts of both components is recognised in profit or loss.

(q) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

I 重大會計政策(續)

(p) 可轉股票據

不含權益部分的可轉股票據的會計處理方法如下：

於初始確認時，可轉股票據的衍生部分按公允值計量，並呈列為衍生金融工具的一部分（請參閱附註I(h)）。權益部分初步確認為衍生部分確認為全部及負債部分的公允值。有關發行可轉股票據的交易成本按所得款項的比例分配至負債及衍生部分。

有關負債部分交易成本初步確認為負債部分，而有關衍生部分的交易成本則即時於損益中確認。

衍生部分其後根據附註I(h)重新計量。負債部分其後按攤銷成本入賬。負債部分於損益中確認的利息開支按實際利率法計算。

倘票據獲轉換，衍生及負債部分的賬面值轉撥至股本及股份溢價，作為所發行股份的代價。倘票據獲贖回，衍生及負債部分的已付金額與賬面值間的任何差額於損益確認。

(q) 計息借貸

計息借貸初步按公允值減應佔交易成本確認。於初步確認後，計息借貸按攤銷成本入賬，最初確認金額與贖回價值之間的任何差額（連同任何應付利息及費用）會在借貸期間內以實際利率法於損益確認。

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I SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(r) Trade and other payables

Trade and other payables are initially recognised at fair value. Trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(s) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(t) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Obligation for contributions to defined contribution retirement plans pursuant to the relevant labour rules and regulations in the People's Republic of China (the "PRC") are recognised as an expense in profit or loss as incurred, except to the extent that they are included in properties for sale not yet recognised as an expense.

I 重大會計政策(續)

(r) 貿易及其他應付款項

貿易及其他應付款項初步按公允價值確認。貿易及其他應付款項其後按攤銷成本列賬，除非貼現影響並不重大，在此情況下，則按成本入賬。

(s) 現金及現金等值物

現金及現金等值物包括銀行存款及現金、存放於銀行及其他金融機構的活期存款，以及短期且流動性極高的投資，該等投資可隨時變現為已知現金數額及無重大價值轉變的風險，於購入後三個月內到期。

(t) 僱員福利

(i) 短期僱員福利及定額供款退休計劃供款

薪金、年度獎金、帶薪年假、定額供款退休計劃及非貨幣福利的成本已於僱員提供合營企業服務的年度內計提。若延遲付款或結算及其影響屬重大，該等款項將按現值入賬。

除已計入待售物業而尚未確認為支出者外，根據中華人民共和國(「中國」)相關勞動法規及規例向定額供款退休計劃作出供款的責任在產生時於損益確認為支出。

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I SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(t) Employee benefits (Cont'd)

(ii) Equity settled share-based payment

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in the equity settled share-based payment reserve within equity. The fair value is measured at grant date using the binomial option pricing model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the equity settled share-based payment reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the equity settled share-based payment reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the equity settled share-based payment reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

I 重大會計政策(續)

(t) 僱員福利(續)

(ii) 以權益結算以股份為基礎的付款

向僱員所授購股權的公允價值確認為僱員成本，並於權益的以權益結算以股份為基礎的付款儲備作出相應增加。公允價值是於授出日期使用二項式期權定價模式並計及所授出購股權的條款及條件計量。倘僱員須在無條件享有購股權前符合歸屬條件，則購股權的估計公允價值總額經考慮購股權的歸屬可能性後於歸屬期內攤分。

歸屬期內會審閱預期將歸屬的購股權數目。除非原僱員開支合資格確認為資產，否則對過往年內已確認累計公允價值所作出的任何調整，均在審閱年度自損益扣除／計入損益，並對以權益結算以股份為基礎的付款儲備作出相應調整。於歸屬日期，會對確認為開支的數額作出調整，以反映所歸屬購股權的實際數目(並對以權益結算以股份為基礎的付款儲備作出相應調整)，但僅因未能達成與本公司股份市價有關的歸屬條件而遭失效的購股權則除外。權益金額於以權益結算以股份為基礎的付款儲備確認，直至購股權獲行使(屆時會轉撥至股本溢價)或購股權屆滿(屆時會直接撥入保留利潤)為止。

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I SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(t) Employee benefits (Cont'd)

(iii) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

(u) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

I 重大會計政策(續)

(t) 僱員福利(續)

(iii) 終止福利

終止福利於本集團不再能夠取消提供該等福利時及其確認涉及支付終止福利的重組成本時(以較早者為準)確認。

(u) 所得稅

年度所得稅包括即期稅項及遞延稅項資產與負債變動。即期稅項及遞延稅項資產與負債變動均在損益確認，但倘該等項目與於其他全面收益表或直接於權益確認的項目有關，則有關稅項分別於其他全面收益表或直接於權益確認。

即期稅項為年度應課稅收入的預期應付稅項，採用於報告期末已生效或實質已生效的稅率計算，同時考慮就過往年度應付稅項作出的任何調整。

遞延稅項資產及負債分別由可抵扣和應稅暫時差異產生，即財務報告所呈報資產及負債的賬面值與其稅基之間的差異。遞延稅項資產亦會因未動用稅項虧損及未動用稅項抵免而產生。

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I SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(u) Income tax (Cont'd)

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

I 重大會計政策(續)

(u) 所得稅(續)

除若干有限例外情況外，所有遞延稅項負債及所有遞延稅項資產均於日後可能有應課稅利潤用以抵銷可動用資產時確認。可支持確認源自可扣稅暫時性差額的遞延稅項資產的日後應課稅利潤，包括該等源自撥回現有應課稅暫時性差額者，但該等差額須與相同稅務機關及相同應課稅實體有關，並預期於撥回可扣減暫時性差額的同一期間或源自遞延稅項資產的稅項虧損可撥回或結轉的期間撥回。在評定現有應課稅暫時性差額是否支持確認因未動用稅項虧損及抵免產生的遞延稅項資產時採用相同的標準，即倘該等暫時性差額與相同稅務機關及相同應課稅實體有關，並預期於可使用稅項虧損或抵免期間內撥回，則會考慮確認遞延稅項資產。

確認遞延稅項資產及負債的有限例外情況為不可就稅務目的扣減的商譽、不影響會計或應課稅利潤的資產或負債的初步確認(前提是他們不屬於業務合併的一部分)所產生的暫時性差額，以及有關投資子公司的暫時性差額(如屬應課稅差額可以由本集團控制轉回時間，而且在可預見的未來不大可能轉回的差額，或如屬可扣減差額，則僅限於很可能在未來轉回的差額)。

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I SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(u) Income tax (Cont'd)

Where investment properties are carried at their fair value in accordance with the accounting policy set out in note 1(i), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

I 重大會計政策(續)

(u) 所得稅(續)

凡投資物業之公允值按附註1(i)所載的會計政策計量，其遞延稅項的確認以用於報告日期之資產出售的賬面值的稅率為準，除非該物業是可折舊的，並存在於某商業模式，其目的是隨著時間的推移消耗實質上附於該物業的所有經濟利益，而不是通過出售。在所有其他情況下，已確認的遞延稅項按預期變現或清償資產及負債賬面值的方式，以報告期末已頒佈或實質已頒佈的稅率計算。遞延稅項資產及負債並未貼現。

遞延稅項資產的賬面值會於各報告期末審閱，並扣減至不再可能取得足夠應課稅利潤以動用有關稅務利益為止。任何減幅會於可能取得足夠應課稅利潤時撥回。

分派股息所產生的額外所得稅於確認支付相關股息的責任時確認。

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I SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(u) Income tax (Cont'd)

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
 - the same taxable entity; or
 - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

I 重大會計政策(續)

(u) 所得稅(續)

即期稅項結餘與遞延稅項結餘及其變動單獨呈列，且不予抵銷。即期稅項資產與即期稅項負債以及遞延稅項資產與遞延稅項負債只會在本集團有法定執行權以即期稅項資產抵銷即期稅項負債，並在符合下列附帶條件的情況下，方可相互抵銷：

- 如屬即期稅項資產及負債，本集團計劃按淨額基準結算，或同時變現該資產及清償該負債；或
- 如屬遞延稅項資產及負債，倘他們與相同稅務機關就以下其中一項徵收的所得稅有關：
 - 相同應課稅實體；或
 - 不同應課稅實體，計劃在預期待有重大金額的遞延稅項負債或資產須予清償或可收回的各未來期間，按淨額基準變現即期稅項資產及清償即期稅項負債，或同時變現即期稅項資產及清償即期稅項負債。

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(Expressed in Renminbi unless otherwise indicated)
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I SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(v) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the “holder”) for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee is initially recognised as deferred income within trade and other payables. The fair value of financial guarantees issued at the time of issuance is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

I 重大會計政策(續)

(v) 已發出財務擔保、撥備及或然負債

(i) 已發出財務擔保

財務擔保指要求發行人(即擔保人)支付指定款項以向擔保受益人(「持有人」)賠償因指定債務人未能根據債務工具之條款支付到期款項而導致持有人蒙受損失的合約。

本集團發出財務擔保時，該擔保的公允值初步確認為貿易及其他應付款項內的遞延收入。已發出財務擔保於發出時的公允值乃參照在正常交易中就類似服務所收取的費用(當該等資料可得時)釐定，或通過比較在有擔保下貸款人收取的實際利率與假設沒有擔保下估計貸款人應收取的利率(如該等資料能可靠估計)，參照利率差額作出估計。倘就發出有關擔保已收或應收對價，則有關對價根據適用於該類別資產的本集團政策確認。倘並無該等已收或應收對價，則於初步確認任何遞延收入時即時於損益確認開支。

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I SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(v) Financial guarantees issued, provisions and contingent liabilities (Cont'd)

(i) Financial guarantees issued (Cont'd)

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note I(v)(ii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

(ii) Other provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

I 重大會計政策(續)

(v) 已發出財務擔保、撥備及或然負債(續)

(i) 已發出財務擔保(續)

初步確認為遞延收入的擔保金額，作為已發出財務擔保的收入於擔保期內在損益攤銷。此外，倘(i)擔保持有人有可能要求本集團履行有關擔保，及(ii)對本集團提出的申索款額預期超過現時就該擔保於貿易及其他應付款項所列金額(即初步確認的金額)減累計攤銷，則根據附註I(v)(ii)確認撥備。

(ii) 其他撥備及或然負債

當本集團或本公司須就過往事件承擔法定或推定責任，且履行責任可能須流出經濟利益並可作出可靠估計時，便會就尚未確定時間或金額的其他負債確認撥備。倘貨幣的時間價值重大，則按預計履行該責任所需支出的現值計提撥備。

倘不大可能需要流出經濟利益，或有關數額無法可靠估計，則該責任披露為或然負債，但倘流出經濟利益的可能性極低則除外。須視乎一宗或多宗未來事件是否發生才能確定存在與否的可能責任亦披露為或然負債，但倘流出經濟利益的可能性極低則除外。

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I SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(w) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sales of properties

Revenue arising from sale of properties is recognised when the significant risks and rewards of ownership have been transferred to the buyers. The Group considers that the significant risks and rewards of ownership are transferred when the construction of relevant properties have been completed and the properties have been delivered to the buyers.

Revenue from sale of properties excludes business tax or other sales related taxes and is after deduction of any trade discounts. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the statement of financial position as receipts in advance under trade and other payables.

(ii) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

I 重大會計政策(續)

(w) 收益確認

收益按已收或應收對價的公允值計量。倘經濟利益可能流入本集團且收益及成本(視情況而定)能可靠計量，則收益於損益確認如下：

(i) 銷售物業

銷售物業所得收益於所有權的重大風險及回報已轉至買方時確認。本集團認為，當相關物業竣工並交付予買方時，所有權的重大風險及回報即視為轉移。

銷售物業所得收益不包括營業稅或其他銷售相關稅項，為扣除任何貿易折扣後所得者。在收益確認當日前就出售物業所收定金及分期付款作為預收款項和貿易及其他應付款項計入財務狀況表。

(ii) 經營租賃的租金收入

經營租賃的應收租金收入在租期所涵蓋的期間內，以等額分期款項於損益確認，但倘有其他基準更清楚地反映使用租賃資產所產生之收益模式則除外。獲授的租賃優惠於損益確認為應收租賃淨付款總額的組成部分。或然租金在產生的會計期間確認為收入。

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I SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(w) Revenue recognition (Cont'd)

(iii) Service fee income

Service fee income in relation to property management service, advertising service and other ancillary services are recognised when such services are provided to customers.

(iv) Sale of goods

Revenue is recognised when goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

(v) Finance lease income

Finance lease income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts through the expected life of the net investment of the finance lease or a shorter period, when appropriate, to the net carrying amount of the net investment of the finance lease.

(vi) Dividends

Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

I 重大會計政策(續)

(w) 收益確認(續)

(iii) 服務費收入

有關物業管理服務、廣告服務及其他配套服務的服務費收入於向客戶提供該等服務時確認。

(iv) 銷售貨品

銷售貨品收益在貨品及時送達客戶場地且客戶接納貨品及其所有權相關的風險及回報時確認。收益不包括增值稅或其他銷售稅，並已扣除任何貿易折扣。

(v) 融資租賃收入

融資租賃收入，按應計基準以實際利率法按融資租賃的投資淨額在預計可使用年期或更短期間(如適用)估計在日後收取的現金貼現至融資租賃投資淨值的賬面淨值之實際利率確認。

(vi) 股息

來自非上市投資的股息收入於股東收取付款的權利確立時確認。

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I SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(w) Revenue recognition (Cont'd)

(vii) Interest income

Interest income is recognised as it accrues using the effective interest method.

(viii) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of assets are initially recognised as deferred income and subsequently deducted from the carrying amount of assets and consequently are effectively recognised in profit or loss when the inventories are sold or transferred to investment properties upon meeting the relevant conditions, if any, attaching to them.

(x) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

I 重大會計政策(續)

(w) 收益確認(續)

(vii) 利息收入

利息收入使用實際利率法於產生時確認。

(viii) 政府補助

倘可合理保證本集團能收取政府補助且符合有關補貼所附條件，則政府補助初步於財務狀況表確認。補償本集團所涉開支的補助於開支產生期間有系統地於損益確認為收入。補償本集團資產成本的補助初步確認為遞延收入，其後自資產賬面值扣除，最終於符合所附條件（如有）而出售或轉移存貨至投資物業時於損益有效確認。

(x) 外幣換算

年內外幣交易按交易日期現行的匯率換算。以外幣計值的貨幣資產及負債按報告期末現行的匯率換算。匯兌收益及虧損於損益確認。

以外幣計值並按歷史成本計量的非貨幣資產及負債按交易日期現行的匯率換算。以外幣計值並按公允值計量的非貨幣資產及負債按計量公允值當日現行的匯率換算。

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I SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(x) Translation of foreign currencies (Cont'd)

The results of foreign operations are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into RMB at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(y) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

I 重大會計政策(續)

(x) 外幣換算(續)

海外經營業績按交易日期現行匯率的近似匯率換算為人民幣。財務狀況表項目按各報告期末的收市匯率換算為人民幣。所產生的匯兌差額於其他全面收入確認，並於權益的外匯儲備內單獨累計。

出售境外業務時，有關境外業務匯兌差額的累計金額於確認出售損益時自權益重新分類至損益。

(y) 借貸成本

購置、興建或生產需要長時間籌備以作擬定用途或出售的資產直接相關的借貸成本資本化為該資產的部分成本。其他借貸成本於產生期間支銷。

當產生資產開支與借貸成本且正進行籌備資產以作擬定用途或出售的必要工作時，則開始將借貸成本資本化為合資格資產成本一部分。當籌備合資格資產以作擬定用途或出售的必要工作絕大部分中斷或完成時，會暫停或終止將借貸成本資本化。

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I SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(z) Related parties

- (a) A person, or a close member of that person's family, is related to the Group if that person:
- (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or the Group's parent.
- (b) An entity is related to the Group if any of the following conditions applies:
- (i) The entity and the Group are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a Group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.

I 重大會計政策(續)

(z) 關聯方

- (a) 倘屬以下人士，則該人士或該人士的近親家庭成員與本集團有關聯：
- (i) 對本集團擁有控制權或共同控制權；
 - (ii) 對本集團擁有重大影響力；或
 - (iii) 為本集團或本集團公司的主要管理層成員。
- (b) 倘實體符合以下條件，則與本集團有關聯：
- (i) 該實體與本集團屬同一集團的成員公司(即各母公司、子公司及同系子公司彼此間有關連)。
 - (ii) 一間實體為另一間實體的聯營企業或合營企業(或該其他實體所屬集團的公司的聯營企業或合營企業)。
 - (iii) 兩間實體均為同一第三方的合營企業。

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I SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(z) Related parties (Cont'd)

- (b) An entity is related to the Group if any of the following conditions applies: (Cont'd)
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (viii) The entity, or any member of a Group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

I 重大會計政策(續)

(z) 關聯方(續)

- (b) 倘實體符合以下條件，則與本集團有關聯：(續)
- (iv) 一間實體為第三方實體的合營企業，而另一實體亦為同一第三方實體的聯營企業。
- (v) 該實體為本集團或與本集團有關聯的實體就僱員福利而設的離職後福利計劃。
- (vi) 該實體受(a)所定義人士控制或受共同控制。
- (vii) 於(a)(i)所定義人士對該實體有重大影響力或屬該實體(或該實體的母公司)主要管理層成員。
- (viii) 該實體或該實體所屬集團的任何成員公司向該集團或集團母公司提供主要管理層成員服務。

一名人士的近親家庭成員指預期在與實體的交易中可影響該人士或受該人士影響的家庭成員。

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I SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(aa) Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

I 重大會計政策(續)

(aa) 分部報告

本集團為分配資源予本集團各項業務及各個地區以及評估各項業務及各個地區的業績，會定期向本集團大多數高級行政管理層提供財務資料。從該等資料中可找出於合併財務報表呈列的經營分部及各分部項目金額。

個別重大經營分部不會於財務申報時匯總，除非該等分部擁有相若的經濟特性，且其產品及服務性質、生產流程性質、客戶類型或類別、用以分銷產品或提供服務的方法以及監管環境的性質均相若。倘個別不重大經營分部擁有大部分該等特徵，則可能會匯總。

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2 ACCOUNTING JUDGEMENT AND ESTIMATES

(a) Critical accounting judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, management has made the following accounting judgement:

Classification between inventories, owner-occupied properties and investment properties

The Group develops property projects with an initial intention to be held for sale and retains a portion of properties held for own use. Judgement is made by management in determining whether a property is designated as a property held for sale, owner-occupied property or investment properties. The Group considers its intention for holding the properties at the early development stage of the related properties. During the course of development, the related properties under development are accounted for as (1) properties under development included in current assets if the properties are intended for sale after their completion; (2) owner-occupied properties included in properties, plant and equipment if the properties are intended for own use; and (3) investment properties under development if the properties are intended to be held to earn rentals and/or for capital appreciation.

2 會計判斷及估計

(a) 應用本集團會計政策時所作重大會計判斷

在應用本集團會計政策時，管理層曾作出以下會計判斷：

存貨、自有物業及投資物業的分類

本集團開發物業項目的基本目的為持作出售並保留部分所持有物業作自用。管理層在決定某項物業指定作持作出售物業、自用物業或投資物業時須作出判斷。本集團在有關物業開發初期即考慮持有物業的目的。在開發過程中，相關在建物業會按以下方式入賬：(1) 如物業在完成後擬作出售，則計入流動資產中的在建物業；(2) 如物業擬作自用，則計入物業、廠房及設備中的自用物業；及(3) 如物業擬持有以賺取租金收入及／或資本增值，則計入在建投資物業。

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(除另有指明外，均以人民幣列示)

2 ACCOUNTING JUDGEMENT AND ESTIMATES (Cont'd)

(b) Sources of estimation uncertainty

Notes 11, 31 and 33 contain information about the assumptions and their risk factors relating to valuation of investment property, fair value of share options granted and financial instruments. Other key sources of estimation uncertainty are as follows:

(i) Recognition of government grants

Government grants are initially recognised by the Group as a deferred income in the consolidated statement of financial position when an amount is received and are subsequently recognised or amortised in profit or loss on a systematic basis when there is reasonable assurance that the Group will comply with the specific conditions attached to the government grants. The Group is required to fulfil the requirements agreed with the local governments when conducting the related infrastructure construction and the Group assesses whether the conditions attached to the government grants are met based on management's best estimates, particularly in interpreting the fulfilment of conditions which are not clearly stated in the respective agreements.

2 會計判斷及估計(續)

(b) 估計不確定因素的來源

有關投資物業估值、已授出購股權的公允值及金融工具的公允值的假設及其風險因素的資料載於附註11、31及33。估計不確定因素的其他主要來源如下：

(i) 政府補助確認

本集團於收到政府補助時在合併財務狀況表初步確認為遞延收入，其後合理確定本集團將滿足接受政府補助的條件時按系統基準在損益內確認或攤銷。本集團於進行相關基礎設施建設時須符合與地方政府協定之規定，本集團根據管理層的最佳估計，評估是否已滿足政府補助的附帶條件，尤其是在相關協定並無明確說明履行條件的情況。

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2 ACCOUNTING JUDGEMENT AND ESTIMATES (Cont'd)

(b) Sources of estimation uncertainty (Cont'd)

(ii) Provision for PRC Land Appreciation Tax ("PRC LAT")

As explained in note 6(a), the Group has estimated, made and included in tax provision for PRC LAT according to the requirements set forth in the relevant PRC tax laws and regulations. The actual PRC LAT liabilities are subject to the determination by the tax authorities upon completion of the property development projects and the tax authorities might disagree with the basis on which the provision for PRC LAT is calculated. Significant judgment is required in determining the level of provision, as the calculation of which depends on the ultimate tax determination. Given the uncertainties of the calculation basis of PRC LAT as interpreted by the local tax bureau, the actual outcomes may be higher or lower than those estimated at the end of the reporting period. Any increase or decrease in the actual outcomes/estimates will impact the income tax provision in the period in which such determination is made.

2 會計判斷及估計(續)

(b) 估計不確定因素的來源(續)

(ii) 中國土地增值稅(「中國土地增值稅」)撥備

誠如附註6(a)所述，本集團已根據相關中國稅務法律法規所載規定，估計、作出及在稅項內計入中國土地增值稅撥備。實際的中國土地增值稅負債須待物業開發項目完工後，由稅務當局釐定，而稅務當局可能不同意本集團計算中國土地增值稅撥備的基準。由於中國土地增值稅撥備視乎最終稅額計算而定，故釐定撥備水平時須作出重大判斷。鑑於當地稅務局所詮釋的中國土地增值稅計算基準並不確定，實際結果可能會高於或低於報告期末所估計者。實際結果／估計的任何增減均會影響作出有關計算期間的所得稅撥備。

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2 ACCOUNTING JUDGEMENT AND ESTIMATES (Cont'd)

(b) Sources of estimation uncertainty (Cont'd)

(iii) Inventories

As explained in note 1(n), the Group's land held for future development, properties under development and completed properties held for sale are stated at the lower of cost and net realisable value. Based on the Group's recent experience and the nature of the subject property, the Group makes estimates of the selling price, the costs of completion in case for properties under development, and the costs to be incurred in selling the properties.

If there is an increase in costs to completion or a decrease in net sales value, provision for completed properties held for sale, properties held for future development and under development for sale may be resulted. Such provision requires the use of judgment and estimates. Where the expectation is different from the original estimate, the carrying value and provision for properties in the periods in which such estimate is changed will be adjusted accordingly.

Given the volatility of the PRC property market and the distinctive nature of individual properties, the actual outcomes in terms of costs and revenue may be higher or lower than estimated at the end of the reporting period. Any increase or decrease in the provision would affect profit or loss in future years.

2 會計判斷及估計(續)

(b) 估計不確定因素的來源(續)

(iii) 存貨

誠如附註1(n)所釋，本集團未來待開發土地、在建物業及待售已完工物業按成本與可變現淨值兩者中的較低數額列賬。根據本集團近期經驗及有關物業的性質，本集團就售價、在建物業的竣工成本及出售該物業的成本作出估計。

倘竣工成本增加或淨銷售額減少，則可能須就待售已完工物業、待售未來待開發物業及待售在建物業作出撥備。該等撥備需要運用判斷及估計。倘預期異於最初估計，則該等物業的賬面值及撥備於有關估計變動期間將相應予以調整。

鑑於中國物業市場波動及個別物業獨特性質使然，成本及收益的實際結果可能會高於或低於報告期末所估計者。撥備的任何增減均會影響未來年度的損益。

NOTES TO THE FINANCIAL STATEMENTS 財務報表附註

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2 ACCOUNTING JUDGEMENT AND ESTIMATES (Cont'd)

(b) Sources of estimation uncertainty (Cont'd)

(iv) Impairment for trade and other receivables

The Group estimates impairment losses for trade and other receivables resulting from the inability of the customers to make the required payments. The Group bases the estimates on the aging of the trade and other receivable balance, customer creditworthiness, and historical write-off experience. If the financial condition of the customers were to deteriorate, actual provisions would be higher than estimated.

(v) Recognition of deferred tax assets

Deferred tax assets are recognised and measured based on the expected manner of realisation or settlement of the carrying amount of the assets, using tax rates enacted or substantively enacted at the end of the reporting period. In determining the carrying amounts of deferred tax assets, expected taxable profits are estimated which involves a number of assumptions relating to the operating environment of the Group and require a significant level of judgment exercised by the Directors. Any change in such assumptions and judgment would affect the carrying amounts of deferred tax assets to be recognised and hence the net profit in future years.

2 會計判斷及估計(續)

(b) 估計不確定因素的來源(續)

(iv) 貿易及其他應收款項減值

本集團會對因客戶未能作出所需付款所產生的貿易及其他應收款項的減值虧損作出估計。本集團根據貿易及其他應收款項結餘的賬齡、客戶信譽及過往撇銷經驗作出估計。倘客戶的財務狀況惡化，則實際撇銷金額將高於預期。

(v) 遞延稅項資產確認

遞延稅項資產按報告期末已頒佈或實質頒佈的稅率，根據預期變現或結算資產賬面值的方式確認及計量。釐定遞延稅項資產賬面值時，預期應課稅利潤的估計涉及多項有關本集團經營環境的假設，需要董事行使重大程度的判斷。該等假設及判斷的任何變動將影響將予確認的遞延稅項資產賬面值，從而影響未來年度淨利。

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2 ACCOUNTING JUDGEMENT AND ESTIMATES (Cont'd)

(b) Sources of estimation uncertainty (Cont'd)

(vi) Recognition of construction costs on properties under development

Development costs of properties are recorded as properties under development during construction stage and will be transferred to profit or loss upon the recognition of the sale of the properties. Before the final settlement of the development costs and other costs relating to the sale of the properties, these costs are accrued by the Group based on management's best estimates. Any variations on the development costs upon final settlement will impact cost of sales included in profit or loss in future years.

(vii) Determining the deferred taxation on investment properties

The Group has leased out certain of the completed properties to third parties whereby the directors consider that such arrangement is not temporary. In the circumstance, the Group has decided to treat those properties as investment properties (and reclassifying them from completed properties held for sale to investment properties) because it is the Group's intention to hold these properties in long-term for rental income and/or capital appreciation.

2 會計判斷及估計(續)

(b) 估計不確定因素的來源(續)

(vi) 在建物業建設成本的確認

物業開發成本於工程階段入賬列為在建物業，並將於確認物業銷售後轉撥至損益。於最終結算開發成本及有關物業銷售的其他成本前，該等成本由本集團按管理層的最佳估計累計。於最終結算後開發成本的任何變動將影響計入日後年度損益的銷售成本。

(vii) 釐定投資物業之遞延稅項

本集團已向第三方租出若干已完工物業，據此董事認為該等安排並非臨時性安排。在此情況下，本集團決定將該等物業視為投資物業(並將其自待售已完工物業重新歸類為投資物業)，乃因本集團擬將該等物業用作長期租金收入及/或資本升值。

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2 ACCOUNTING JUDGEMENT AND ESTIMATES (Cont'd)

(b) Sources of estimation uncertainty (Cont'd)

(vii) Determining the deferred taxation on investment properties (Cont'd)

Under IAS 12, deferred tax is required to be measured with reference to the tax consequences that would follow the manner in which the entity expects to recover the carrying amount of the assets in question. In this regard, IAS 12 has a rebuttable presumption that the carrying amount of investment property carried at fair value under IAS 40, Investment property, will be recovered through sale. This presumption is rebutted on a property-by-property basis if the investment property in question is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

In this connection, the Group has reviewed its investment property portfolio on a regular basis and has concluded that as at 31 December 2017, the Group has determined that each of these properties are held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time and consequently the presumption in IAS 12 is rebutted for these properties. As a result, the Group has continued to measure the deferred tax relating to these other properties using the tax rate that would apply as a result of recovering their value through use.

2 會計判斷及估計(續)

(b) 估計不確定因素的來源(續)

(vii) 釐定投資物業之遞延稅項(續)

根據國際會計準則第12號，遞延稅項須按企業預期收回有關資產賬面值之方式可能產生之稅務後果計量。就此而言，國際會計準則第12號引入一項可予駁回之假設：根據國際會計準則第40號投資物業，以公允值列賬之投資物業之賬面值將通過出售收回。此假設以單獨物業為基礎可被反駁，假如該投資物業是可以折舊及以一種業務模式持有，而該模式的目的是旨在假以時日消耗該投資物業大部分經濟收益，而非經出售。

就此而言，本集團已定期審核投資物業組合並得出結論，於2017年12月31日，本集團已確定持有各項物業所奉行之業務模式均為旨在假以時日消耗投資物業所包含之絕大部分經濟利益，故就該等物業駁回國際會計準則第12號中之假設。因此，本集團繼續採用將在透過使用而收回價值之情況下適用之稅率就該等其他物業計量遞延稅項。

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3 REVENUE AND SEGMENT REPORTING

The principal activities of the Group are development, sales and operation of commercial trade and logistics centres and residential properties in the PRC.

Revenue represents income from sales of properties, property management services income and rental income net of sales related taxes and is after deduction of any trade discounts.

The amounts of each significant category of revenue recognised in revenue during the year are as follows:

		2017	2016
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Sales of properties	物業銷售	1,697,273	2,226,617
Rental income	租金收入	23,901	45,130
Property management services	物業管理服務	49,664	42,092
Others	其他	21,583	21,938
		1,792,421	2,335,777

The Group's customer base is diversified and none of the customers of the Group with whom transactions have exceeded 10% of the Group's revenue.

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial data and information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations. No segment information is presented in respect of the Group's operating segment as the Group is principally engaged in one segment in the PRC. The Group does not operate in any other geographical or business segment during the year.

3 收益及分部報告

本集團的主要業務為在中國進行商貿物流中心及住宅物業的開發、銷售及經營。

收益指物業銷售收入、物業管理服務收入及租金收入，其中已扣除銷售相關稅項及任何交易折扣。

年內已於收益中確認的每項重大收益類別的金額如下：

	2017	2016
	RMB'000	RMB'000
	人民幣千元	人民幣千元
Sales of properties	1,697,273	2,226,617
Rental income	23,901	45,130
Property management services	49,664	42,092
Others	21,583	21,938
	1,792,421	2,335,777

本集團的客戶群呈多元化，概無本集團任何客戶與本集團的交易額佔本集團收益的10%以上。

為分配資源予本集團各項業務及各個地區以及評估各項業務及各個地區的業績，本集團會定期向最高行政管理層提供財務數據及資料，而從該等數據及資料中可識別經營分部及於合併財務報表報告的各分部項目金額。由於本集團於中國主要從事一個分部，故並無呈列本集團的經營分部資料。年內本集團並無於任何其他地區或業務分部經營。

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4 OTHER INCOME

4 其他收入

		2017	2016
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Net gain on disposal of subsidiaries (note 24(d))	出售子公司的收益淨額(附註24(d))	198,175	—
Income from return of prepaid investment cost (i)	預付投資成本回報的收入(i)	178,585	—
Net gain on disposal of other non-current financial assets (ii)	出售其他非流動金融資產的收益淨額(ii)	123,436	2,000
Dividend income	股息收入	867	1,308
Government grants (iii)	政府補助(iii)	6,890	5,531
Net gain on disposal of other current assets	出售其他流動資產的收益淨額	4,036	547
Net gain on disposal of property, plant and equipment	出售物業、廠房及設備收益淨額	643	37
Fair value (loss)/gain on derivative financial instrument	衍生金融工具的公允價值(損失)/收益	(22,446)	9,132
Others	其他	1,614	3,433
		491,800	21,988

(i) In prior year, the Group prepaid investment cost of RMB245,700,000 in respect of a property development project. During the year, the investment was terminated and the Group received a total amount of RMB424,285,000 from the counterparty. This resulted a gain of RMB178,585,000 in profit or loss during this year.

(i) 往年，本集團就物業開發項目預付投資成本人民幣245,700,000元。年內，本集團自交易方獲得總額人民幣424,285,000元，故年內損益表內確認收入為人民幣178,585,000元。

(ii) During the year, the Group completed the disposal of its beneficial equity interest in Shenzhen Qian Hai International Energy Financial Center Co.,Ltd. for a total consideration of RMB203,436,000. This resulted in a net gain on disposal of RMB123,436,000.

(ii) 年內，本集團完成出售其於深圳前海國際能源金融中心有限公司之實益股權。總代價為人民幣203,436,000元，故出售淨收益為人民幣123,436,000元。

(iii) During the year, the Group transferred certain completed properties held for sale and properties under development for sale to investment properties (note 11). The related government grants of RMB3,604,000 (2016: RMB2,962,000) previously recorded as deferred income (note 29) were recognised in profit or loss as other income during the year.

(iii) 年內，本集團將若干待售已完工物業及持作出售在建物業轉讓至投資物業(附註11)。先前入賬列為遞延收入(附註29)的相關政府補助人民幣3,604,000元(2016年：人民幣2,962,000元)年內於損益表內確認為其他收入。

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5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after (crediting)/charging:

(a) Finance income and finance costs

		2017	2016
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Finance income	財務收入		
Interest income	利息收入	(5,722)	(8,299)
Finance costs	融資成本		
Interest on bank loans and other borrowings	銀行貸款及其他借貸的利息	147,250	170,136
Interest on corporate bonds	公司債券的利息	15,830	517
Interest on convertible notes	可轉股票據利息	—	64,400
Interest on senior notes	優先票據利息	195,650	127,654
		358,730	362,707
Less: interest expense capitalised into properties under development *	減：資本化撥入在建物業的利息開支*	(91,125)	(133,876)
		267,605	228,831
Net foreign exchange loss	匯兌虧損淨額	7,416	11,608
		275,021	240,439

* The borrowing costs have been capitalised at rates ranging from 5.15% - 9.03% per annum (2016: 4.75% - 9.00%).

* 借貸成本已按年利率5.15%至9.03%（2016年：4.75%至9.00%）資本化。

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5 PROFIT BEFORE TAXATION (Cont'd)

(b) Staff costs:

		2017	2016
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Contributions to defined contribution retirement plans	定額供款退休計劃	10,561	13,070
Salaries, wages and other benefits	薪金、工資及其他福利	242,682	275,996
Equity settled share-based payments (note 31)	以權益結算以股份為基礎的付款 (附註31)	3	(194)
		253,246	288,872

5 除稅前利潤(續)

(b) 員工成本：

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5 PROFIT BEFORE TAXATION (Cont'd)

(c) Other items:

		2017	2016
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Depreciation and amortisation	折舊及攤銷	33,738	36,282
Impairment losses	減值虧損		
– trade and other receivables (note 22)	– 貿易及其他應收款項(附註22)	2,639	7,225
– property, plant and equipment (note 10)	– 物業、廠房及設備(附註10)	956	7,340
– intangible assets (note 12)	– 無形資產(附註12)	243	613
– inventory	– 存貨	497	—
Write off of deposits	撇銷定金	—	1,000
Write off of goodwill	撇銷商譽	1,379	—
Accrued estimated compensation in relation to a sub-lease arrangement (note 25(d))	轉租安排應計提的預計賠償(附註25(d))	—	43,050
Reversal of over-accrued estimated compensation in relation to a sub-lease arrangement (note 25(d))	撥回轉租安排多計提的預計賠償(附註25(d))	(35,956)	—
Auditor's remuneration	核數師酬金	3,850	3,750
Operating lease charges	經營租賃支出	15,105	57,220
Rentals receivable from investment properties	投資物業應收租金	11,994	13,592
Cost of properties sold (i)	已售物業成本(i)	1,017,722	976,697

(i) Cost of properties sold is after netting off of utilization of deferred income in respect of government grants of RMB220,649,000 for the year ended 31 December 2017 (2016: RMB468,759,000) (note 29).

(i) 截至2017年12月31日止年度，已售物業成本經扣除使用政府補助的遞延收入人民幣220,649,000元後得出(2016年：人民幣468,759,000元)(附註29)。

NOTES TO THE FINANCIAL STATEMENTS 財務報表附註

(Expressed in Renminbi unless otherwise indicated)
(除另有指明外，均以人民幣列示)

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

6 合併損益表內的所得稅

(a) Taxation in the consolidated statement of profit or loss represents:

(a) 合併損益表內的稅項指：

		2017	2016
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Current tax	即期稅項		
PRC Corporate Income Tax ("PRC CIT") (iii)	中國企業所得稅(「中國企業所得稅」)(iii)	175,192	164,002
PRC LAT (iv)	中國土地增值稅 (iv)	198,754	124,270
		373,946	288,272
Deferred tax	遞延稅項		
Origination and reversal of temporary differences (note 17(b))	暫時性差額的產生及撥回(附註 17(b))	84,780	69,043
		458,726	357,315

(i) Pursuant to the rules and regulations of the Cayman Islands, the Group is not subject to any income tax in this jurisdiction.

(i) 根據開曼群島規則及法規，本集團於該司法權區毋須繳納任何所得稅。

(ii) No provision for Hong Kong Profits Tax was made as the Group did not earn any income subject to Hong Kong Profits Tax for the year (2016: Nil).

(ii) 由於本集團期內並無賺取任何須繳納香港利得稅的收入，故並無就香港利得稅計提撥備(2016年：零)。

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6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS (Cont'd)

(a) Taxation in the consolidated statement of profit or loss represents: (Cont'd)

(iii) PRC CIT

The Group's PRC subsidiaries are subject to statutory tax rate of 25% on their assessable profits.

In July 2013, Ganzhou Hydoo Commercial and Trade Logistics Park Development Co., Ltd. ("**Ganzhou Trade Centre**") was approved to enjoy a preferential PRC CIT rate of 15% for the years from 2012 to 2020 according to a tax notice issued by the local tax bureau.

In December 2015, Wuzhou Hydoo Commercial and Trade Centre Development Co., Ltd. ("**Wuzhou Trade Centre**") was also approved to enjoy a preferential PRC CIT rate of 15% for the years from 2015 to 2020 according to a tax notice issued by the local tax bureau.

The preferential tax treatment was based on various tax rules and regulations in relation to PRC government's strategy in encouraging investment and development of wholesale trading markets in certain regions in the PRC.

6 合併損益表內的所得稅(續)

(a) 合併損益表內的稅項指：(續)

(iii) 中國企業所得稅

本集團的中國子公司須就其應課稅利潤按25%的法定稅率繳稅。

2013年7月，贛州毅德商貿物流園開發有限公司（「**贛州商貿物流園**」）根據地方稅務局頒佈的稅務通知獲批自2012年至2020年享受15%的優惠中國企業所得稅稅率。

2015年12月，梧州毅德商貿物流城開發有限公司（「**梧州商貿物流城**」）根據地方稅務局頒佈的稅務通知亦獲批自2015年至2020年享受15%的優惠中國企業所得稅稅率。

該稅務優惠是基於與中國政府鼓勵中國若干地區投資及發展商貿物流業的政策有關的多項稅務規則及法規。

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6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS (Cont'd)

(a) Taxation in the consolidated statement of profit or loss represents: (Cont'd)

(iv) PRC LAT

PRC LAT which is levied on properties developed for sale by the Group in the PRC, at progressive rates ranging from 30% to 60% on the appreciation value, which under the applicable regulations is calculated based on the proceeds of sales of properties less deductible expenditures including lease charges of land use rights, borrowing costs and all qualified property development expenditures. Deferred tax assets arising from PRC LAT accrued are calculated based on the applicable income tax rates when they are expected to be cleared.

In addition, certain subsidiaries of the Group were subject to PRC LAT which were calculated based on 6% to 8% of their revenue in accordance with the authorised tax valuation method approved by respective local tax bureau.

The directors of the Company are of the opinion that the authorised tax valuation method is one of the allowable taxation methods in the PRC and the respective local tax bureaus are the competent tax authorities to approve the authorised tax valuation method in charging PRC LAT to the respective PRC subsidiaries of the Group, and the risk of being challenged by the State Administration of Taxation or any tax bureau of higher authority is remote.

(v) PRC dividend withholding tax

Withholding tax is levied on Hong Kong companies in respect of dividend distributions arising from profit of PRC subsidiaries earned after 1 January 2008 at 5%.

6 合併損益表內的所得稅(續)

(a) 合併損益表內的稅項指：(續)

(iv) 中國土地增值稅

本集團銷售於中國所開發物業須按價值增幅以30%至60%的累進稅率繳納中國土地增值稅，根據適用規例，中國土地增值稅是按銷售物業所得款項減可扣稅開支（包括土地使用權租賃支出、借貸成本及所有合資格物業開發開支）計算。中國土地增值稅產生的遞延稅項資產於他們預期結算時按適用所得稅稅率計算。

此外，本集團的若干子公司根據相關的地方稅務局批准的核定計稅方法，基於收益的6%至8%計算中國土地增值稅。

本公司董事認為，其獲准採用的核定計稅方法是中國認可的計稅方法之一，而本集團中國子公司所在地的各地方稅務局為批准該等公司以核定計稅方法徵收中國土地增值稅的主管稅務機關，故受國家稅務總局或任何上級主管稅務機關質疑的風險不大。

(v) 中國股息預扣稅

香港公司須就因中國子公司於2008年1月1日之後賺取的利潤分派的股息繳納5%的預扣稅。

NOTES TO THE FINANCIAL STATEMENTS 財務報表附註

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6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS (Cont'd)

6 合併損益表內的所得稅(續)

(b) Reconciliation between income tax and accounting profit at applicable tax rates:

(b) 所得稅與按適用稅率計算的會計利潤的對賬：

		2017	2016
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Profit before taxation	除稅前利潤	713,981	712,463
Notional tax on profit before taxation, calculated at the rates applicable to profits in the countries concerned	按有關國家適用於利潤的稅率計算的除稅前利潤的名義稅項	286,286	207,299
Tax effect of non-deductible expenses	不可扣稅開支的稅務影響	6,293	4,730
Tax effect of non-taxable income	毋須課稅收入的稅務影響	(217)	(327)
Tax effect of unused tax losses not recognised	未確認未動用稅項虧損的稅務影響	30,126	56,059
Tax effect of temporary differences not recognised	未確認暫時性差異的稅務影響	12,029	—
Utilisation of previously unrecognised tax losses	動用先前未經確認的稅項虧損	(18,800)	(1,287)
PRC LAT (note 6(a)(iv))	中國土地增值稅(附註6(a)(iv))	198,754	124,270
Tax effect on PRC LAT	中國土地增值稅稅務影響	(48,348)	(29,652)
Tax concessions (note 6(a)(iii))	稅務優惠(附註6(a)(iii))	(7,397)	(3,777)
Total income tax	所得稅總額	458,726	357,315

NOTES TO THE FINANCIAL STATEMENTS 財務報表附註

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7 DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

7 董事薪酬

董事薪酬根據香港公司條例第383(1)條及公司(披露董事利益資料)規例第2部披露如下：

		2017				
		Salaries allowances and benefits in kind	Retirement scheme contributions	Equity settled share-based payment 以權益結算以 股份為基礎 的付款	Total	
Directors' fee 董事袍金		RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元	
Executive directors:	執行董事：					
Wang Jianli	王健利	100	3,916	—	4,016	
Wang Dewen	王德文	100	2,963	88	3,151	
Huang Dehong	黃德宏	100	2,052	52	2,204	
Non-executive director:	非執行董事：					
Yuan Bing	袁兵	260	—	—	260	
Independent non-executive directors:	獨立非執行董事：					
Zhao Lihua	趙立華	100	140	—	240	
Wang Lianzhou	王連洲	100	140	13	253	
Lam Chi Yuen Nelson	林智遠	260	—	13	273	
		1,020	9,211	140	10,397	

NOTES TO THE FINANCIAL STATEMENTS 財務報表附註

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7 DIRECTORS' EMOLUMENTS (Cont'd)

7 董事薪酬(續)

		2016					
		Salaries allowances and benefits in kind	Retirement scheme	Equity settled share-based payment	Retirement scheme	以權益結算以 股份為基礎 的付款	Total
Directors' fee	薪金、津貼及 董事袍金	實物福利	退休計劃供款	RMB'000	RMB'000	RMB'000	RMB'000
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元
Executive directors:	執行董事：						
Wang Jianli	王健利	1,075	2,941	—	—	—	4,016
Wang Dewen	王德文	182	2,885	79	—	—	3,146
Huang Dehong	黃德宏	450	1,917	53	—	—	2,420
Non-executive directors:	非執行董事：						
Yuan Bing	袁兵	240	—	—	—	—	240
Wang Wei (a)	王威 (a)	—	—	—	—	—	—
Independent non-executive directors:	獨立非執行董事：						
Zhao Lihua	趙立華	135	105	—	—	—	240
Wang Lianzhou	王連洲	135	105	—	—	30	270
Lam Chi Yuen Nelson	林智遠	240	—	—	—	30	270
		2,457	7,953	132	60	—	10,602

(a) Resigned on 21 September 2016.

(a) 於2016年9月21日辭任。

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8 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, three (2016: two) are directors. The emoluments of these directors are disclosed in note 7. The aggregate of the emoluments in respect of the other two (2016: three) individuals are as follows:

		2017 RMB'000 人民幣千元	2016 RMB'000 人民幣千元
Retirement scheme contributions	退休計劃供款	70	63
Salaries, allowances and other benefits in kind	薪金、津貼及其他實物福利	6,103	14,681
Equity settled share-based payments (note 31)	以權益結算以股份為基礎的付款 (附註31)	—	—
		6,173	14,744

The emoluments of the two (2016: three) individuals with the highest emoluments are within the following bands:

		2017 Number of individuals 人數	2016 Number of individuals 人數
HK\$2,500,001-HK\$3,000,000	2,500,001 港元至 3,000,000 港元	1	—
HK\$3,000,001-HK\$3,500,000	3,000,001 港元至 3,500,000 港元	—	1
HK\$4,000,001-HK\$4,500,000	4,000,001 港元至 4,500,000 港元	1	—
HK\$6,500,001-HK\$7,000,000	6,500,001 港元至 7,000,000 港元	—	1
HK\$7,000,001-HK\$7,500,000	7,000,001 港元至 7,500,000 港元	—	1

8 最高薪人士

五名最高薪人士中有三名(2016年：兩名)為董事。該等董事的薪酬披露於附註7。其他兩名(2016年：三名)人士的薪酬總計如下：

	2017 RMB'000 人民幣千元	2016 RMB'000 人民幣千元
Retirement scheme contributions	70	63
Salaries, allowances and other benefits in kind	6,103	14,681
Equity settled share-based payments (note 31)	—	—
	6,173	14,744

兩名(2016年：三名)最高薪人士的薪酬介乎以下範圍：

	2017 Number of individuals 人數	2016 Number of individuals 人數
HK\$2,500,001-HK\$3,000,000	1	—
HK\$3,000,001-HK\$3,500,000	—	1
HK\$4,000,001-HK\$4,500,000	1	—
HK\$6,500,001-HK\$7,000,000	—	1
HK\$7,000,001-HK\$7,500,000	—	1

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(除另有指明外，均以人民幣列示)

9 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of RMB245,573,000 (2016: RMB350,280,000) and the weighted average of 4,014,844,000 ordinary shares (2016: 4,014,844,000 ordinary shares).

(b) Diluted earnings per share

For the year ended 31 December 2017 and 2016, the effect of deemed issue of shares under the Company's Pre-IPO Share Option Scheme for nil consideration was anti-dilutive.

9 每股盈利

(a) 每股基本盈利

每股基本盈利按本公司權益股東應佔利潤人民幣245,573,000元(2016年：人民幣350,280,000元)及普通股加權平均數4,014,844,000股(2016年：4,014,844,000股)計算。

(b) 每股攤薄盈利

截至2017年及2016年12月31日止年度，根據本公司首次公開發售前購股權計劃以零對價視作發行股份的影響已被反攤薄。

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10 PROPERTY, PLANT AND EQUIPMENT

10 物業、廠房及設備

		Buildings 樓宇 RMB'000 人民幣千元	Motor vehicles 汽車 RMB'000 人民幣千元	Office equipment 辦公設備 RMB'000 人民幣千元	Total 總計 RMB'000 人民幣千元
Cost:	成本：				
At 1 January 2016	於2016年1月1日	42,508	111,733	40,951	195,192
Additions	添置	379,251	19,391	5,282	403,924
Disposals	出售	—	(1,670)	(111)	(1,781)
At 31 December 2016 and 1 January 2017	於2016年12月31日 及2017年1月1日	421,759	129,454	46,122	597,335
Additions	添置	536	14,924	3,909	19,369
Disposals	出售	(24)	(3,323)	(1,081)	(4,428)
Disposal of subsidiaries	出售子公司	—	(3,743)	(1,868)	(5,611)
At 31 December 2017	於2017年12月31日	422,271	137,312	47,082	606,665
Accumulated depreciation:	累計折舊：				
At 1 January 2016	於2016年1月1日	1,419	55,942	25,500	82,861
Charge for the year	年內支出	5,343	18,693	11,728	35,764
Written back on disposals	出售時撤回	—	(1,521)	(67)	(1,588)
At 31 December 2016 and 1 January 2017	於2016年12月31日 及2017年1月1日	6,762	73,114	37,161	117,037
Charge for the year	年內支出	12,126	13,941	6,178	32,245
Written back on disposals	出售時撤回	—	(3,088)	(991)	(4,079)
Disposal of subsidiaries	出售子公司時撤回	—	(3,061)	(1,669)	(4,730)
At 31 December 2017	於2017年12月31日	18,888	80,906	40,679	140,473

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10 PROPERTY, PLANT AND EQUIPMENT (Cont'd)

10 物業、廠房及設備(續)

		Buildings 樓宇 RMB'000 人民幣千元	Motor vehicles 汽車 RMB'000 人民幣千元	Office equipment 辦公設備 RMB'000 人民幣千元	Total 總計 RMB'000 人民幣千元
Provision for impairment:	減值撥備：				
At 1 January 2016	於2016年1月1日	—	—	—	—
Charge for the year	年內支出	—	6,391	949	7,340
At 31 December 2016 and 1 January 2017	於2016年12月31日 及2017年1月1日	—	6,391	949	7,340
Charge for the year	年內支出	—	654	302	956
At 31 December 2017	於2017年12月31日	—	7,045	1,251	8,296
Net book value:	賬面淨值：				
At 31 December 2017	於2017年12月31日	403,383	49,361	5,152	457,896
At 31 December 2016	於2016年12月31日	414,997	49,949	8,012	472,958

The buildings are all situated on land in the PRC.

該等樓宇全部位於中國境內。

Certain bank loans granted to the Group were jointly secured by property, plant and equipment with a book value of RMB367,070,000 (31 December 2016: RMB377,111,000) (note 26).

本集團獲授的若干銀行貸款由賬面值人民幣367,070,000元(2016年12月31日：人民幣377,111,000元)的物業、廠房及設備共同作抵押(附註26)。

The analysis of carrying amount of leasehold land of properties is as follows:

包含租賃土地的物業賬面值分析如下：

		2017 RMB'000 人民幣千元	2016 RMB'000 人民幣千元
In the PRC	在中國		
– held under long leases (over 50 years)	– 根據長期租約(50年以上)持有	36,313	37,886
– held under medium-term leases (10 - 50 years)	– 根據中期租約(10至50年)持有	367,070	377,111
		403,383	414,997

NOTES TO THE FINANCIAL STATEMENTS 財務報表附註

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II INVESTMENT PROPERTIES

(a) Reconciliation of carrying amount

II 投資物業

(a) 賬面值對賬

		Completed properties 已完工物業 RMB'000 人民幣千元	Properties under development 在建物業 RMB'000 人民幣千元	Total 總計 RMB'000 人民幣千元
At 1 January 2016	於2016年1月1日	778,900	—	778,900
Transferred from inventories	轉自存貨	415,449	—	415,449
Fair value adjustments	公允值調整	326,451	—	326,451
At 31 December 2016 and 1 January 2017	於2016年12月31日及 2017年1月1日	1,520,800	—	1,520,800
Transferred from inventories	轉自存貨	158,445	192,785	351,230
Fair value adjustments	公允值調整	152,655	235,215	387,870
At 31 December 2017	於2017年12月31日	1,831,900	428,000	2,259,900
Representing	指			
Valuation - 2017	估值—2017年	1,831,900	428,000	2,259,900
Valuation - 2016	估值—2016年	1,520,800	—	1,520,800
Book value	賬面值			
At 31 December 2017	於2017年12月31日	1,831,900	428,000	2,259,900
At 31 December 2016	於2016年12月31日	1,520,800	—	1,520,800

NOTES TO THE FINANCIAL STATEMENTS 財務報表附註

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II INVESTMENT PROPERTIES (Cont'd)

(a) Reconciliation of carrying amount (Cont'd)

During the year, the Group transferred certain completed properties held for sale and properties under development for sale to investment properties upon there was an actual change in use from sale to earning rental income purpose. A fair value gain of RMB384,391,000 (2016: RMB309,551,000), and corresponding deferred tax of RMB96,187,000 (2016: RMB47,951,000), upon the transfer had been recognised in profit or loss.

During the year, an additional gain in fair value of RMB3,479,000 (2016: RMB16,900,000) and corresponding deferred tax of RMB979,000 (2016: RMB3,675,000), have been recognised in profit or loss in respect of the existing investment properties.

II 投資物業(續)

(a) 賬面值對賬(續)

年內，由於本集團將若干待售完工物業及待售在建物業之實際用途更改為賺取租金收入，故本集團將有關物業轉撥至投資物業。本集團於轉撥後確認公允值收益人民幣384,391,000元(2016年：人民幣309,551,000元)及其遞延稅項人民幣96,187,000元(2016年：人民幣47,951,000元)。

本集團就現有投資物業確認額外公允值收益人民幣3,479,000元(2016年：人民幣16,900,000元)及其遞延稅項人民幣979,000元(2016年：人民幣3,675,000元)。

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(除另有指明外，均以人民幣列示)

II INVESTMENT PROPERTIES (Cont'd)

(b) Fair value measurement of properties

Fair value hierarchy

The following table presents the fair value of the Group's properties measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

Level 3 valuations: Fair value measured using significant unobservable inputs

II 投資物業(續)

(b) 物業公允值計量

公允值層級

公允值層級下表呈列於報告期末以經常性原則計量的本集團物業公允值，並按國際財務報告準則第13號公允值計量所界定分類為三個公允值級別。公允值計量參考以下估值方法所使用的輸入數據之可觀察性及重要性而分類及釐定級別：

第一級估值：僅使用第一級數據計量的公允值，即於計量日期在活躍市場對相同資產或負債未經調整的報價

第二級估值：使用第二級數據計量的公允值，即不符合第一級的可觀察數據及未有採用不可觀察的重要數據。不可觀察數據乃指無法取得市場資料的數據

第三級估值：使用不可觀察的重要數據計量的公允值

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II INVESTMENT PROPERTIES (Cont'd)

(b) Fair value measurement of properties (Cont'd)

Fair value hierarchy (Cont'd)

			Fair value measurement as at 31 December 2017 categorised into level 3
		Fair value as at 31 December 2017 於2017年 12月31日的 公允值 RMB'000 人民幣千元	於2017年 12月31日的 分類分為第三級 的公允值計量 RMB'000 人民幣千元
Recurring fair value measurement	經常性公允值計量		
– Investment properties	– 投資物業	2,259,900	2,259,900

			Fair value measurement as at 31 December 2016 categorised into level 3
		Fair value as at 31 December 2016 於2016年 12月31日的 公允值 RMB'000 人民幣千元	於2016年 12月31日的 分類分為第三級 的公允值計量 RMB'000 人民幣千元
Recurring fair value measurement	經常性公允值計量		
– Investment properties	– 投資物業	1,520,800	1,520,800

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II INVESTMENT PROPERTIES (Cont'd)

(b) Fair value measurement of properties (Cont'd)

Fair value hierarchy (Cont'd)

The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

All of the Group's investment properties carried at fair value were revalued as at 31 December 2017. The valuations were carried out by an independent firm of surveyors, Savills, who have among their staff Fellows of the Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued. The Group's property manager and the senior management have discussion with the surveyors on the valuation assumptions and valuation results when the valuation is performed at each interim and annual reporting date.

Information about Level 3 fair value measurements

	Valuation techniques 估值方法	Unobservable input 不可觀察的輸入數據	Range 範圍
Investment properties 投資物業	Income capitalisation method 收益資本法	Yield 收益	5.0% to 5.5% (2016: 5.0% to 5.5%)
		Market monthly rental rate (RMB/sq.m.) 市場每月租值 (人民幣元/平方米)	20.0 – 106.0 (2016: 19.4 - 104.0)

II 投資物業(續)

(b) 物業公允價值計量(續)

公允價值層級(續)

本集團的政策是於轉移發生的報告期末確認公允價值各層級之間的轉移。

於2017年12月31日，本集團所有以公允價值列賬之投資物業由獨立測量師行第一太平戴維斯(其員工具備香港測量師學會資深會員之資格，且對所估物業所在位置及所屬類別有近期相關之經驗)進行重估。本集團物業經理及高級管理層已於各中期及年度報告日期進行估值時與測量師討論有關估值假設及估值結果。

有關第三級公允價值計量之資料

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(除另有指明外，均以人民幣列示)

II INVESTMENT PROPERTIES (Cont'd)

(b) Fair value measurement of properties (Cont'd)

Fair value hierarchy (Cont'd)

The fair value of completed investment properties is generally derived using the income capitalisation method. This valuation method is based on the capitalisation of the income and reversionary potential income by adopting appropriate capitalisation rates, which are derived from analysis of sale transactions and valuers' interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation have reference to recent lettings within the subject properties and the estimated rental incremental observed in other comparable properties.

Certain bank loans granted to the Group were jointly secured by investment properties with a book value of RMB720,200,000 (31 December 2016: RMB41,900,000) (note 26).

The Group's investment properties are held on leases of between 3 to 15 years in the PRC. Total future minimum lease payments under non-cancellable operating leases are receivable combined with others which are stated in note 34(c).

II 投資物業(續)

(b) 物業公允值計量(續)

公允值層級(續)

竣工投資物業的公允值一般採用收益資本法釐定。此估值方法乃基於通過採用適當之資本化比率，將收入及潛在復歸收入撥充資本，而資本化比率乃通過對銷售交易及估值師分析當時投資者之要求或期望而得出。估值時所採用的市值租金乃根據該物業的近期租務情況及其他可資比較物業已觀察的估計租金增加而釐定。

本集團獲授的若干銀行貸款以賬面值人民幣720,200,000元(2016年12月31日：人民幣41,900,000元)的投資物業作抵押(附註26)。

本集團於中國的投資物業按介乎3至15年的租期持有。不可撤銷經營租賃的日後最低租金總額與其他款項一併於附註34(c)列為應收款項。

NOTES TO THE FINANCIAL STATEMENTS 財務報表附註

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12 INTANGIBLE ASSETS

12 無形資產

		Software and franchises granted 軟件及授予特許 經營權 RMB'000 人民幣千元
Cost:	成本：	
At 1 January 2016	於2016年1月1日	4,985
Additions	添置	104
At 31 December 2016 and 1 January 2017	於2016年12月31日及2017年1月1日	5,089
Additions	添置	18,340
Disposals	出售	(625)
Disposal of subsidiaries	出售子公司	(14)
At 31 December 2017	於2017年12月31日	22,790
Accumulated amortisation:	累計攤銷：	
At 1 January 2016	於2016年1月1日	1,002
Charge for the year	年內支出	518
At 31 December 2016 and 1 January 2017	於2016年12月31日及2017年1月1日	1,520
Charge for the year	年內支出	1,493
Disposals	出售	(12)
Disposal of subsidiaries	出售子公司	(9)
At 31 December 2017	於2017年12月31日	2,992
Provision for impairment:	減值撥備：	
At 1 January 2016	於2016年1月1日	—
Charge for the year	年內支出	613
At 31 December 2016 and 1 January 2017	於2016年12月31日及2017年1月1日	613
Charge for the year	年內支出	243
Disposals	出售	(613)
At 31 December 2017	於2017年12月31日	243
Net book value:	賬面淨值：	
At 31 December 2017	於2017年12月31日	19,555
At 31 December 2016	於2016年12月31日	2,956

NOTES TO THE FINANCIAL STATEMENTS 財務報表附註

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(除另有指明外，均以人民幣列示)

13 GOODWILL

13 商譽

		RMB'000 人民幣千元
Cost:	成本：	
At 31 December 2016 and 1 January 2017	於2016年12月31日及2017年1月1日	3,631
Write off on liquidation of a subsidiary	子公司清盤撇銷	(1,379)
At 31 December 2017	於2017年12月31日	2,252
Carrying amount:	賬面值：	
At 31 December 2017	於2017年12月31日	2,252
At 31 December 2016	於2016年12月31日	3,631

The Group carried out impairment testing of the goodwill at the end of each reporting period. In assessing the impairment of goodwill, the recoverable amount of the cash generating units ("CGU") is determined. The CGU related to the goodwill comprises the Company's knowledge and expertise of the management and existing customers. The directors determined that no significant provision for impairment of goodwill is necessary as at 31 December 2017 and 2016.

本集團於各報告期末對商譽進行減值測試。在評估商譽減值時，會確定現金產生單位（「現金產生單位」）的可收回金額。與商譽有關的現金產生單位包括本公司有關管理及現有客戶的知識及專長。董事認為，於2017年及2016年12月31日毋須對商譽減值作出重大撥備。

14 INTEREST IN AN ASSOCIATE

14 於聯營企業的權益

	2017 RMB'000 人民幣千元	2016 RMB'000 人民幣千元
分佔資產金額	3,700	—

NOTES TO THE FINANCIAL STATEMENTS 財務報表附註

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14 INTEREST IN AN ASSOCIATE (Cont'd)

The following list contains only the particulars of an associate, which is unlisted corporate entity whose quoted market price is not available:

Name 名稱	Place of incorporation and business 註冊戶本 及營業地點	Particulars of issued and paid up capital 已發行及 繳足股本詳情	Group's effective interest 本集團 實際權益	Proportion of ownership interest 所有權益比例		Principal activities 主要業務
				Held by the Company 本公司所持	Held by a subsidiary 子公司所持	
Wuzhou Junyi Creation and Culture Company Limited	China	RMB10,000,000/ RMB10,000,000	40%	—	40%	Property management
梧州市均毅創意文化有限公司	中國	人民幣10,000,000元/ 人民幣10,000,000元	40%	—	40%	物業管理

Wuzhou Junyi Creation and Culture Co.,Ltd. ("Junyi") is mainly engaged in the property management. The Group does not control Junyi, but has a significant influence over it.

Information of an associate that is not individually material:

14 於聯營企業的權益(續)

下表僅載列一間聯營企業股本詳情，此聯營企業為非上市公司，無法提供市場報價：

Name 名稱	Place of incorporation and business 註冊戶本 及營業地點	Particulars of issued and paid up capital 已發行及 繳足股本詳情	Group's effective interest 本集團 實際權益	Proportion of ownership interest 所有權益比例		Principal activities 主要業務
				Held by the Company 本公司所持	Held by a subsidiary 子公司所持	
Wuzhou Junyi Creation and Culture Company Limited	China	RMB10,000,000/ RMB10,000,000	40%	—	40%	Property management
梧州市均毅創意文化有限公司	中國	人民幣10,000,000元/ 人民幣10,000,000元	40%	—	40%	物業管理

梧州市均毅創意文化有限公司(「均毅」)主要從事物業管理。本集團並非均毅控股，但對其有顯著影響。

個別非主要聯營公司的總體資料：

		2017 RMB'000 人民幣千元	2016 RMB'000 人民幣千元
Carrying amount of an individually immaterial associate in the consolidated financial statements	個別非主要聯營公司於合併財務報表的賬面總值	3,700	—
Aggregate amounts of the Group's share of an associate's	本集團應佔該聯營公司總額		
Loss for the year	年度虧損	(300)	—
Total comprehensive income	全面收益總額	(300)	—

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15 INTEREST IN JOINT VENTURES

15 於合營企業的權益

	2017	2016
	RMB'000	RMB'000
	人民幣千元	人民幣千元
Share of net assets	146,451	149,394

Details of the Group's interest in the joint ventures, which is accounted for using the equity method in the consolidated financial statements, are as follows:

本集團於合營企業的權益(按權益法於合併財務報表列賬)詳情如下：

Name 名稱	Place of incorporation and business 註冊成立及 營業地點	Particulars of issued and paid up capital 已發行及已 繳足股本詳情	Group's effective interest 本集團 實際權益	Proportion of ownership interest 所有權比例		
				Held by the Company 本公司所持	Held by a subsidiary 子公司所持	Principal activities 主要業務
Hydoo Best Group Co., Ltd.	Thailand	Baht 2,196,003,600/ Baht 2,196,003,600	36.43%	—	36.43%	Property development
Hydoo Best Group Co., Ltd.	泰國	2,196,003,600 銖/ 2,196,003,600 銖	36.43%	—	36.43%	房地產開發
Shenzhen Tiandihui Hydoo Road Port Management Limited	China	RMB5,000,000/ RMB2,000,000	25.00%	—	25.00%	Logistics service
深圳天地匯毅德公路港管理 有限公司	中國	人民幣 5,000,000 元/ 人民幣 2,000,000 元	25.00%	—	25.00%	物流服務

The Group and the other shareholders of the above joint ventures agree to share control of the arrangement, and have rights to the net assets of the arrangement based on the composition of governing bodies.

本集團及以上合營企業的其他股東在合約上協定分享此項安排的控制權，並有權基於主管部門的組成擁有上述安排的淨資產。

NOTES TO THE FINANCIAL STATEMENTS 財務報表附註

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15 INTEREST IN JOINT VENTURES (Cont'd)

Aggregate information of joint ventures that are not individually material:

		2017	2016
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Aggregate carrying amount of individually immaterial joint ventures in the consolidated financial statements	個別非主要合營企業於合併財務報表的賬面總值	146,451	149,394
Aggregate amounts of the Group's share of those joint ventures'	本集團應佔該等合營企業總額		
Loss for the year	年度虧損	(2,943)	(1,492)
Total comprehensive income	全面收益總額	(2,943)	(1,492)

15 於合營企業的權益(續)

個別非主要合營企業的總體資料：

16 OTHER FINANCIAL ASSETS

		2017	2016
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Non-current	非流動		
Available-for-sale unlisted equity securities	可供出售非上市股本證券	84,731	152,364
Derivative financial instrument	衍生金融工具	—	27,767
		84,731	180,131
Current	流動		
Derivative financial instrument	衍生金融工具	13,548	—

16 其他金融資產

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17 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

17 合併財務狀況表內的所得稅

(a) Current taxation in the consolidated statement of financial position represents:

(a) 合併財務狀況表內的即期稅項指：

		2017	2016
		RMB' 000	RMB' 000
		人民幣千元	人民幣千元
Prepaid tax:	預付稅項：		
PRC CIT	中國企業所得稅	1,190	32
PRC LAT	中國土地增值稅	94,247	105,289
		95,437	105,321
Current tax liabilities:	即期稅項負債：		
PRC CIT	中國企業所得稅	392,883	567,839
PRC dividend withholding tax	中國股息預扣稅	33,038	33,038
PRC LAT	中國土地增值稅	443,785	465,758
		869,706	1,066,635

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17 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Cont'd)

(b) Deferred tax assets and liabilities recognised:

The components of deferred tax (liabilities)/assets recognised in the consolidated statement of financial position and the movements during the year are as follows:

Deferred tax arising from:

		Fair value adjustment for investment properties	Tax losses	Advertising expenses	Deferred income	Provision for PRC LAT 中國土地 增值稅撥備	Provision for construction cost 建設成本 撥備	Total
		RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元
At 1 January 2016	於2016年1月1日	(63,088)	21,589	4,212	244,180	94,385	—	301,278
(Charged)/credited to the consolidated statement of profit or loss (note 6(a))	於合併損益表(扣除)/計入 (附註6(a))	(51,626)	43,568	(1,370)	(30,952)	(28,663)	—	(69,043)
At 31 December 2016	於2016年12月31日	(114,714)	65,157	2,842	213,228	65,722	—	232,235
At 1 January 2017	於2017年1月1日	(114,714)	65,157	2,842	213,228	65,722	—	232,235
(Charged)/credited to the consolidated statement of profit or loss (note 6(a))	於合併損益表(扣除)/計入 (附註6(a))	(97,077)	(5,918)	(1,685)	(9,619)	20,447	9,072	(84,780)
Disposal of subsidiaries	出售子公司	—	(6,393)	—	(33,464)	(29,763)	(6,855)	(76,475)
At 31 December 2017	於2017年12月31日	(211,791)	52,846	1,157	170,145	56,406	2,217	70,980

17 合併財務狀況表內的所得稅(續)

(b) 已確認遞延稅項資產及負債：

於合併財務狀況表確認的遞延稅項
(負債)/資產的組成部分及年內的
變動如下：

遞延稅項由以下各項產生：

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(除另有指明外，均以人民幣列示)

17 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Cont'd)

(b) Deferred tax assets and liabilities recognised: (Cont'd)

Representing:

		2017 RMB'000 人民幣千元	2016 RMB'000 人民幣千元
Deferred tax assets	遞延稅項資產	148,399	247,050
Deferred tax liabilities	遞延稅項負債	(77,419)	(14,815)
		70,980	232,235

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 1(u), the Group has not recognised deferred tax assets in respect of cumulative tax losses of certain subsidiaries of RMB596,916,000 as at 31 December 2017 (2016: RMB550,390,000). The directors consider it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entities.

The unrecognised tax losses will expire by the end of the following years, if unused:

		2017 RMB'000 人民幣千元	2016 RMB'000 人民幣千元
2017	2017年	—	80
2018	2018年	33,520	35,342
2019	2019年	81,809	91,240
2020	2020年	135,507	199,493
2021	2021年	220,280	224,235
2022	2022年	125,800	—
Total	總計	596,916	550,390

17 合併財務狀況表內的所得稅(續)

(b) 已確認遞延稅項資產及負債： (續)

指：

	2017 RMB'000 人民幣千元	2016 RMB'000 人民幣千元
Deferred tax assets	148,399	247,050
Deferred tax liabilities	(77,419)	(14,815)
	70,980	232,235

(c) 未確認遞延稅項資產

根據附註1(u)所載的會計政策，於2017年12月31日，本集團並未就若干子公司的累計稅項虧損人民幣596,916,000元(2016年：人民幣550,390,000元)確認遞延稅項資產。董事認為不大可能在有關稅務司法權區及實體獲得可用於抵銷虧損的未來應課稅利潤。

倘未經使用，未確認的稅項虧損將於以下年份結束時屆滿：

	2017 RMB'000 人民幣千元	2016 RMB'000 人民幣千元
2017	—	80
2018	33,520	35,342
2019	81,809	91,240
2020	135,507	199,493
2021	220,280	224,235
2022	125,800	—
Total	596,916	550,390

NOTES TO THE FINANCIAL STATEMENTS 財務報表附註

(Expressed in Renminbi unless otherwise indicated)
(除另有指明外，均以人民幣列示)

17 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Cont'd)

(d) Deferred tax liabilities not recognised

As set out in note 6(a)(v), withholding tax is levied on Hong Kong companies in respect of dividend distributions arising from profit of PRC subsidiaries. Since the Group could control the quantum and timing of distribution of profits of the Group's subsidiaries in the PRC, deferred tax liabilities are only provided to the extent that such profits are expected to be distributed in the foreseeable future.

At 31 December 2017, temporary differences relating to the undistributed profits of subsidiaries amounted to RMB2,417,178,000 (2016: RMB2,350,544,000). Deferred tax liabilities of RMB120,859,000 (2016: RMB117,527,000) have not been recognised in respect of the tax that would be payable on the distribution of these retained profits as the Group controls the dividend policy of these subsidiaries and it has been determined that it is probable that these profits will not be distributed in the foreseeable future.

17 合併財務狀況表內的所得稅(續)

(d) 未確認遞延稅項負債

誠如附註6(a)(v)所載，向香港公司派付中國子公司溢利產生的股息會收預扣稅。由於本集團能控制本集團中國子公司派發利潤的數額及時間，故本集團僅在該等利潤預期將於可預見未來派發的情況下計提遞延稅項負債。

於2017年12月31日，子公司未分派利潤的暫時差額為人民幣2,417,178,000元(2016年：人民幣2,350,544,000元)。本集團未就於分派該等保留利潤應付的稅項確認遞延稅項負債人民幣120,859,000元(2016年：人民幣117,527,000元)，因為本集團控制該等子公司的股息政策且已釐定可能不會於可預見未來分派利潤。

NOTES TO THE FINANCIAL STATEMENTS 財務報表附註

(Expressed in Renminbi unless otherwise indicated)
(除另有指明外，均以人民幣列示)

18 INTEREST IN SUBSIDIARIES

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

18 於子公司的權益

下表僅載列對本集團業績、資產或負債有重大影響的主要子公司的詳情。除非另有說明，否則所持有股份的類別為普通股。

Name of company 公司名稱	Place of incorporation and business 註冊成立 及營業地點	Particulars of issued capital 已發行股本詳情	Proportion of ownership interest 所有權比例			Principal activities 主要業務
			Group's effective interest 本集團 實際權益	Held by the Company 本公司所持	Held by a subsidiary 子公司所持	
Hongkong Hydoo Holding Limited 香港毅德控股有限公司	Hong Kong 香港	HK\$100,000 100,000 港元	100%	100%	—	Investment management 投資管理
Hydoo Estate (Ganzhou) Company Limited ("Hydoo Estate (Ganzhou)") 毅德置業(贛州)有限公司* (「毅德置業(贛州)」)	The PRC 中國	US\$32,050,000 32,050,000 美元	100%	—	100%	Property development and investment holding 房地產開發及投資控股
Ningxiang Hydoo Guangcai Trade Centre Development Company Limited 寧鄉毅德光彩貿易廣場開發有限公司*	The PRC 中國	RMB60,000,000 人民幣60,000,000元	100%	—	100%	Property development 房地產開發
Jining Hydoo Logistics Centre Development Company Limited ("Jining Logistics Centre") 濟寧毅德物流城開發有限公司* (「濟寧物流城」)	The PRC 中國	RMB200,000,000 人民幣200,000,000元	100%	—	100%	Property development 房地產開發
Mianyang West Modern Trade Centre Development Company Limited ("Mianyang Trade Centre") 綿陽西部現代物流城開發有限公司* (「綿陽物流城」)	The PRC 中國	RMB200,000,000 人民幣200,000,000元	100%	—	100%	Property development 房地產開發
Guangxi Yulin Modern Trade Centre Development Company Limited ("Yulin Trade Centre") 廣西玉林現代物流城開發有限公司* (「玉林物流城」)	The PRC 中國	RMB220,000,000 人民幣220,000,000元	100%	—	100%	Property development 房地產開發

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(Expressed in Renminbi unless otherwise indicated)
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18 INTEREST IN SUBSIDIARIES (Cont'd)

18 於子公司的權益(續)

Name of company 公司名稱	Place of incorporation and business 註冊成立 及營業地點	Particulars of issued capital 已發行股本詳情	Proportion of ownership interest 所有權比例			Principal activities 主要業務
			Group's effective interest 本集團 實際權益	Held by the Company 本公司所持	Held by a subsidiary 子公司所持	
Shenzhen Hydoo Investment Management Company Limited ("Shenzhen Hydoo") 深圳市毅德投資管理有限公司*	The PRC 中國	RMB30,000,000 人民幣30,000,000元	100%	—	100%	Investment management 投資管理
Ganzhou Hydoo Commercial and Trade Logistics Park Development Co., Ltd. ("Ganzhou Trade Centre") 贛州毅德商貿物流園開發有限公司* (「贛州商貿物流園」)	The PRC 中國	RMB800,000,000 人民幣800,000,000元	100%	—	100%	Property development 房地產開發
Wuzhou Hydoo Commercial and Trade Centre Development Co Ltd. ("Wuzhou Trade Centre") 梧州毅德商貿物流城開發有限公司* (「梧州商貿物流城」)	The PRC 中國	RMB300,000,000 人民幣300,000,000元	100%	—	100%	Property development 房地產開發
Heze Hydoo Commercial and Trade Centre Company Limited ("Heze Trade Centre") 菏澤毅德商貿物流城有限公司* (「菏澤商貿物流城」)	The PRC 中國	RMB300,000,000 人民幣300,000,000元	100%	—	100%	Property development 房地產開發
Yantai Hydoo International Commercial and Trade Centre Company Limited ("Yantai Trade Center") 煙台毅德國際商貿城有限公司* (「煙台商貿物流城」)	The PRC 中國	RMB300,000,000 人民幣300,000,000元	100%	—	100%	Property development 房地產開發
Lanzhou Hydoo Commercial and Trade Centre Company Limited ("Lanzhou Trade Centre") 蘭州毅德商貿城有限公司* (「蘭州商貿城」)	The PRC 中國	RMB300,000,000 人民幣300,000,000元	100%	—	100%	Property development 房地產開發

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18 INTEREST IN SUBSIDIARIES (Cont'd)

18 於子公司的權益(續)

Name of company 公司名稱	Place of incorporation and business 註冊成立 及營業地點	Particulars of issued capital 已發行股本詳情	Proportion of ownership interest 所有權比例			Principal activities 主要業務
			Group's effective interest 本集團 實際權益	Held by the Company 本公司所持	Held by a subsidiary 子公司所持	
Ganzhou Jiuzhi Property Management Services Company Limited ("Ganzhou Jiuzhi") 贛州市久治物業管理有限公司* (「贛州久治」)	The PRC 中國	RMB5,200,000 人民幣5,200,000元	70%	—	70%	Property management services 物業管理服務
Jiamusi Hydo Commercial and Trade Centre Company Limited 佳木斯毅德商貿物流城有限公司*	The PRC 中國	RMB300,000,000 人民幣300,000,000元	100%	—	100%	Property development 房地產開發
Heze Hydo Industrial Company Limited 菏澤毅德城實業有限公司*	The PRC 中國	US\$35,000,000 35,000,000美元	100%	—	100%	Property development 房地產開發
Shenzhen Qianhai Hydo Financial Leasing Company Limited 深圳前海毅德融資租賃有限公司*	The PRC 中國	RMB320,000,000 人民幣320,000,000元	100%	—	100%	Finance lease 融資租賃
Liuzhou Hydo Commercial and Trade Center Company Limited 柳州毅德商貿物流城有限公司*	The PRC 中國	RMB300,000,000 人民幣300,000,000元	100%	—	100%	Property development 房地產開發
Yulin Jingde Real Estate Company Limited 玉林景德房地產開發有限公司*	The PRC 中國	RMB40,071,114 人民幣40,071,114元	51%	—	51%	Property development 房地產開發
Shenzhen Hydo Microfinance Company Limited 深圳市毅德小額貸款有限公司*	The PRC 中國	RMB300,000,000 人民幣300,000,000元	100%	—	100%	Finance 融資

* These entities are all PRC limited liability companies. The English translation of the company names is for reference only. The official names of these companies are in Chinese.

* 該等實體均為中國有限公司。該等公司的英文翻譯名僅供參考。該等公司的中文名稱為官方名稱。

The directors consider that no individual non-controlling interest is considered material to the Group as at 31 December 2017 and 2016.

於2017年及2016年12月31日，董事認為，概無個別對本集團屬重大的非控股權益。

NOTES TO THE FINANCIAL STATEMENTS 財務報表附註

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19 FINANCE LEASE RECEIVABLES

19 融資租賃應收款項

		2017 RMB'000 人民幣千元	2016 RMB'000 人民幣千元
Finance lease receivables	融資租賃應收款項	41,814	67,629
Less: due within one year (note 22)	減：1年內到期(附註22)	(22,659)	(40,957)
		19,155	26,672

As at 31 December 2017, the total future minimum lease payments receivable under finance leases were as follows:

於2017年12月31日，根據融資租賃應收未來最低租金總額如下：

		2017			2016		
		Unearned			Unearned		
		Lease payments receivable	finance income	Carrying amount	Lease payments receivable	finance income	Carrying amount
		應收租金	未賺取	賬面值	應收租金	未賺取	賬面值
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元
Within 1 year (inclusive)	1年內(包括該年)	25,463	(2,804)	22,659	48,181	(7,224)	40,957
After 1 year but within 5 years (inclusive)	1至5年(包括首尾兩年)	22,024	(2,869)	19,155	29,048	(2,376)	26,672
		47,487	(5,673)	41,814	77,229	(9,600)	67,629

NOTES TO THE FINANCIAL STATEMENTS 財務報表附註

(Expressed in Renminbi unless otherwise indicated)
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20 INVENTORIES

20 存貨

(a) Inventories in the consolidated statement of financial position comprise:

(a) 合併財務狀況表內的存貨包括：

	2017 RMB'000 人民幣千元	2016 RMB'000 人民幣千元
Properties held for future development for sale 待售未來待開發物業	1,141,148	1,348,045
Properties under development for sale 待售在建物業	3,271,758	3,680,880
Completed properties held for sale 待售已完工物業	3,820,422	4,150,840
Others 其他	931	1,195
	8,234,259	9,180,960

As at 31 December 2017, certain properties under development for sale, completed properties held for sale and properties held for future development for sale were pledged for certain bank loans granted to the Group (note 26).

於2017年12月31日，若干待售在建物業、待售已完工物業及待售未來待開發物業用作本集團獲授若干銀行貸款的抵押(附註26)。

(b) The analysis of carrying amount of leasehold land included in properties development for sale is as follows:

(b) 計入物業開發的租賃土地的賬面值分析如下：

	2017 RMB'000 人民幣千元	2016 RMB'000 人民幣千元
Held under 根據以下各項持有		
– long leases (over 50 years) in the PRC 一於中國的長期租約(50年以上)	217,980	446,417
– medium-term leases (10 - 50 years) in the PRC 一於中國的中期租約(10至50年)	2,688,687	2,990,977

NOTES TO THE FINANCIAL STATEMENTS 財務報表附註

(Expressed in Renminbi unless otherwise indicated)
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20 INVENTORIES (Cont'd)

- (c) Properties held for future development for sale in the consolidated statement of financial position comprise:

		2017 RMB'000 人民幣千元	2016 RMB'000 人民幣千元
Expected to be recovered after more than one year	預期於一年以後收回	851,413	1,348,045

- (d) Properties under development for sale in the consolidated statement of financial position comprise:

		2017 RMB'000 人民幣千元	2016 RMB'000 人民幣千元
Expected to be recovered within one year	預期於一年內收回	571,966	931,465
Expected to be recovered after more than one year	預期於一年以後收回	2,699,792	2,749,415
		3,271,758	3,680,880

20 存貨(續)

- (c) 合併財務狀況表內的待售未來待開發物業包括：

	2017 RMB'000 人民幣千元	2016 RMB'000 人民幣千元
Expected to be recovered after more than one year	851,413	1,348,045

- (d) 合併財務狀況表內的待售在建物業包括：

	2017 RMB'000 人民幣千元	2016 RMB'000 人民幣千元
Expected to be recovered within one year	571,966	931,465
Expected to be recovered after more than one year	2,699,792	2,749,415
	3,271,758	3,680,880

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20 INVENTORIES (Cont'd)

(e) Completed properties held for sale in the consolidated statement of financial position comprise:

		2017	2016
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Expected to be recovered within one year	預期於一年內收回	3,335,552	3,976,205
Expected to be recovered after more than one year	預期於一年以後收回	484,870	174,635
		3,820,422	4,150,840

21 OTHER CURRENT ASSETS

At 31 December 2017, other current assets mainly represented investments in wealth management products which are redeemable on demand (2016: Nil).

20 存貨(續)

(e) 合併財務狀況表內待售已完工的物業包括：

21 其他流動資產

於2017年12月31日，其他流動資產主要指可按需求贖回的理財產品投資(2016年：零)。

22 TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

Trade and bill receivables (a)	貿易應收款項及應收票據(a)	45,252	48,431
Less: allowance for doubtful debts (b)	減：呆賬撥備(b)	(9,864)	(7,225)
		35,388	41,206
Prepaid sales related tax and other taxes	預付營業稅及其他稅項	125,527	99,530
Deposits, prepayments and other receivables (c)	定金、預付款項及其他應收款項(c)	883,151	1,350,171
Amount due from a joint venture (d)	應收合營企業款項(d)	17,778	18,874
Amount due from an associate (d)	應收聯營企業款項(d)	4,000	—
Finance lease receivables (note 19)	融資租賃應收款項(附註19)	22,659	40,957
		1,088,503	1,550,738

22 貿易及其他應收款項、預付款項及定金

	2017	2016
	RMB'000	RMB'000
	人民幣千元	人民幣千元

NOTES TO THE FINANCIAL STATEMENTS 財務報表附註

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22 TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS (Cont'd)

(a) Ageing analysis

As at the end of the reporting period, the ageing analysis of trade and bill receivables (net of allowance for doubtful debts) based on the date the relevant trade and bill receivables recognised, is as follows:

		2017 RMB'000 人民幣千元	2016 RMB'000 人民幣千元
Within 1 month	1個月以內	10,990	32,943
1 to 3 months	1至3個月	5,167	2,378
3 to 6 months	3至6個月	7,064	2,125
Over 6 months	6個月以上	12,167	3,760
		35,388	41,206

The details on the Group's credit policy are set out in note 33(a).

Trade and bill receivables are primarily related to proceeds from the sale of properties. Proceeds from the sale of properties are made in lump-sum payments or paid by instalments in accordance with the terms of the corresponding contracts.

22 貿易及其他應收款項、預付款項及定金(續)

(a) 賬齡分析

於報告期末，按相關貿易應收款項及應收票據確認日期劃分的貿易應收款項及應收票據(扣除呆賬撥備)的賬齡分析如下：

	2017 RMB'000 人民幣千元	2016 RMB'000 人民幣千元
Within 1 month	10,990	32,943
1 to 3 months	5,167	2,378
3 to 6 months	7,064	2,125
Over 6 months	12,167	3,760
	35,388	41,206

本集團信貸政策的詳情載於附註33(a)。

貿易應收款項及應收票據主要與物業銷售所得款項有關。物業銷售所得款項根據相應合約條款一次性支付或分期支付。

NOTES TO THE FINANCIAL STATEMENTS 財務報表附註

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22 TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS (Cont'd)

(b) Impairment of trade and other receivables

Impairment losses in respect of trade and other receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade and other receivables directly (note 1(m)(i)).

The movement in the allowance for doubtful debts during the year, including both specific and collective loss components, is as follows:

		2017 RMB'000 人民幣千元	2016 RMB'000 人民幣千元
At 1 January	於 1 月 1 日	7,225	—
Impairment loss recognised	已確認的減值虧損	2,639	7,225
At 31 December	於 12 月 31 日	9,864	7,225

During 2017, trade and other receivables of RMB2,639,000 (2016: RMB7,225,000) were individually determined to be impaired. The individually impaired receivables were related to customers that were in financial difficulties and management assessed that only a portion of the receivables is expected to be recovered. Consequently, specific allowances for doubtful debts of RMB2,639,000 (2016: RMB7,225,000) were recognised.

22 貿易及其他應收款項、預付款項及定金(續)

(b) 貿易及其他應收款項減值

貿易及其他應收款的減值虧損採用撥備賬記錄，除非本集團信納收回有關金額的可能性微乎其微，在此情況下，減值虧損直接與貿易及其他應收款撤銷(附註 1(m)(i))。

年內包括特定及整體虧損組成部分的呆賬的減值準備變動如下：

於 2017 年，貿易及其他應收款項人民幣 2,639,000 元(2016 年：人民幣 7,225,000 元)被個別釐定為出現減值。個別出現減值的應收款項乃有關出現財政困難的客戶，且據管理層評估預料僅可收回部份應收賬款。因此，已就此確認特定呆賬撥備為人民幣 2,639,000 元(2016 年：人民幣 7,225,000 元)。

NOTES TO THE FINANCIAL STATEMENTS 財務報表附註

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22 TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS (Cont'd)

(c) The balance included prepayments for leasehold land of RMB41,510,700 (2016: RMB486,773,000) and consideration to be received from disposal of subsidiaries of RMB284,765,000 (2016: Nil) (note 24(d)), which is fully and unconditionally guaranteed by an independent third party and a guarantee company. Apart from the amount due from the third parties of RMB19,227,000 (2016: Nil), which is interest-bearing from 10% to 15% per annum, all of the balances are unsecured and interest-free.

(d) The balances of amount due from a joint venture and an associate are unsecured, interest-free and have no fixed repayment terms.

23 PLEDGED AND RESTRICTED CASH

22 貿易及其他應收款項、預付款項及定金(續)

(c) 該結餘包括由預付土地款項人民幣41,510,700元(2016年：人民幣486,773,000元)及獨立第三方及擔保公司全額並無條件擔保的應收出售子公司的代價人民幣284,765,000元(2016年：零)(附註24(d))。除第三方應付款項人民幣19,227,000元(2016年：零)外，計息年利率為10%至15%，所有結餘均為無抵押及免息。

(d) 應收合營企業及聯營企業款項的結餘為無抵押、免息及無固定還款期。

23 已抵押及受限制現金

		2017 RMB'000 人民幣千元	2016 RMB'000 人民幣千元
Pledged to banks for certain mortgage facilities	就若干按揭融資而抵押予銀行	179,145	199,324
Pledged for bank loans	就銀行貸款抵押	325,421	574,680
Pledged for bills payables	就應付票據抵押	353,100	271,844
		857,666	1,045,848

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(Expressed in Renminbi unless otherwise indicated)
(除另有指明外，均以人民幣列示)

24 CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise:

		2017	2016
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Cash at bank and on hand	銀行存款及現金	1,000,443	965,685

(b) Reconciliation of profit before taxation to cash generated from/(used in) operations:

		2017	2016
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Profit before taxation	除稅前利潤	713,981	712,463
Adjustments for:	就下列項目調整：		
Net gain on disposal of subsidiaries	出售子公司之收益淨額	(198,175)	—
Income from return of prepaid investment cost	預付投資成本回報的收入	(178,585)	—
Net gain on disposal of other non-current financial assets	出售其他非流動金融資產收益淨額	(123,436)	(2,000)
Dividend income	股息收入	(867)	(1,308)
Net gain on disposal of other current assets	出售其他流動資產收益淨額	(4,036)	(547)
Net gain on disposal of property, plant and equipment	出售物業、廠房及設備收益淨額	(643)	(37)
Fair value loss/(gain) on derivative financial instrument	衍生金融工具之公允值虧損/(收益)	22,446	(9,132)
Finance income	財務收入	(5,722)	(8,299)
Finance costs	融資成本	275,021	240,439
Depreciation and amortisation	折舊及攤銷	33,738	36,282
Impairment loss on trade and other receivables	貿易及其他應收款項減值虧損	2,639	7,225
Impairment loss on property, plant and equipment	物業、廠房及設備減值虧損	956	7,340
Impairment loss on intangible assets	無形資產減值虧損	243	613
Write off of deposits	撇銷定金	—	1,000

24 現金及現金等值物

(a) 現金及現金等值物包括：

		2017	2016
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Cash at bank and on hand	銀行存款及現金	1,000,443	965,685

(b) 除稅前利潤與經營業務所得/(所用)的現金的對賬：

		2017	2016
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Profit before taxation	除稅前利潤	713,981	712,463
Adjustments for:	就下列項目調整：		
Net gain on disposal of subsidiaries	出售子公司之收益淨額	(198,175)	—
Income from return of prepaid investment cost	預付投資成本回報的收入	(178,585)	—
Net gain on disposal of other non-current financial assets	出售其他非流動金融資產收益淨額	(123,436)	(2,000)
Dividend income	股息收入	(867)	(1,308)
Net gain on disposal of other current assets	出售其他流動資產收益淨額	(4,036)	(547)
Net gain on disposal of property, plant and equipment	出售物業、廠房及設備收益淨額	(643)	(37)
Fair value loss/(gain) on derivative financial instrument	衍生金融工具之公允值虧損/(收益)	22,446	(9,132)
Finance income	財務收入	(5,722)	(8,299)
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Depreciation and amortisation	折舊及攤銷	33,738	36,282
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Impairment loss on property, plant and equipment	物業、廠房及設備減值虧損	956	7,340
Impairment loss on intangible assets	無形資產減值虧損	243	613
Write off of deposits	撇銷定金	—	1,000

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24 CASH AND CASH EQUIVALENTS (Cont'd)

(b) Reconciliation of profit before taxation to cash generated from/(used in) operations: (Cont'd)

24 現金及現金等值物(續)

(b) 除稅前利潤與經營業務所得/(所用)的現金的對賬:(續)

		2017	2016
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Write off of goodwill	撤銷商譽	1,379	—
Fair value gain on investment properties	投資物業公允值收益	(387,870)	(326,451)
Government grants related to investment properties recognised in other income	於其他收入確認投資物業相關的政府補助	(3,604)	(2,962)
Share of loss of joint ventures	分佔合營企業虧損	2,943	1,492
Share of loss of an associate	分佔聯營企業虧損	300	—
Equity settled share-based payments	以權益結算以股份為基礎的付款	3	(194)
Gain arising from redemption of convertible notes	贖回可轉股票據產生之收益	—	(14,391)
Change in fair value of embedded derivative component of the convertible notes	可轉股票據嵌入式衍生部份公允值變動	—	668
Changes in working capital:	營運資金變動:		
(Increase)/decrease in inventories	存貨(增加)/減少	(539,355)	166,089
Increase in trade and other receivables, prepayments and deposits	貿易及其他應收款項、預付款項及定金增加	(126,408)	(186,133)
Increase in pledged and restricted cash	已抵押及受限制現金增加	(133,712)	(246,720)
Increase/(decrease) in trade and other payables	貿易及其他應付款項增加/(減少)	1,262,740	(211,889)
Decrease in deferred income	遞延收入減少	(7,534)	(124,328)
Cash generated from operations	經營業務所得現金	606,442	39,220

NOTES TO THE FINANCIAL STATEMENTS 財務報表附註

(Expressed in Renminbi unless otherwise indicated)
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24 CASH AND CASH EQUIVALENTS (Cont'd)

(c) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

		Bank loans and other borrowings	Senior notes	Corporate bonds	Total
		銀行貸款 及其他借貸	優先票據	公司債券	總計
		(note 26)	(note 27)	(note 28)	
		(附註26)	(附註27)	(附註28)	
		RMB'000	RMB'000	RMB'000	RMB'000
		人民幣千元	人民幣千元	人民幣千元	人民幣千元
At 1 January 2017	於2017年1月1日	2,785,563	1,519,351	9,674	4,314,588
Changes from financing cash flows:	融資現金流量變動：				
Proceeds from new bank loans and other borrowings	新增銀行貸款及其他借貸所得款項	832,344	—	—	832,344
Net proceeds from the issues of corporate bonds	發行公司債券所得款項淨額	—	—	256,360	256,360
Repayment of bank loans and other borrowings	償還銀行貸款及其他借貸	(1,554,278)	—	—	(1,554,278)
Interest and other borrowing costs paid during the year	年內已付利息及借貸成本	(147,250)	(192,829)	(705)	(340,784)
Total changes from financing cash flows	融資現金流量變動總額	(869,184)	(192,829)	255,655	(806,358)

24 現金及現金等值物(續)

(c) 融資活動產生的負債的對賬

下表詳述本集團來自融資活動的負債變動，包括現金及非現金變動。融資活動產生的負債為現金流量或未來現金流量所確定的負債，在本集團合併現金流量表中歸類為融資活動產生的現金流量。

NOTES TO THE FINANCIAL STATEMENTS 財務報表附註

(Expressed in Renminbi unless otherwise indicated)
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24 CASH AND CASH EQUIVALENTS (Cont'd)

(c) Reconciliation of liabilities arising from financing activities (Cont'd)

		Bank loans and other borrowings 銀行貸款 及其他借貸 (note 26) (附註26) RMB'000 人民幣千元	Senior notes 優先票據 (note 27) (附註27) RMB'000 人民幣千元	Corporate bonds 公司債券 (note 28) (附註28) RMB'000 人民幣千元	Total 總計 RMB'000 人民幣千元
Exchange adjustments	匯率調整	—	(89,565)	(650)	(90,215)
Other changes:	其他變動				
Interest expense (note 5(a))	利息開支(附註5(a))	147,250	195,650	15,830	358,730
Interest payable	應付利息	—	1,256	(14,074)	(12,818)
Total other changes	其他變動總額	147,250	107,341	1,106	255,697
At 31 December 2017	於2017年12月31日	2,063,629	1,433,863	266,435	3,763,927

24 現金及現金等值物(續)

(c) 融資活動產生的負債的對賬(續)

NOTES TO THE FINANCIAL STATEMENTS 財務報表附註

(Expressed in Renminbi unless otherwise indicated)
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24 CASH AND CASH EQUIVALENTS (Cont'd)

(d) Disposal of subsidiaries

- (i) On 20 August 2017, the Group entered into a share transfer agreement with an independent third party to dispose its entire 60% equity interest in Huaiyuan Hydoo City Development Limited ("Huaiyuan Trade Centre") at a consideration of RMB200,000,000.

Subsequent to the disposal, Huaiyuan Trade Centre was no longer the subsidiary of the Group and a gain of RMB37,475,000 was resulted from such disposal.

- (ii) On 20 September 2017, the Group entered into another share transfer agreement with an independent third party to dispose its entire 84% equity interest in Xingning Hydoo Trade Logistics Centre Limited ("Xingning Trade Centre") at a consideration of RMB488,800,000. Upon the transferred date, the Group owned RMB239,270,000 to Xingning Trade Center and the amount would be settled by offsetting the consideration of the transaction.

Subsequent to the disposal, Xingning Trade Centre was no longer the subsidiary of the Group and a gain of RMB160,700,000 was resulted from the disposal.

24 現金及現金等值物(續)

(d) 出售子公司

- (i) 於2017年8月20日，本集團與獨立第三方訂立股份轉讓協議，以作價人民幣200,000,000元出售其於懷遠毅德城發展有限公司(「懷遠毅德城」)的全部60%股權。

進行出售事項後，懷遠毅德城不再為本集團的附屬公司，而有關出售引致人民幣37,475,000元的收益。

- (ii) 於2017年9月20日，本集團與獨立第三方訂立另一份股權轉讓協議，以作價人民幣488,800,000元出售其於興寧商貿物流城有限公司(「興寧商貿物流城」)的全部84%股權。於轉讓日期，本集團尚欠興寧商貿物流城人民幣239,270,000元，該金額將以交易作價的結算抵銷。

進行出售事項後，興寧商貿物流城不再為本集團的附屬公司，而有關出售引致人民幣160,700,000元的收益。

NOTES TO THE FINANCIAL STATEMENTS 財務報表附註

(Expressed in Renminbi unless otherwise indicated)
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24 CASH AND CASH EQUIVALENTS (Cont'd)

(d) Disposal of subsidiaries (Cont'd)

The Group's assets and liabilities disposed of and net cash inflow from these disposals are analysed below:

		RMB'000 人民幣千元
Property, plant and equipment	物業、廠房及設備	881
Intangible assets	無形資產	5
Deferred tax asset	遞延稅項資產	76,475
Inventories	存貨	1,225,951
Trade and other receivables, prepayments and deposits	貿易及其他應收款項、預付款項及定金	306,629
Loans owed from the Group	集團欠下貸款	239,270
Pledged and restricted cash	已抵押及受限制現金	72,635
Cash and cash equivalents	現金及現金等值物	80,924
Prepaid tax	預付稅項	10,422
Trade and other payables	貿易及其他應付款項	(999,396)
Current tax liabilities	即期稅項負債	(217,869)
Deferred income	遞延收入	(133,856)
Non-controlling interests	非控股權益	(171,446)
Net assets of disposed subsidiaries	出售子公司的淨資產	490,625
Gain on disposal of subsidiaries (note 4)	出售子公司收益(附註4)	198,175
Considerations	對價	688,800
Loans owed to the disposed subsidiaries	欠出售子公司貸款	(239,270)
Consideration to be paid subsequent to current year (note 22(c))	對價在本年度之後收回 (附註22(c))	(284,765)
Cash and cash equivalents	現金及現金等值物	(80,924)
Net cash inflow	淨現金流入	83,841

24 現金及現金等值物(續)

(d) 出售子公司(續)

本集團出售資產及負債及自出售所得的淨現金流入分析如下：

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25 TRADE AND OTHER PAYABLES

25 貿易及其他應付款項

		2017	2016
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Trade and bills payables (a)	貿易應付款項及應付票據 (a)	2,131,258	2,343,810
Receipts in advance (b)	預收款項 (b)	1,539,042	1,188,327
Other payables and accruals (c),(d)	其他應付款項及應計費用 (c),(d)	482,478	551,887
Total	總計	4,152,778	4,084,024

(a) Included in trade and other payables are trade creditors with the following ageing analysis as at the end of the reporting period:

(a) 於報告期末，貿易及其他應付款項包括應付賬款，其賬齡分析如下：

		2017	2016
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Due within 1 month or on demand	於1個月內到期或按要求償還	438,023	446,703
Due after 1 month but within 3 months	於1個月後但於3個月內到期	221,791	101,996
Due after 3 months but within 6 months	於3個月後但於6個月內到期	383,038	420,912
Due after 6 months	於6個月後到期	1,088,406	1,374,199
		2,131,258	2,343,810

Trade payables mainly represent amounts due to contractors. Payment to contractors is in installments according to progress and agreed milestones. The Group normally retains 2% to 10% as retention money.

貿易應付款項主要指應付承建商款項。本集團根據進度及工程重要節點向承建商分期付款。本集團一般保留2%至10%相關款項作為保證金。

At 31 December 2017, included in trade payables are retention payables of RMB28,168,000 (2016: RMB31,525,000), which are expected to be settled after more than one year.

於2017年12月31日，計入應付貿易款項的金額人民幣28,168,000元（2016年：人民幣31,525,000元）預期於一年後結算。

NOTES TO THE FINANCIAL STATEMENTS 財務報表附註

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25 TRADE AND OTHER PAYABLES (Cont'd)

- (b) Receipts in advance primarily consisted of advance payments from customers for purchases of the Group's properties.
- (c) At 31 December 2017, included in other payables and accruals are deposits of RMB24,112,000 (2016: RMB56,531,000), which are expected to be settled after more than one year. All of the other payables and accrued expenses are expected to be settled within one year.
- (d) In 2016, the Group accrued an estimated compensation in relation to a sub-lease arrangement of RMB43,050,000, which included the estimated compensation to the lessor and the lessees of the Group amounted to RMB40,000,000 and RMB3,050,000 respectively. In addition, an unpaid rental of RMB24,258,000 was accrued as at 31 December 2016. In 2017, the Group agreed with the lessor that the Group needs to pay a total amount of RMB30,000,000, including the above mentioned rental payable, to finalise the case. Accordingly, a reversal of estimated compensation to the lessor of RMB35,956,000 was recorded in profit or loss during the year.

25 貿易及其他應付款項(續)

- (b) 預收款項主要包括來自購買本集團物業的客戶的預收房款。
- (c) 於2017年12月31日，其他應付款項及應計費用包括定金人民幣24,112,000元(2016年：人民幣56,531,000元)，預期將於一年後結算。所有其他應付款項及應計開支預期將於一年內結算。
- (d) 於2016年，本集團就轉租安排中應計預計賠償金人民幣43,050,000元，其中包括本集團對出租人及承租人的預計賠償金分別為人民幣40,000,000元及人民幣3,050,000元。此外，於2016年12月31日，未付租金為人民幣24,258,000元。於2017年，本集團同意本集團需向出租人支付總額人民幣30,000,000元(包括上述應付租金)以完成案件。因此，本年對出租人撥回的預計賠償金人民幣35,956,000元已計入損益。

NOTES TO THE FINANCIAL STATEMENTS 財務報表附註

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26 BANK LOANS AND OTHER BORROWINGS

At 31 December 2017, the Group's bank loans and other borrowings were repayable as follows:

26 銀行貸款及其他借貸

於2017年12月31日，本集團的銀行貸款及其他借貸的償還情況如下：

		2017	2016
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Current	流動		
Secured	有抵押		
– short-term bank loans and other borrowings	– 短期銀行貸款及其他借貸	14,843	303,773
– current portion of non-current bank loans and other borrowings	– 非流動銀行貸款及其他借貸的流動部分	1,158,216	1,004,280
Unsecured	無抵押		
– short-term bank loans and other borrowings	– 短期銀行貸款及其他借貸	28,800	—
		1,201,859	1,308,053
<hr style="border-top: 1px dashed black;"/>			
Non-current	非流動		
Secured	有抵押		
– repayable after 1 year but within 2 years	– 一年後但兩年內還款	364,770	1,196,660
– repayable after 2 years but within 5 years	– 兩年後但五年內還款	421,000	280,850
– repayable after 5 years	– 五年後還款	75,000	—
Unsecured	無抵押		
– repayable after 2 years but within 5 years	– 兩年後但五年內還款	1,000	—
		861,770	1,477,510
		2,063,629	2,785,563

NOTES TO THE FINANCIAL STATEMENTS 財務報表附註

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26 BANK LOANS AND OTHER BORROWINGS (Cont'd)

- (a) Certain banking facilities and borrowings of the Group are subject to the fulfilment of covenants relating to: (1) certain of the Group's operating subsidiaries' statement of financial position ratios; (2) restriction of profit distribution by certain of its operating subsidiaries; or (3) early repayment of principal to be triggered when 60% of the gross sellable area for the underlying property project are sold. These requirements are commonly found in lending arrangements with financial institutions. If the Group was to breach such covenants, the drawn down facilities would become repayable on demand. The Group regularly monitors its compliance with these covenants and communicates with its lenders as and when the directors foresee any non-compliance due to business needs.

At 31 December 2017, none of bank loans of the Group (2016: Nil) were not in compliance with the imposed covenants.

- (b) Bank loans and other borrowings bear interest ranging from 2.12% to 9.03% per annum for the year ended 31 December 2017 (2016: 2.12% to 9.00% per annum), and are secured by the following assets:

		2017	2016
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Completed properties held for sale	待售已完工物業	1,476,581	1,035,441
Properties under development for sale	待售在建物業	1,119,998	1,370,392
Investment properties (note 11(b))	投資物業(附註11(b))	720,200	41,900
Properties held for future development for sale	待售未來待開發物業	619,821	651,499
Property, plant and equipment (note 10)	物業、廠房及設備(附註10)	367,070	377,111
Pledged cash (note 23)	已抵押現金(附註23)	325,421	574,680
		4,629,091	4,051,023

26 銀行貸款及其他借貸(續)

- (a) 本集團的若干銀行融資及借貸須待有關下列各項的契諾達成後，方會作實：(1)本集團若干營運附屬公司的財務狀況比率指標；(2)按其若干營運附屬公司分配股利限制；或(3)當相關物業項目的可售總面積的60%被出售時須優先償還貸款行貸款。該等規定常見於與金融機構訂立的貸款安排。倘本集團違反有關限制，則已提取的融資將需於要求時償還。本集團定期監控其遵守該等限制的情況；且當董事預期由於業務需求導致無法遵守時，本集團會與貸款人溝通。

於2017年12月31日，概無本集團的銀行貸款(2016年：零)未遵守所施加的限制。

- (b) 於截至2017年12月31日止年度，銀行貸款及其他借貸分別按介乎2.12%至9.03%的年利率(2016年：2.12%至9.00%)計息，並以下列資產作抵押：

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26 BANK LOANS AND OTHER BORROWINGS (Cont'd)

- (c) Bank loans of RMB12,000,000 is guaranteed by Mr. Wong Sheung Tak, a controlling shareholder of the Company and therefore, a connected person of the Company.

26 銀行貸款及其他借貸(續)

- (c) 本公司控股股東王雙德先生為銀行貸款人民幣12,000,000元提供擔保，因此為本公司關連人士。

27 SENIOR NOTES

27 優先票據

		2017	2016
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Current	流動		
US\$160 million senior notes due in 2018	於2018年到期之1.6億美元優先票據		
– Tranche 1 (i)	– 第一批 (i)	645,006	—
– Tranche 2 (ii)	– 第二批 (ii)	397,893	—
		1,042,899	—
Non-current	非流動		
US\$160 million senior notes due in 2018	於2018年到期之1.6億美元優先票據		
– Tranche 1 (i)	– 第一批 (i)	—	676,680
– Tranche 2 (ii)	– 第二批 (ii)	—	428,205
US\$60 million senior notes due in 2019 (iii)	於2019年到期之0.6億美元優先票據 (iii)	390,964	414,466
		390,964	1,519,351
		1,433,863	1,519,351

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27 SENIOR NOTES (Cont'd)

- (i) On 15 December 2015, the Company issued senior notes of US\$100 million (equivalent to RMB646,261,000) at 99.404% with a coupon annual rate of 13.75%. The senior notes will be due in 2018. The net proceeds from the senior notes, after deducting the transaction costs, of US\$96,500,000 (equivalent to RMB623,642,000) was received by the Company on 16 December 2015. Interest expense on the senior notes is calculated using the effective interest rate of 15.25% per annum.
- (ii) On 14 September 2016, the Company issued senior notes of US\$60 million (equivalent to RMB400,716,000) at 104.81% of the principal amount plus accrued interest with a coupon rate of 13.75% per annum. The senior notes will be due in 2018. The net proceeds from the senior notes, after including interest in arrear and deducting the transaction costs, of US\$63,992,000 (equivalent to RMB427,377,000) was received by the Company on 15 September 2016. Interest expense on the senior notes is calculated using the effective interest rate of 12.42% per annum.
- (iii) On 30 August 2016, the Company issued senior notes of US\$60 million (equivalent to RMB400,872,000) at par with a coupon rate of 11% per annum. The senior notes will be due in 2019. The net proceeds from the senior notes, after deducting the transaction costs, of US\$59,720,000 (equivalent to RMB399,002,000) was received by the Company on 30 August 2016. Interest expense on the senior notes is calculated using the effective interest rate of 11.19% per annum. Mr. Wong Choi Hing, a controlling shareholder of the Company and therefore, a connected person of the Company, provides a personal guarantee in favour the performance of the obligations by the Company.

27 優先票據(續)

- (i) 於2015年12月15日，本公司發行100百萬美元(相當於人民幣646,261,000元)的99.404%優先票據。該等優先票據的票面年息率為13.75%，將於2018年到期。經扣除交易成本後，本公司於2015年12月16日取得優先票據所得款項淨額96,500,000美元(相當於人民幣623,642,000元)。優先票據的利息開支按實際年利率15.25%計算。
- (ii) 於2016年9月14日，本公司按本金的104.81%加應計利息發行60百萬美元(相當於人民幣400,716,000元)的優先票據。該等優先票據的票面年息率為13.75%，將於2018年到期。經加上應計利率並扣除交易成本後，本公司於2016年9月15日取得優先票據所得款項淨額63,992,000美元(相當於人民幣427,377,000元)。優先票據的利息開支按實際年利率12.42%計算。
- (iii) 於2016年8月30日，本公司發行60百萬美元(相當於人民幣400,872,000元)按面值的優先票據。該等優先票據的票面年息率為11%，將於2019年到期。經扣除交易成本後，本公司於2016年8月30日取得優先票據所得款項淨額59,720,000美元(相當於人民幣399,002,000元)。優先票據的利息開支按實際年利率11.19%計算。王再興先生，為本公司控股股東，因此亦為本公司關連人士，為本公司履行責任提供擔保。

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28 CORPORATE BONDS

28 公司債券

		2017	2016
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Current	流動		
HK\$11.5 million corporate bonds (i)	11.5 百萬港元公司債券 (i)	6,665	—
Non-current	非流動		
HK\$11.5 million corporate bonds (i)	11.5 百萬港元公司債券 (i)	2,590	9,674
RMB260 million corporate bonds (ii)	人民幣 2.6 億元公司債券 (ii)	257,180	—
		259,770	9,674
		266,435	9,674

(i) In 2016, the Company issued certain unlisted bonds totalling HK\$11.5 million (equivalent to RMB10,287,000) with a coupon rate of 5.00% to 8.00% per annum. The net proceeds from bonds issued, after deducting the transaction costs, of HK\$10,693,000 (equivalent to RMB9,565,000) was received by the Company. Interest expenses on these unlisted bonds are calculated with the effective interest rate of 8.41% to 13.78% per annum respectively.

(ii) During the year, the Group issued certain non-public offering of corporate bonds totalling RMB260 million with a coupon rate of 7.50% per annum. The net proceeds from bonds issued, after deducting the transaction costs, of RMB256,360,000 was received by the Group. Interest expenses on these non-public offering corporate bonds are calculated with the effective interest rate of 8.04% per annum.

(i) 於2016年，本公司發行總額為11,500,000港元(相當於人民幣10,287,000元)的若干非上市債券，票面利率為5.00%至8.00%。本公司已取得扣除交易成本後發行的債券所得款項淨額10,693,000港元(相當於人民幣9,565,000元)。該等上市債券的利息開支分別按實際年利率8.41%至13.78%計算。

(ii) 年內，本集團發行若干票面年利率為7.50%的非公開發行公司債券合共人民幣2.6億元。本集團已收取發行債券所得款項淨額(經扣除交易成本)人民幣256,360,000元。非公開發行公司債券的利息開支按8.04%的實際年利率計算。

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29 DEFERRED INCOME

29 遞延收入

		2017	2016
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Government grants	政府補助		
At 1 January	於1月1日	860,338	988,128
Movement during the year	年內變動		
– Government grants received (i)	– 已收政府補助 (i)	213,771	343,931
– Utilization	– 已使用	(220,649)	(468,759)
– Recognised in other income related to investment properties (note 4(iii))	– 與投資物業相關部分確認至其他收入(附註4(iii))	(3,604)	(2,962)
– Disposal of subsidiaries	– 出售子公司	(133,856)	—
		716,000	860,338
Sales and operating leaseback arrangement	銷售及經營售後租回		
At 1 January	於1月1日	4,460	3,960
Movement during the year	年內變動		
– Deferred income recognised (ii)	– 已確認遞延收入 (ii)	—	1,142
– Amortisation	– 攤銷	(656)	(642)
		3,804	4,460
		719,804	864,798
Included under:	列入：		
Current liabilities	流動負債	716,672	860,994
Non-current liabilities	非流動負債	3,132	3,804
		719,804	864,798

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29 DEFERRED INCOME (Cont'd)

- (i) Pursuant to the respective agreements between the Group and local governments, such grants are for subsidising the infrastructure construction of certain projects undertaken by certain subsidiaries of the Group, including Ningxiang Trade Centre, Yulin Trade Center, Jining Logistics Center, Mianyang Trade Center, Ganzhou Trade Center, Wuzhou Trade Center, Yantai Trade Center, Heze Trade Center and Lanzhou Trade Center.
- (ii) In connection with certain sales contracts entered into by Jining Hydo Logistics Center Development Company Limited and Wuzhou Hydo Commercial and Trade Centre Development Company Limited for sales of properties, the Group subsequently leased back certain sold properties from the respective buyers under operating leases for terms of 10 years at agreed rental rates. Upon recognition of the sales of such properties, a portion of the sales proceeds, which represents the excess of sales price over fair value of such properties, is deferred and amortised over the respective terms. During the year, no deferred revenue was arised from such sales and leaseback arrangements (2016: RMB500,000). No such properties were sold during the year (2016: Nil).

29 遞延收入(續)

- (i) 根據本集團與地方政府訂立的各項協議，有關補助須用於資助本集團若干附屬公司所承辦若干項目的基礎建設，該等項目包括寧鄉物流城、玉林物流城、濟寧物流城、綿陽物流城、贛州商貿物流園、梧州商貿物流城、煙台商貿物流城、菏澤商貿物流城及蘭州商貿城。
- (ii) 基於濟寧毅德物流城開發有限公司及梧州毅德商貿物流城開發有限公司簽訂的若干物業銷售合約，本集團隨後按照協定的租金以經營租賃方式自有關買方租回若干已售出物業，租期為10年。該等物業確認出售後，其售價超出公允價值部分的款項已遞延並於相關租期攤銷。年內，並無自該出售及售後租回安排產生的遞延收入(2016年：人民幣500,000元)。年內並無出售該等物業(2016年：零)。

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30 EMPLOYEE RETIREMENT BENEFITS

Defined contribution retirement plans

The Group operates a Mandatory Provident Fund Scheme (“the MPF scheme”) under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees’ relevant income, subject to a cap of monthly relevant income of HK\$30,000. Contributions to the plan vest immediately.

As stipulated by the regulations of the PRC, the Group participates in various defined contribution retirement plans organised by municipal and provincial governments for its employees. The Group is required to make contributions to the retirement plans ranging from 10% to 20% of the salaries, bonuses and certain allowances of the employees. A member of the plan is entitled to a pension equal to a fixed proportion of the salary prevailing at the member’s retirement date. The Group has no other material obligation for the payment of pension benefits associated with these plans beyond the annual contributions described above.

31 EQUITY SETTLED SHARE-BASED PAYMENTS

The Company has a share option scheme (the “Pre-IPO Share Option Scheme”), which was first adopted on 30 November 2011, whereby the directors of the Company were authorised, at their discretion, to invite employees of the Group, including directors of any entity comprising the Group, to take up options to subscribe for shares of the Company. Additional options were granted to certain employees of the Group on 16 October 2012 and 20 March 2013 respectively. After such grants, a total number of 1,715 share options were granted to employees. Each option gives the holder the right to subscribe for 1 ordinary share in the Company and is settled gross in shares.

30 僱員退休福利

定額供款退休計劃

本集團按照香港強制性公積金計劃條例的規定為根據香港僱傭條例管轄範圍受僱的僱員設立一項強制性公積金計劃（「強積金計劃」）。強積金計劃是由獨立信託人管理的定額供款退休計劃。根據強積金計劃，僱主及僱員均須按照僱員相關收入的5%向計劃供款，惟每月相關收入上限為30,000港元。此計劃的供款即時歸屬。

中國法規規定，本集團須為其僱員參與省市級政府所組織的各種定額供款退休計劃。本集團須按僱員工資、花紅及若干津貼的10%至20%向退休計劃供款。參加計劃的員工有權獲得相當於按其退休時工資的固定比率計算的退休金。除上述年度供款外，本集團毋須就與此等計劃相關的退休金福利承擔其他重大付款責任。

31 以權益結算以股份為基礎的付款

本公司於2011年11月30日首次採納購股權計劃（「首次公開售股前購股權計劃」），據此，本公司董事獲授權由彼等酌情決定，邀請本集團僱員（包括本集團旗下任何實體的董事）接納購股權以認購本公司股份。額外的購股權分別於2012年10月16日及2013年3月20日授予本集團若干僱員。在授出該等購股權後，總數為1,715份購股權已授予僱員。每份購股權賦予持有人權利認購本公司1股普通股，並以股份全數結算。

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31 EQUITY SETTLED SHARE-BASED PAYMENTS (Cont'd)

(a) The terms and conditions of the options granted are as follows:

		Number of instruments 工具數目	Contractual life of options 購股權合約期
(i)	Options granted on 30 November 2011 (i)		
	– directors	325	85 months 85個月
	– employees	1,180	85 months 85個月
		Percentage of vested shares 已歸屬 股份的百分比	
	Vesting date 歸屬日期		
	31 December 2012	25%	
	31 December 2013	50%	
	31 December 2014	75%	
	31 December 2015	100%	
		Number of instruments 工具數目	Contractual life of options 購股權合約期
(ii)	Options granted on 16 October 2012 (ii)		
	– employees	191	74 months 74個月
		Percentage of vested shares 已歸屬 股份的百分比	
	Vesting date 歸屬日期		
	31 December 2013	25%	
	31 December 2014	50%	
	31 December 2015	75%	
	31 December 2016	100%	

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31 EQUITY SETTLED SHARE-BASED PAYMENTS (Cont'd)

(a) The terms and conditions of the options granted are as follows: (Cont'd)

		Number of instruments 工具數目	Contractual life of options 購股權合約期
(iii) Options granted on 20 March 2013 directors	(iii) 於2013年3月20日授出的購股權 —董事	19	69 months 69個月
			Percentage of vested shares 已歸屬股份的百分比
Vesting date 歸屬日期			
31 December 2014	2014年12月31日	25%	
31 December 2015	2015年12月31日	50%	
31 December 2016	2016年12月31日	75%	
31 December 2017	2017年12月31日	100%	

The options are exercisable from six months after the Company's Global offering date to 31 December 2018.

Pursuant to the relevant terms of the Pre-IPO Share Option Scheme, on 31 October 2013, being the listing date of the share of the Company in Stock Exchange of Hong Kong Limited, each share with a par value of US\$1.00 each under each option granted was automatically adjusted to 48,000 options and the exercise price of each option was adjusted from HK\$48,654 to HK\$1.014 accordingly.

31 以權益結算以股份為基礎的付款(續)

(a) 授出的購股權條款及條件如下：
(續)

Number of instruments 工具數目	Contractual life of options 購股權合約期
19	69 months 69個月
	Percentage of vested shares 已歸屬股份的百分比

該等購股權可於本公司全球發售日期後六個月起至2018年12月31日行使。

根據首次公開發售前購股權計劃的相關條款，於2013年10月31日（即本公司股份於香港聯合交易所有限公司上市日期），已授出各份購股權下每股面值為1.00美元的股份已自動調整為48,000份購股權，且每份購股權的行使價已相應由48,654港元調整為1.014港元。

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31 EQUITY SETTLED SHARE-BASED PAYMENTS (Cont'd)

(b) The number and the weighted average exercise price of share option are as follows:

31 以權益結算以股份為基礎的付款(續)

(b) 購股權的數目及加權平均行使價如下：

		2017		2016	
		Weighted average exercise price	Number of share options	Weighted average exercise price	Number of share options
		加權平均行使價	購股權數目	加權平均行使價	購股權數目
Outstanding at the 1 January	於1月1日未行使	HK\$1.014	65,095,000	HK\$1.014	65,755,000
Forfeited during the year	年內失效	HK\$1.014	(9,040,000)	HK\$1.014	(660,000)
Outstanding at 31 December	於12月31日未行使	HK\$1.014	56,055,000	HK\$1.014	65,095,000
Exercisable at 31 December	於12月31日可行使	HK\$1.014	56,055,000	HK\$1.014	64,945,000

The options outstanding at 31 December 2017 had a remaining weighted average contractual life of 1 year (2016: 2 years).

於2017年12月31日未行使購股權擁有1年的餘下加權平均合約期(2016年：2年)。

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32 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

		Share capital 股本	Share premium 股本溢價	Capital redemption reserve 資本贖回儲備	Capital reserve 資本儲備	Equity settled share-based payment reserve 以權益結算以股份為基礎的支付為基礎的儲備	Exchange reserve 匯兌儲備	Accumulated losses 累計虧損	Total equity 權益總額	
						Capital reserve 資本儲備				
The Company	本公司	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
		Note 32(e)	32(d)(i)	32(c)	32(d)(v)	32(d)(iv)	32(d)(iii)			
		附註	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	
At 1 January 2016	於2016年1月1日		31,825	1,029,736	120	1,386,109	12,794	84,272	(90,531)	2,454,325
Changes in equity for 2016:	2016年權益變動：									
Loss and total comprehensive income for the year	年內虧損及全面收入總額		—	—	—	—	—	74,647	(181,595)	(106,948)
Dividends approved in respect of the previous year	過往年度所批准的股息	32(b)(i)	—	(51,470)	—	—	—	—	—	(51,470)
Equity settled share-based transactions	以權益結算以股份為基礎的交易		—	—	—	(194)	—	—	—	(194)
At 31 December 2016 and 1 January 2017	於2016年12月31日及2017年1月1日		31,825	978,266	120	1,386,109	12,600	158,919	(272,126)	2,295,713
Changes in equity for 2017:	2017年權益變動：									
Loss and total comprehensive income for the year	年內虧損及全面收入總額		—	—	—	—	—	(55,364)	(243,915)	(299,279)
Equity settled share-based transactions	以權益結算以股份為基礎的交易		—	—	—	3	—	—	—	3
Share options forfeited	沒收購股權		—	—	—	(2,176)	—	2,176	—	—
At 31 December 2017	於2017年12月31日		31,825	978,266	120	1,386,109	10,427	103,555	(513,865)	1,996,437

32 股本、儲備及股息

(a) 權益組成部分的變動

本集團合併權益各組成部分的年初與年終結餘的對賬載於合併權益變動表。本公司權益個別組成部分於年初至年末的變動詳情載列如下：

NOTES TO THE FINANCIAL STATEMENTS 財務報表附註

(Expressed in Renminbi unless otherwise indicated)
(除另有指明外，均以人民幣列示)

32 CAPITAL, RESERVES AND DIVIDENDS (Cont'd)

(b) Dividends

(i) Dividends payable to equity shareholders of the Company attributable to the year

	2017	2016
	RMB'000	RMB'000
	人民幣千元	人民幣千元
No final dividend proposed after the end of the reporting period (2016: Nil) per ordinary share	—	—

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	2017	2016
	RMB'000	RMB'000
	人民幣千元	人民幣千元
Final dividend in respect of the previous financial year, approved and paid during the following year, of HK Nil cents (2016: HK1.5 cents) per ordinary share	—	51,470

32 股本、儲備及股息(續)

(b) 股息

(i) 歸屬於本年度應付本公司權益股東股息

	2017	2016
	RMB'000	RMB'000
	人民幣千元	人民幣千元
No final dividend proposed after the end of the reporting period (2016: Nil) per ordinary share	—	—

(ii) 本年度批准及派付的歸屬於上個財政年度的應付本公司權益股東股息

	2017	2016
	RMB'000	RMB'000
	人民幣千元	人民幣千元
Final dividend in respect of the previous financial year, approved and paid during the following year, of HK Nil cents (2016: HK1.5 cents) per ordinary share	—	51,470

NOTES TO THE FINANCIAL STATEMENTS 財務報表附註

(Expressed in Renminbi unless otherwise indicated)
(除另有指明外，均以人民幣列示)

32 CAPITAL, RESERVES AND DIVIDENDS (Cont'd)

(c) Share capital

Authorised and issued share capital

		2017		2016	
		No. of shares	Amount	No. of shares	Amount
		股份數目	金額	股份數目	金額
		'000	HK\$'000	'000	HK\$'000
		千股	千港元	千股	千港元
Authorised:	法定：				
Ordinary shares of	每股面值0.01港元的普通股				
HK\$0.01 each		8,000,000	80,000	8,000,000	80,000

Ordinary shares, issued and fully paid:

已發行及繳足普通股：

		Par value		Nominal value of ordinary shares	
		面值	No. of shares	面值	No. of shares
		HK\$	'000	HK\$'000	RMB'000
		港元	千股	千港元	人民幣千元
At 1 January 2016,	於2016年1月1日、				
31 December 2016 and	2016年12月31日及				
31 December 2017	2017年12月31日	0.01	4,014,844	40,148	31,825

Note: There is no change in ordinary shares during 2017 and 2016.

附註：2017年至2016年普通股並無變動。

NOTES TO THE FINANCIAL STATEMENTS 財務報表附註

(Expressed in Renminbi unless otherwise indicated)
(除另有指明外，均以人民幣列示)

32 CAPITAL, RESERVES AND DIVIDENDS (Cont'd)

(d) Reserves

(i) Share premium

Under the Companies Law of the Cayman Islands, the share premium account of the Company may be applied for payment of distributions or dividends to shareholders provided that immediately following the date on which the distribution or dividend is proposed to be paid, the Company is able to pay its debts as they fall due in the ordinary course of business.

(ii) PRC statutory reserve

Pursuant to the Articles of Association of the Group's PRC subsidiaries and relevant statutory regulations, appropriations to the statutory reserve fund were made at 10% of profit after tax determined in accordance with accounting rules and regulations of the PRC until the reserve balance reaches 50% of the registered capital. This reserve fund can be utilised in setting off accumulated losses or increasing capital of the PRC subsidiaries provided that the balance after such conversion is not less than 25% of their registered capital, and is non-distributable other than in liquidation.

(iii) Exchange reserve

The exchange reserve comprises all relevant exchange differences arising from the translation of the financial statements of operations with functional currency other than Renminbi. The reserve is dealt with in accordance with the accounting policy set out in note 1(x).

32 股本、儲備及股息(續)

(d) 儲備

(i) 股份溢價

根據開曼群島公司法，本公司股份溢價賬可用於向股東支付分派或股息，惟須確保緊隨建議支付分派或股息日期後，本公司有能力支付日常業務過程中的到期債務。

(ii) 中國法定儲備

根據本集團中國子公司的組織章程細則及有關法定法規，須以按中國會計規則及法規釐定的除稅後利潤的10%向法定儲備金撥款，直至儲備結餘達到註冊資本的50%。該儲備金可用於抵銷中國子公司的累計虧損或增資，惟轉換後儲備金結餘不少於註冊資本的25%，且除於清盤時，不可用於分派。

(iii) 匯兌儲備

匯兌儲備包括因換算非人民幣的功能貨幣經營財務報表而產生的所有相關匯兌差額。該儲備按附註1(x)所載的會計政策處理。

NOTES TO THE FINANCIAL STATEMENTS 財務報表附註

(Expressed in Renminbi unless otherwise indicated)
(除另有指明外，均以人民幣列示)

32 CAPITAL, RESERVES AND DIVIDENDS (Cont'd)

(d) Reserves (Cont'd)

(iv) Equity settled share-based payment reserve

Equity settled share-based payment reserve represents the fair value of the actual or estimated number of unexercised share options granted to employees of the Group in accordance with the accounting policy adopted for share-based payments in note 1(t)(ii).

(v) Capital reserve

Capital reserve is resulted from transactions with owners in their capacity as the equity owners. The balance comprises capital reserve surplus/deficit arising from the difference between the disposal/acquisition consideration and its net assets value at the respective date of disposal/acquisition, and the capital reserve transferring from the equity settled share-based payment reserve.

(vi) Reserve-transaction with non-controlling interests

The balance represents difference between the net identifiable assets and the consideration paid for acquisition of non-controlling interests.

(e) Distributability of reserves

As at 31 December 2017, the Company's reserves available for distribution, calculated in accordance with the Companies Law of the Cayman Islands, amounted to approximately RMB1,964,612,000 (2016: RMB2,263,888,000), which may be distributed provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

32 股本、儲備及股息(續)

(d) 儲備(續)

(iv) 以權益結算以股份支付為基礎儲備

以權益結算以股份支付為基礎儲備指按附註1(t)(ii)所述根據就以股份付款採納的會計政策計算授予本集團僱員的未行使購股權實際或估計數目的公允值。

(v) 資本儲備

資本儲備來自與擁有人以其權益擁有人身份進行的交易。結餘包括出售/收購對價與相關出售/收購日期資產淨值的差額所產生資本儲備盈餘/虧絀，以及轉撥自以權益結算以股份支付為基礎儲備的資本儲備。

(vi) 儲備—與非控股權益的交易

結餘指可識別資產淨值與已付收購非控股權益之對價的差額。

(e) 可分派儲備

於2017年12月31日，根據開曼群島公司法計算的本公司可供分派儲備約為人民幣1,964,612,000元(2016年：人民幣2,263,888,000元)，該等儲備可作分派，惟緊隨建議派發股息日期後，本公司有能力償還日常業務過程中的到期債務。

NOTES TO THE FINANCIAL STATEMENTS 財務報表附註

(Expressed in Renminbi unless otherwise indicated)
(除另有指明外，均以人民幣列示)

32 CAPITAL, RESERVES AND DIVIDENDS (Cont'd)

(f) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to fund its property development projects, provide returns for shareholders and benefits for other stakeholders, by pricing properties commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of gearing ratio. The Group defines this ratio as total interest-bearing liabilities (includes bank loans and other borrowings, senior notes and corporate bonds) divided by total assets of the Group. At 31 December 2017 and 2016, the gearing ratio of the Group was calculated as follows:

		2017	2016
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Bank loans and other borrowings	銀行貸款及其他借貸	2,063,629	2,785,563
Senior notes	優先票據	1,433,863	1,519,351
Corporate bonds	公司債券	266,435	9,674
Total interest-bearing borrowings	計息借款	3,763,927	4,314,588
Total assets	總資產	14,802,895	15,452,144
Gearing ratio	資產負債比率	25.4%	27.9%

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

32 股本、儲備及股息(續)

(f) 資本管理

本集團管理資本的主要目標為保障本集團持續經營的能力，以向其物業開發項目提供資金，以及藉著與風險水平及以合理成本取得融資掛鈎的方式為物業定價而為股東及其他利益相關者提供回報及利益。

本集團積極定期審核及管理其資本架構，以維持與高借貸水平可能有關的較高股東回報與穩健資本狀況帶來的優勢及擔保之間的平衡，並根據經濟狀況的變動調整資本架構。

本集團根據資產負債比率監察其資本結構。本集團界定此比率為總計息負債(包括銀行貸款及其他借貸、優先票據及公司債券)除以本集團資產總值。於2017及2016年12月31日，本集團之資產負債比率如下：

本公司或其任何子公司概不受外部施加的資本規定所限。

NOTES TO THE FINANCIAL STATEMENTS 財務報表附註

(Expressed in Renminbi unless otherwise indicated)
(除另有指明外，均以人民幣列示)

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group is also exposed to equity price risk arising from its equity investments in other entities.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

The Group's credit risk is primarily attributable to cash and cash equivalents, pledged and restricted cash, trade and bill receivables and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

Cash and cash equivalents and pledged and restricted cash held by the Group are mainly deposited in financial institutions such as commercial banks which maintain sound reputation and financial situation. The credit risk is considered low and the Group has exposure limit to any single financial institution.

In respect of trade and bill receivables, credit risk is minimised as the Group normally receives full payment from buyers before the transfer of property ownership.

In respect of other receivables due from third parties, the Group reviews the exposures and manages them based on the need of operation.

33 金融風險管理及公允值

本集團於一般業務過程中面對信貸、流動性、利率及貨幣風險。本集團亦面對持有其他實體的股權投資產生的股價風險。

本集團面對之風險及本集團為管理該等風險而採用之財務風險管理政策及慣例載述如下。

(a) 信貸風險

本集團的信貸風險主要來自現金及現金等值物、已抵押及受限制現金、貿易應收款項及應收票據及其他應收款項。管理層設有明確的信貸政策並持續監察面對的該等信貸風險。

本集團所持現金及現金等值物與已抵押及受限制現金主要存放於商業銀行等金融機構，該等金融機構信譽良好且財務狀況穩健。信貸風險低，且本集團對任何單一金融機構設定限額規避風險。

由於本集團通常於轉讓物業所有權前向買家收取全部款項，因此貿易應收款項及應收票據的信貸風險甚微。

本集團根據營運需要審核及管理應收第三方的其他應收款項的相關風險。

NOTES TO THE FINANCIAL STATEMENTS 財務報表附註

(Expressed in Renminbi unless otherwise indicated)
(除另有指明外，均以人民幣列示)

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Cont'd)

(a) Credit risk (Cont'd)

The maximum exposure to credit risk in respect of these financial guarantees at the end of the reporting period is disclosed in note 35.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 22.

(b) Liquidity risk

The Group management reviews the liquidity position of the Group on an ongoing basis, including review of the expected cash inflows and outflows, sale/pre-sale results of respective property projects, maturity of loans and borrowings and the progress of the planned property development projects in order to monitor the Group's liquidity requirements in the short and longer terms. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

33 金融風險管理及公允價值(續)

(a) 信貸風險(續)

本集團於報告期末面對的財務擔保最大信貸風險披露於附註35。

有關本集團貿易及其他應收款項所產生信貸風險的進一步量化披露載於附註22。

(b) 流動性風險

本集團管理層持續審核本集團的流動性狀況，包括審核預計現金流入及流出、各物業項目的銷售／預售業績、貸款及借貸到期情況以及計劃物業開發項目的進度，以監控本集團的短期及長期流動性需求。本集團的政策是定期監控流動性需求及有否遵守借貸契諾，以確保備有足夠的現金儲備，及向主要金融機構取得充足的已承諾資金，以應付長短期流動性需求。

NOTES TO THE FINANCIAL STATEMENTS 財務報表附註

(Expressed in Renminbi unless otherwise indicated)
(除另有指明外，均以人民幣列示)

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Cont'd)

(b) Liquidity risk (Cont'd)

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities excluding receipts in advance, which the Group expects to settle by delivery of completed properties. The contractual maturities are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay:

33 金融風險管理及公允值(續)

(b) 流動性風險(續)

下表載列本集團金融負債(不包括本集團預期交付已完工物業結算的預收款項)於各報告期末的餘下合約期限。合約期限是根據合約未貼現現金流量(包括以合約利率或(倘浮動)各報告期末現行的利率估算的利息付款)以及本集團需要還款的最早日期計算：

		2017					
		Contractual undiscounted cash outflow					
		合約未貼現現金流出					
		More than	More than				
		1 year but	2 year but				
		less than	less than				
		2 years	5 years	More than			Carrying
		超過一年	超過兩年	5 years	Total	amount	
		但少於兩年	但少於五年	超過五年	總計	賬面值	
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元
Bank loans and other borrowings	銀行貸款及其他借貸	1,267,170	401,863	462,655	91,661	2,223,349	2,063,629
Trade and other payables	貿易及其他應付款項	2,561,457	52,279	—	—	2,613,736	2,613,736
Corporate bonds	公司債券	7,369	22,499	279,500	—	309,368	280,642
Senior notes	優先票據	1,232,350	435,178	—	—	1,667,528	1,454,228
		5,068,346	911,819	742,155	91,661	6,813,981	6,412,235

NOTES TO THE FINANCIAL STATEMENTS 財務報表附註

(Expressed in Renminbi unless otherwise indicated)
(除另有指明外，均以人民幣列示)

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Cont'd)

(b) Liquidity risk (Cont'd)

33 金融風險管理及公允值(續)

(b) 流動性風險(續)

		2016				
		Contractual undiscounted cash outflow				
		合約未貼現現金流出				
		More than 1 year but less than 2 years	More than 1 year but less than 5 years			Carrying amount
		Within 1 year or on demand	1 year but less than 2 years	2 year but less than 5 years	Total	Carrying amount
		一年內或 按要求	超過一年 但少於兩年	超過兩年 但少於五年	總計	賬面值
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元
Bank loans and other borrowings	銀行貸款及其他借貸	1,434,342	1,255,520	328,040	3,017,902	2,785,563
Trade and other payables	貿易及其他應付款項	2,807,641	88,056	—	2,895,697	2,895,697
Corporate bonds	公司債券	729	7,885	3,209	11,823	9,807
Senior notes	優先票據	198,398	1,308,318	462,004	1,968,720	1,540,972
		4,441,110	2,659,779	793,253	7,894,142	7,232,039

NOTES TO THE FINANCIAL STATEMENTS 財務報表附註

(Expressed in Renminbi unless otherwise indicated)
(除另有指明外，均以人民幣列示)

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Cont'd)

(c) Interest rate risk

The Group's interest rate risk arises primarily from cash and cash equivalents, pledged and restricted cash and borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively.

The Group does not anticipate significant impact on cash and cash equivalents and the pledged deposits because the interest rates of bank deposits are not expected to change significantly.

The interest rates and terms of repayment of bank loans of the Group are disclosed in note 26 to the financial statements. The Group does not carry out any hedging activities to manage its interest rate exposure.

33 金融風險管理及公允值(續)

(c) 利率風險

本集團利率風險主要來自現金及現金等值物、已抵押及受限制現金及浮動利率和固定利率借款，而浮動利率和固定利率使本集團分別面對現金流利率風險及公允值利率風險。

本集團預期現金及現金等值物及已抵押存款不會受重大影響，因為預期銀行存款利率不會有重大變動。

本集團銀行貸款的利率及償還條款披露於財務報表附註26。本集團並無就管理利率風險進行任何對沖活動。

NOTES TO THE FINANCIAL STATEMENTS 財務報表附註

(Expressed in Renminbi unless otherwise indicated)
(除另有指明外，均以人民幣列示)

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Cont'd)

(c) Interest rate risk (Cont'd)

(i) Interest rate profile

		2017		2016	
		Effective		Effective	
		Interest rate		Interest rate	
		實際利率		實際利率	
		%	RMB'000	%	RMB'000
		%	人民幣千元	%	人民幣千元
Fixed rate borrowings:	固定利率借貸：				
Bank loans and other borrowings	銀行貸款及其他借貸	6.21	586,800	5.68	831,139
Senior notes	優先票據	13.36	1,433,863	13.25	1,519,351
Corporate bonds	公司債券	8.11	266,435	9.88	9,674
Variable rate borrowings:	浮動利率借貸：				
Bank loans and other borrowings	銀行貸款及其他借貸	5.40	1,476,829	5.18	1,954,424
Total borrowings	總借貸		3,763,927		4,314,588
Net fixed rate borrowings as a percentage of total net borrowings	固定利率借貸淨額佔總借貸淨額的百分比		61%		55%

NOTES TO THE FINANCIAL STATEMENTS 財務報表附註

(Expressed in Renminbi unless otherwise indicated)
(除另有指明外，均以人民幣列示)

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Cont'd)

(c) Interest rate risk (Cont'd)

(ii) Sensitivity analysis

At 31 December 2017, it is estimated that a general increase/decrease of 50 basis points (2016: 50 basis points) in interest rates, with all other variables held constant, would have decreased/increased the Group's profit after tax and total equity attributable to equity shareholders of the Company by approximately RMB5,538,000 (2016: decreased/increased the Group's profit after tax and total equity attributable to equity shareholders of the Company by approximately RMB7,329,000), which has not taken into account of effect of interest capitalisation.

The sensitivity analysis above indicates the instantaneous change in the Group's profit after tax (and retained profits) and other components of consolidated equity that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of the reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting period, the impact on the Group's profit after tax (and retained profits) and other components of consolidated equity is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis as 2016.

33 金融風險管理及公允價值(續)

(c) 利率風險(續)

(ii) 敏感度分析

於2017年12月31日，在其他所有變量保持不變的情況下，倘利率整體上升/下降50個基點(2016年：50個基點)，在並無計及利息資本化的影響下，估計本集團的除稅後利潤及本公司權益股東應佔總權益將減少/增加約人民幣5,538,000元(2016年：除稅後利潤減少/增加約人民幣7,329,000元)。

上述敏感度分析顯示本集團的除稅後利潤(及保留利潤)以及合併權益的其他部分可能產生的即時變動。敏感度分析假設利率變動於報告期末已發生，並已用於重新計量本集團所持有並於報告期末使本集團面對公允價值利率風險的金融工具。關於本集團於報告期末持有的浮動利率非衍生工具產生的現金流量利率風險，對本集團的除稅後利潤(及保留利潤)以及合併權益的其他組成部分的影響，以該利率變動對利息支出或收入的年度影響估計。有關分析乃按2016年的相同基準作出。

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(Expressed in Renminbi unless otherwise indicated)
(除另有指明外，均以人民幣列示)

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Cont'd)

(d) Currency risk

The Group is exposed to foreign currency risk primarily on bank deposits, corporate bonds and senior notes to which the transactions relate. The currencies giving rise to this risk are primarily US dollars and Hong Kong dollars.

(i) Exposure to currency risk

The following table details the Group's exposure at the end of each reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purpose, the amounts of the exposure are shown in RMB, translated using the spot rate at the end of each reporting period.

33 金融風險管理及公允價值(續)

(d) 貨幣風險

本集團面對外幣風險，主要來自與交易有關的銀行存款、公司債券及優先票據。引致有關風險的貨幣主要為美元及港元。

(i) 貨幣風險

下表詳述本集團於各報告期末面對以有關實體功能貨幣以外貨幣計值的已確認資產或負債產生的貨幣風險。就呈列而言，風險金額以人民幣列示，並於各報告期末使用現貨匯率換算。

		2017		2016	
		United States	Hong Kong	United States	Hong Kong
		Dollars	Dollars	Dollars	Dollars
		美元	港元	美元	港元
		RMB'000	RMB'000	RMB'000	RMB'000
		人民幣千元	人民幣千元	人民幣千元	人民幣千元
Cash and cash equivalents	現金及現金等值物	14,673	1,156	50,675	9,006
Pledged cash	已抵押現金	117,744	—	444,018	—
Corporate bonds	公司債券	—	(9,379)	—	(9,674)
Net exposure arising from recognised assets and liabilities	已確認資產及負債產生的風險淨值	132,417	(8,223)	494,693	(668)

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(除另有指明外，均以人民幣列示)

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Cont'd)

(d) Currency risk (Cont'd)

(ii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's profit after tax (and retained profits) that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant.

		2017		2016	
		Increase/ (decrease) in foreign exchange rates 外匯比率 上升/ (下降)	Effect on profit after tax and retained profits 對除稅後 利潤及 保留利潤 的影響 RMB'000 人民幣千元	Increase/ (decrease) in foreign exchange rates 外匯比率 上升/ (下降)	Effect on profit after tax and retained profits 對除稅後 利潤及 保留利潤 的影響 RMB'000 人民幣千元
United States Dollars	美元	5%/ (5%)	6,621 (6,621)	5%/ (5%)	24,735 (24,735)
Hong Kong Dollars	港元	5%/ (5%)	(441) 441	5%/ (5%)	(33) 33

33 金融風險管理及公允值(續)

(d) 貨幣風險(續)

(ii) 敏感度分析

倘於報告期末對本集團有重大影響的外匯比率於該日期發生變動，並假設所有其他風險變量保持不變，下表顯示本集團的除稅後利潤(及保留利潤)可能產生的即時變動。

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(除另有指明外，均以人民幣列示)

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Cont'd)

(d) Currency risk (Cont'd)

(ii) Sensitivity analysis (Cont'd)

The foreign currency sensitivity analysis is calculated based on the major net foreign currency exposure of the Group as at the reporting date, assuming 5% shift of RMB against US\$ and HKD on the profit after tax and retained profits and excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency.

(e) Equity price risk

The Group is exposed to equity price changes arising from equity investments classified as available-for-sale unlisted equity securities (see note 16).

The Group's unquoted investments are held for long term strategic purposes. Their performance is assessed at least bi-annually against performance of similar listed entities, based on the limited information available to the Group, together with an assessment of their relevance to the Group's long term strategic plan.

33 金融風險管理及公允值(續)

(d) 貨幣風險(續)

(ii) 敏感度分析(續)

外幣敏感度分析乃根據本集團於報告日期的主要外幣風險淨額計算(假設就除稅後利潤及保留利潤而言，人民幣兌美元及港元存在5%的變動)，及不包括將海外業務的財務報表換算為本集團的呈列貨幣引起的差額。

(e) 權益投資價格風險

本集團面對分類為可供出售非上市股本證券的權益投資產生的價格變動風險(見附註16)。

本集團的未報價投資是持作長期策略用途。本集團會根據就同類上市實體表現可得的有限資料而對該等投資表現至少每兩年評估一次，連同評估彼等與本集團長期策略計劃的相關性。

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(除另有指明外，均以人民幣列示)

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Cont'd)

(f) Fair value measurement

(i) Financial instruments measured at fair value

The following table presents the fair value of financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique is listed in note 11(b).

33 金融風險管理及公允價值(續)

(f) 公允價值計量

(i) 按公允價值計量的金融工具

下表呈列於報告期末以經常性準則計量的金融工具公允價值，並按國際財務報告準則第13號，公允價值計量所界定分類為三個公允價值級別。公允價值計量是參考附註11(b)所列估值方法所使用的輸入數據可觀察性及重要性而分類及釐定其級別。

		Fair value measurements as at 31 December 2017		Fair value measurements as at 31 December 2016	
		Fair value at 31 December 2017	Fair value at 31 December 2017	Fair value at 31 December 2016	Fair value at 31 December 2016
		於2017年12月31日的公允價值	分類為第二級的公允價值計量	於2016年12月31日的公允價值	分類為第二級的公允價值計量
		RMB'000	RMB'000	RMB'000	RMB'000
		人民幣千元	人民幣千元	人民幣千元	人民幣千元
Recurring fair value measurements	經常性公允價值計量				
Assets:	資產：				
Other financial assets:	其他金融資產				
– Derivative financial instrument	– 衍生金融工具	13,548	13,548	27,767	27,767

NOTES TO THE FINANCIAL STATEMENTS 財務報表附註

(Expressed in Renminbi unless otherwise indicated)
(除另有指明外，均以人民幣列示)

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Cont'd)

(f) Fair value measurement (Cont'd)

(i) Financial instruments measured at fair value (Cont'd)

During the years ended 31 December 2017 and 2016, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels and fair value hierarchy as at the end of the reporting period in which they occur.

Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of the derivative financial instrument is determined using binomial tree model.

(ii) Fair value of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost were not materially different from their fair values as at 31 December 2017 and 2016.

33 金融風險管理及公允價值(續)

(f) 公允價值計量(續)

(i) 按公允價值計量的金融工具(續)

截至2017年及2016年12月31日止年度，第一級與第二級之間並無任何轉移，亦無轉入或轉出第三級。本集團的政策為於發生公允價值等級轉移的報告期間結束時，確認不同級別之間的轉移。

第二級公允價值計量所用的估值方法及輸入數據

衍生金融工具的公允價值使用二項式樹狀模型釐定。

(ii) 並非按公允價值列賬的金融資產及負債的公允價值

本集團按成本或攤銷成本列賬的金融工具賬面值與其於2017年及2016年12月31日的公允價值並無重大差異。

NOTES TO THE FINANCIAL STATEMENTS 財務報表附註

(Expressed in Renminbi unless otherwise indicated)
(除另有指明外，均以人民幣列示)

34 COMMITMENTS

- (a) Capital commitments outstanding at 31 December 2017 contracted but not provided for in the financial statements were as follows:

		2017 RMB'000 人民幣千元	2016 RMB'000 人民幣千元
Construction and development contracts	建設及發展合約	765,895	1,111,114
Land agreements	土地協議	25,981	240,550
		791,876	1,351,664

- (b) At 31 December 2017, the total future minimum lease payments under non-cancellable operating lease are payable as follows:

		2017 RMB'000 人民幣千元	2016 RMB'000 人民幣千元
Within 1 year	一年內	12,950	13,728
After 1 year but within 2 years	一年後但兩年內	8,509	10,250
After 2 years but within 5 years	兩年後但五年內	26,843	28,926
After 5 years	五年後	29,498	37,355
		77,800	90,259

The Group leases a number of building facilities under operating leases. The leases typically run for an initial period of 1 to 10 years, with an option to renew the lease after that date at which time all terms are renegotiated. None of the leases includes contingent rentals.

34 承擔

- (a) 於2017年12月31日已訂約但於財務報表內無撥備的資本承擔如下：

		2017 RMB'000 人民幣千元	2016 RMB'000 人民幣千元
Construction and development contracts	建設及發展合約	765,895	1,111,114
Land agreements	土地協議	25,981	240,550
		791,876	1,351,664

- (b) 於2017年12月31日，根據不可撤銷經營租賃應付未來最低租金總值到期情況如下：

		2017 RMB'000 人民幣千元	2016 RMB'000 人民幣千元
Within 1 year	一年內	12,950	13,728
After 1 year but within 2 years	一年後但兩年內	8,509	10,250
After 2 years but within 5 years	兩年後但五年內	26,843	28,926
After 5 years	五年後	29,498	37,355
		77,800	90,259

本集團根據經營租賃出租多項樓宇設施。租期初步一般為一至十年，並可在該日期後續約，屆時所有條款均會重新協商。概無租賃包括或然租金。

NOTES TO THE FINANCIAL STATEMENTS 財務報表附註

(Expressed in Renminbi unless otherwise indicated)
(除另有指明外，均以人民幣列示)

34 COMMITMENTS (Cont'd)

- (c) At 31 December 2017, the total future minimum lease payments under non-cancellable operating leases are receivables as follows:

		2017	2016
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Within 1 year	一年內	35,513	37,043
After 1 year but within 2 years	一年後但兩年內	29,043	32,956
After 2 years but within 5 years	兩年後但五年內	37,391	72,219
After 5 years	五年後	53,547	47,662
		155,494	189,880

The Group leases out a number of properties under operating leases. The leases typically run for an initial period of 1 to 15 years. None of the leases includes contingent rentals.

All properties held under operating leases that would otherwise meet the definition of investment property are classified as investment property.

34 承擔(續)

- (c) 於2017年12月31日，根據不可撤銷經營租賃應收未來最低租金總值到期情況如下：

		2017	2016
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Within 1 year	一年內	35,513	37,043
After 1 year but within 2 years	一年後但兩年內	29,043	32,956
After 2 years but within 5 years	兩年後但五年內	37,391	72,219
After 5 years	五年後	53,547	47,662
		155,494	189,880

本集團根據經營租賃出租多項物業。租期初步一般為一年至十五年。概無租賃包括或然租金。

所有根據經營租約持有並符合投資物業定義之物業歸類為投資物業。

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35 CONTINGENT LIABILITIES

Guarantees

The Group provided guarantees in respect of mortgage facilities granted by certain banks in connection with the mortgage loans entered into by purchasers of the Group's properties. Pursuant to the terms of the guarantees, if there is default of the mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage loans together with any accrued interest and penalty owned by the defaulted purchasers to the banks. The Group's guarantee period commences from the dates of grant of the relevant mortgage loans and ends upon the earlier of the buyer obtained the individual property ownership certificate and the full settlement of mortgage loans by the buyer.

The maximum amount of guarantees given to banks for mortgage facilities granted to the purchasers of the Group's properties at the end of each reporting period is as follows:

		2017	2016
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties	就本集團物業買方獲授的按揭融資而向銀行作出的擔保	2,511,983	2,881,778

The directors consider that it is not probable that the Group will sustain a loss under these guarantees as the Group can take over the ownerships of the related properties and sell the properties to recover any amounts paid by the Group to the banks. The directors of the Company also consider that the fair market value of the underlying properties is able to cover the outstanding mortgage loans guaranteed by the Group in the event the purchasers default payments to the banks.

The Group has not recognised any deferred income in respect of these guarantees as its fair value is considered to be minimal by the directors of the Company.

35 或然負債

擔保

本集團為若干銀行就本集團物業買方所訂立的按揭貸款而授出的按揭融資提供擔保。根據擔保條款，倘該等買方拖欠按揭付款，則本集團須負責償還欠負的按揭貸款連同連約買方應付予銀行的任何應計利息及罰款。本集團的擔保期由相關按揭貸款授出日期起，直至買家取得個別房產證及全數繳付按揭貸款(以較早者為準)時止。

於各報告期末就本集團物業買方獲授的按揭融資而向銀行作出的最大擔保金額如下：

	2017	2016
	RMB'000	RMB'000
	人民幣千元	人民幣千元
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties	2,511,983	2,881,778

董事認為，由於本集團可接管相關物業的所有權並出售有關物業，以收回本集團向銀行支付的任何金額，因此本集團不大可能因該等擔保而遭致虧損。本公司董事亦認為，倘買方拖欠償還銀行付款，則相關物業的公允市值能彌補本集團所擔保的未償還按揭貸款。

由於本公司董事認為該等擔保的公允價值極低，故本集團並未就該等擔保確認任何遞延收入。

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36 MATERIAL RELATED PARTY TRANSACTIONS

Except for the amount due from related parties as set out in note 22, the other material related party transactions are disclosed as follows:

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 7 and certain of the highest paid employees as disclosed in note 8, is as follows:

		2017 RMB'000 人民幣千元	2016 RMB'000 人民幣千元
Contribution to defined contribution retirement plans	定額供款退休計劃	511	516
Wages, salaries and other benefits in kind	工資、薪金及其他實物福利	25,862	30,170
		26,373	30,686

Total remuneration is included in "staff costs" (see note 5(b)).

(b) Applicability of the Listing Rules relating to connected transactions

As set out in note 26(c), Mr. Wong Sheung Tak is a controlling shareholder of the Company and therefore, a connected person of the Company under Chapter 14A of the Listing Rules. The personal guarantee constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. However, as the personal guarantee is not secured by any assets of the Group and is conducted on normal commercial terms or better, the personal guarantee is fully exempted from shareholders' approval, annual review and all disclosure requirements pursuant to Rule 14A.90 of the Listing Rules.

No other related party transactions falls under the definition of connected transaction or continuing connected transaction as defined in Chapter 14A of the Listing Rules.

36 重大關聯方交易

除載於附註22應收關聯方公司款項外，其他重大關聯方交易披露如下：

(a) 主要管理人員薪酬

本集團主要管理人員薪酬包括附註7所披露向本公司董事支付的金額及附註8所披露向若干最高薪僱員支付的金額，載列如下：

		2017 RMB'000 人民幣千元	2016 RMB'000 人民幣千元
Contribution to defined contribution retirement plans	定額供款退休計劃	511	516
Wages, salaries and other benefits in kind	工資、薪金及其他實物福利	25,862	30,170
		26,373	30,686

薪酬總額載於「員工成本」(請參閱附註5(b))。

(b) 上市規則對關連交易的適用性

載於附註26(c)，王雙德先生為本公司控股股東，因此亦為本公司的關連人士。根據上市規則第14A章，該擔保人擔保構成本公司的關連交易。然而，由於個人擔保並無本集團任何資產作抵押，並以正常或更佳的商業條款進行，故個人擔保獲完全豁免根據上市規則第14A.90條遵守股東批准、年度審核及所有披露規定。

概無其他關聯方交易屬於上市規則第14A章所定義的關連交易或持續關連交易。

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37 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

37 公司層面的財務狀況表

		2017	2016
	Note	RMB'000	RMB'000
	附註	人民幣千元	人民幣千元
Non-current assets	非流動資產		
Interests in subsidiaries	於子公司的權益	1,865,445	2,314,592
Other non-current financial asset	其他非流動金融資產	13,548	27,767
		1,878,993	2,342,359
Current assets	流動資產		
Deposits, prepayments and other receivables	定金、預付款項及其他應收款項	1,612,795	1,639,742
Cash and cash equivalents	現金及現金等值物	1,669	50,395
		1,614,464	1,690,137
Current liabilities	流動負債		
Other payables and accruals	其他應付及應計款項	53,902	57,919
Bank loans and other borrowings	銀行貸款及其他借貸	—	149,839
Senior notes	優先票據	1,042,899	—
Corporate bonds	公司債券	6,665	—
		1,103,466	207,758
Net current assets	流動資產淨值	510,998	1,482,379
Total assets less current liabilities	總資產減流動負債	2,389,991	3,824,738

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37 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION (Cont'd)

37 公司層面的財務狀況表(續)

		2017	2016
		RMB'000	RMB'000
		人民幣千元	人民幣千元
		Note	
		附註	
Non-current liabilities	非流動負債		
Senior notes	優先票據	390,964	1,519,351
Corporate bonds	公司債券	2,590	9,674
		393,554	1,529,025
NET ASSETS	資產淨值	1,996,437	2,295,713
Capital and reserves	股本及儲備	32(a)	
Share capital	股本	31,825	31,825
Reserves	儲備	1,964,612	2,263,888
TOTAL EQUITY	權益總額	1,996,437	2,295,713

Approved and authorised for issue by the board of directors on 29 March 2018.

於2018年3月29日獲董事會批准及授權刊發。

Wang Jianli
王健利

Chairman and Executive Director
主席兼執行董事

Wang Dewen
王德文

Executive Director and Chief Executive Officer
執行董事兼行政總裁

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38 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

As at 31 December 2017, the directors consider the immediate parent and ultimate controlling party of the Group to be Most Trend Holding Limited, which is incorporated in the British Virgin Islands with limited liability and beneficially owned by the Controlling Shareholders. This entity does not produce financial statements available for public use.

39 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017

Up to the date of issue of these financial statements, the IASB has issued a few amendments and new standards which are not yet effective for the year ended 31 December 2017 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

38 直接及最終控股方

於2017年12月31日，董事認為本集團直接母公司及最終控股方為至毅控股有限公司，該公司於英屬維爾京群島註冊成立為有限公司並由最終控股股東實益擁有。該實體並無編製作公開用途的財務報表。

39 於截至2017年12月31日止年度已頒佈但未生效的修訂、新準則及詮釋的可能影響

直至該等財務報表刊發日期，國際會計準則理事會已頒佈若干於截至2017年12月31日止年度尚未生效且並無於該等財務報表採納的修訂及新準則。其中包括以下可能與本集團有關的事項。

Effective for
accounting periods
beginning on or after
於以下日期或之後
開始之會計期間生效

IFRS 15, <i>Revenue from contracts with customers (i)</i> 國際財務報告準則第15號，來自客戶合約的收益(i)	1 January 2018 2018年1月1日
IFRS 9, <i>Financial instruments</i> 國際財務報告準則第9號，金融工具	1 January 2018 2018年1月1日
Amendments to IFRS 2, <i>Classification and Measurement of Share-based Payment Transactions</i> 國際財務報告準則第2號(修訂本)，以股份為基礎支付之交易之分類與計量	1 January 2018 2018年1月1日
Amendments to IAS 40, <i>Investment property: Transfers of investment property</i> 國際會計準則第40號(修訂本)，投資物業：轉讓投資物業	1 January 2018 2018年1月1日
IFRIC 22, <i>Foreign currency transactions and advance consideration</i> 國際財務報告詮釋委員會詮釋第22號，外幣交易及預付代價	1 January 2018 2018年1月1日
IFRS 16, <i>Leases (ii)</i> 國際財務報告準則第16號，租賃(ii)	1 January 2019 2019年1月1日

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39 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017 (Cont'd)

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far the Group has identified some aspects of the new standards which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. While the assessment has not been substantially completed for IFRS 9 and IFRS 15, the actual impacts upon the initial adoption of the standards may differ as the assessment completed to date is based on the information currently available to the Group, and further impacts may be identified before the standards are initially applied in the Group's interim financial report for the six months ended 30 June 2018. The Group may also change its accounting policy elections, including the transition options, until the standards are initially applied in that financial report.

(i) IFRS 9, Financial instruments

IFRS 9 will replace the current standard on accounting for financial instruments, IAS 39, Financial instruments: Recognition and measurement. IFRS 9 introduces new requirements for classification and measurement of financial assets, including the measurement of impairment for financial assets and hedge accounting. On the other hand, IFRS 9 incorporates without substantive changes the requirements of IAS 39 for recognition and derecognition of financial instruments and the classification and measurement of financial liabilities.

39 於截至2017年12月31日止年度已頒佈但未生效的修訂、新準則及詮釋的可能影響(續)

本集團正在評估預期該等修訂和新準則對首次運用期間可能產生的影響。截至目前為止，本集團已識別出可能對合併財務報表造成重大影響的部分新準則，並將其預期影響在下文進行詳細討論。儘管對國際財務報告準則第9號及國際財務報告準則第15號的評估尚未全面完成，惟由於至今完成的評估乃基於本集團現時可得的資料，故於首次採納有關準則時的實際影響可能有別，且於本集團截至2018年6月30日止六個月的中期財務報告中首次應用有關準則前亦可能發現進一步影響。本集團亦可能對其會計政策的選擇作出變動(包括過渡選擇)，直至於該財務報告中首次應用有關準則。

(i) 國際財務報告準則第9號，金融工具

國際財務報告準則第9號將取代有關金融工具會計處理方法的現有準則國際會計準則第39號，金融工具：確認及計量。國際財務報告準則第9號引入分類及計量金融資產的新規定，包括計量金融資產減值及對沖會計。另一方面，國際財務報告準則第9號納入且並無大幅變動國際會計準則第39號有關確認及終止確認金融工具及金融負債分類及計量的規定。

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39 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017 (Cont'd)

(i) IFRS 9, Financial instruments (Cont'd)

IFRS 9 is effective for annual periods beginning on or after 1 January 2018 on a retrospective basis. The Group plans to use the exemption from restating comparative information and will recognise any transition adjustments against the opening balance of equity at 1 January 2018.

Expected impacts of the new requirements on the Group's financial statements are as follows:

(a) Classification and measurement

IFRS 9 contains three principal classification categories for financial assets: measured at (1) amortised cost, (2) fair value through profit or loss (FVTPL) and (3) fair value through other comprehensive income (FVTOCI):

- The classification for debt instruments is determined based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the asset. If a debt instrument is classified as FVTOCI then interest revenue, impairment and gains/losses on disposal will be recognised in profit or loss.

39 於截至2017年12月31日止年度已頒佈但未生效的修訂、新準則及詮釋的可能影響(續)

(i) 國際財務報告準則第9號，金融工具(續)

國際財務報告準則第9號於2018年1月1日或之後開始之年度期間追溯生效。本集團計劃採用豁免重列比較資料並將就2018年1月1日之權益期初結餘確認任何過渡調整。

新規定對本集團財務報表的預期影響如下：

(a) 分類及計量

國際財務報告準則第9號包括金融資產的三個主要分類方法：(1)按攤銷成本；(2)按公允值計入損益(按公允值計入損益)；及(3)按公允值計入其他全面收益(按公允值計入其他全面收益)計量：

- 債務工具之分類乃基於實體管理金融資產的業務模式及該資產的合約現金流量特點而釐定。倘債務工具分類為按公允值計入其他全面收益計量，則利息收入、減值及出售收益／虧損將於損益內確認。

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39 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017 (Cont'd)

(i) IFRS 9, Financial instruments (Cont'd)

(a) Classification and measurement (Cont'd)

- For equity securities, the classification is FVTPL regardless of the entity's business model. The only exception is if the equity security is not held for trading and the entity irrevocably elects to designate that security as FVTOCI. If an equity security is designated as FVTOCI then only dividend income on that security will be recognised in profit or loss. Gains, losses and impairments on that security will be recognised in other comprehensive income without recycling.

The Group has assessed that its financial assets currently measured at amortised cost will continue with their respective classification and measurements upon the adoption of IFRS 9.

39 於截至2017年12月31日止年度已頒佈但未生效的修訂、新準則及詮釋的可能影響(續)

(i) 國際財務報告準則第9號，金融工具(續)

(a) 分類及計量(續)

- 就股本證券而言，不論實體採用何種業務模式均分類為按公允值計入損益計量，惟股本證券並非作買賣及該實體不可撤回地選擇指定該證券為按公允值計入其他全面收益計量則例外。倘股本證券獲指定為按公允值計入其他全面收益計量，則僅該證券的股息收入將於損益內確認。該證券之收益、虧損及減值將於其他全面收益內確認且不可撥回。

本集團已評估其現時按攤銷成本計入損益計量之金融資產將於採納國際財務報告準則第9號後繼續其各自之分類及計量。

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39 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017 (Cont'd)

(i) IFRS 9, Financial instruments (Cont'd)

(a) Classification and measurement (Cont'd)

With respect to the Group's financial assets currently classified as "AFS", these are investments in equity securities which the Group has the option to irrevocably designate as FVTOCI (without recycling) on transition to IFRS 9. The Group is considering whether to elect this designation option for any of the investments held on 1 January 2018. If the Group elect to do so, this will give rise to a change in accounting policy as currently the Group recognises the fair value changes of AFS equity investments in other comprehensive income until disposal or impairment, when gains or losses are recycled to profit or loss in accordance with the Group's policies set out in notes 1(g) and 1(m). This change in policy will have no impact on the Group's net assets and total comprehensive income, but will increase volatility in profit or loss.

39 於截至2017年12月31日止年度已頒佈但未生效的修訂、新準則及詮釋的可能影響(續)

(i) 國際財務報告準則第9號，金融工具(續)

(a) 分類及計量(續)

就本集團現時分類為「可供出售」之金融資產而言，其為股本證券投資，而本集團於過渡至國際財務報告準則第9號時有權不可撤回地選擇指定其為按公允值計入其他全面收益，且不可撥回。本集團在考慮是否就於2018年1月1日持有的任何投資選擇該指定選擇權。倘該集團選擇該指定選擇權，此將導致會計政策變動，因根據附註1(g)及1(m)所載的本集團政策，目前本集團於其他全面收益中確認可供出售股本投資的公允值變動，直至出售或減值時，收益或虧損將撥回至損益。該政策變動將不會對本集團的資產淨值及全面收益總額造成影響，惟會增加損益的波動。

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39 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017 (Cont'd)

(i) IFRS 9, Financial instruments (Cont'd)

(a) Classification and measurement (Cont'd)

The classification and measurement requirements for financial liabilities under IFRS 9 are largely unchanged from IAS 39, except that IFRS 9 requires the fair value change of a financial liability designated at FVTPL that is attributable to changes of that financial liability's credit risk to be recognised in other comprehensive income (without reclassification to profit or loss). The Group currently does not have any financial liabilities designated at FVTPL and therefore this new requirement will not have any impact on the Group on adoption of IFRS 9.

39 於截至2017年12月31日止年度已頒佈但未生效的修訂、新準則及詮釋的可能影響(續)

(i) 國際財務報告準則第9號，金融工具(續)

(a) 分類及計量(續)

國際財務報告準則第9號有關金融負債之分類及計量規定與國際會計準則第39號相較基本保持不變，惟國際財務報告準則第9號規定因指定為按公允值計入損益計量之金融負債信貸風險有變而導致其公允值變動之部分乃於其他全面收益內確認(不會重新分類至損益)。本集團現時並無任何指定為按公允值計入損益計量之金融負債，因此於採納國際財務報告準則第9號時，該新規定不會對本集團造成任何影響。

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39 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017 (Cont'd)

(i) IFRS 9, Financial instruments (Cont'd)

(b) Impairment

The new impairment model in IFRS 9 replaces the “incurred loss” model in IAS 39 with an “expected credit loss” model. Under the expected credit loss model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, an entity is required to recognise and measure either a 12-month expected credit loss or a lifetime expected credit loss, depending on the asset and the facts and circumstances. The Group expects that the application of the expected credit loss model will result in earlier recognition of credit losses. Based on a preliminary assessment, if the Group were to adopt the new impairment requirements at 31 December 2017, accumulated impairment loss at that date would be no significant increase as compared with that recognised under IAS 39. As a consequence, no adjustment will be made to the opening balances of net assets and retained profits at 1 January 2018.

39 於截至2017年12月31日止年度已頒佈但未生效的修訂、新準則及詮釋的可能影響(續)

(i) 國際財務報告準則第9號，金融工具(續)

(b) 減值

國際財務報告準則第9號之新減值模式以「預期信貸虧損」模式取代國際會計準則第39號項下的「已產生虧損」模式。根據預期信貸虧損模式，毋須再待發生虧損事件方確認減值虧損。相反，實體須根據資產以及事實及情況確認及計量12個月預期信貸虧損或永久預期信貸虧損。本集團預期應用預期信貸虧損模式將導致提前確認信貸虧損。基於初步評估，倘本集團於2017年12月31日採納新減值規定，於該日期的累計減值虧損將較根據國際會計準則第39號所確認者並無重大增加。因此，於2018年1月1日並無資產淨值及保留溢利期初結餘被調整。

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39 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017 (Cont'd)

(ii) IFRS 15, Revenue from contracts with customers

IFRS 15 establishes a comprehensive framework for recognising revenue from contracts with customers. IFRS 15 will replace the existing revenue standards, IAS 18, Revenue, which covers revenue arising from sale of goods and rendering of services, and IAS 11, Construction contracts, which specifies the accounting for revenue from construction contracts.

Based on the assessment completed to date, the Group has identified the following areas which are expected to be affected:

(a) Timing of revenue recognition

The Group's revenue recognition policies are disclosed in note 1(w). Currently, revenue arising from construction contracts and the provision of services is recognised over time, whereas revenue from the sale of goods is generally recognised when the risks and rewards of ownership have been passed to the customers.

Under IFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. IFRS 15 identifies 3 situations in which control of the promised good or service is regarded as being transferred over time:

- (i) When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

39 於截至2017年12月31日止年度已頒佈但未生效的修訂、新準則及詮釋的可能影響(續)

(ii) 國際財務報告準則第15號，來自客戶合約的收益

國際財務報告準則第15號建立了確認來自客戶合約收益的全面框架。國際財務報告準則第15號將取代現有收益準則，即國際會計準則第18號，收益(包括銷售貨物及提供服務所產生的收益)及國際會計準則第11號，建造合約(訂明建造合約收益的會計處理方法)。

根據迄今完成之評估，本集團已識別以下預期將受影響之方面：

(a) 收益確認之時間

本集團之收益確認政策披露於附註1(w)。目前，建造合約及提供服務產生的收益隨時間確認，而銷售貨物所得收益通常於所有權風險及回報轉移予客戶時確認。

根據國際財務報告準則第15號，收益於客戶獲得合約之承諾貨物或服務之控制權時確認。國際財務報告準則第15號確定了以下對承諾貨物或服務之控制權被視為隨時間轉移之三種情況：

- (i) 當客戶於實體履約時同時接受及使用實體履約所提供之利益時；

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39 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017 (Cont'd)

(ii) IFRS 15, Revenue from contracts with customers (Cont'd)

(a) Timing of revenue recognition (Cont'd)

- (ii) When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;
- (iii) When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under IFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has been passed. Transfer of risks and rewards of ownership is only one of the indicators that will be considered in determining when the transfer of control occurs.

The Group has assessed that the new revenue standard is not likely to have significant impact on how it recognises revenue from construction contracts. However, revenue recognition for sales of properties is expected to be affected as follows:

39 於截至2017年12月31日止年度已頒佈但未生效的修訂、新準則及詮釋的可能影響(續)

(ii) 國際財務報告準則第15號，來自客戶合約的收益(續)

(a) 收益確認之時間(續)

- (ii) 當實體履約創造或增強一項於資產被創造或增強時由客戶控制之資產(如在建工程)時；
- (iii) 當實體之履約並無創造對實體而言具替代用途之資產，且該實體對迄今完成之履約付款具有可執行權利時。

倘合約條款及實體活動並不屬於任何該等三種情況，則根據國際財務報告準則第15號，實體於某一指定時間點(即控制權轉移時)就銷售貨物或服務確認收益。所有權風險及回報之轉移僅為釐定控制權轉移發生時將考慮的其中一項指標。

本集團已評估新收益準則不太可能對建造合約收益的確認方式產生重大影響。然而，物業銷售收益的確認預期將受到以下影響：

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(Expressed in Renminbi unless otherwise indicated)
(除另有指明外，均以人民幣列示)

39 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017 (Cont'd)

(ii) IFRS 15, Revenue from contracts with customers (Cont'd)

(a) Timing of revenue recognition (Cont'd)

- Currently the Group's property development activities are mainly carried out in Mainland China. In the process of assessment of IFRS 15 impact on the Group's revenue recognition, we are taking into account the contract terms, the Group's business practice and the legal and regulatory environment of Mainland China. Currently the Group's revenue recognition policies are disclosed in note 1(w)(i), which is taken to be the point in time when the risks and rewards of ownership of the property have been transferred to the customer. Under the transfer-of-control approach in IFRS 15, the revenue from property sales will generally be recognised when the customers obtain control of the properties for those property development activities not meet the criteria for recognizing revenue over time, which may not result in revenue being recognised substantially later than at present.

39 於截至2017年12月31日止年度已頒佈但未生效的修訂、新準則及詮釋的可能影響(續)

(ii) 國際財務報告準則第15號，來自客戶合約的收益(續)

(a) 收益確認之時間(續)

- 目前，本集團僅在中國大陸進行物業開發。在評估新收入準則的影響時，需結合本集團的經營情況、銷售合同條款、中國各地的法律及監管環境進行考慮。目前，本集團的收入確認時點於附註1(w)(i)中披露，即物業的風險及報酬於物業轉移給客戶之時點。根據新收入準則的控制權轉移法，對於不符合在一段時間確認收入的物業銷售，收入通常將於客戶取得物業控制權時進行確認，這未必會導致收入比現時遲確認。

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39 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017 (Cont'd)

(ii) IFRS 15, Revenue from contracts with customers (Cont'd)

(b) Significant financing component

IFRS 15 requires an entity to adjust the transaction price for the time value of money when a contract contains a significant financing component, regardless of whether the payments from customers are received significantly in advance or in arrears.

In assessing whether advance payments include a significant financing component, the Group has considered the difference between the length of time between the payment date and the date when the customers obtain control of the properties based on the typical arrangements entered into with the customers.

39 於截至2017年12月31日止年度已頒佈但未生效的修訂、新準則及詮釋的可能影響(續)

(ii) 國際財務報告準則第15號，來自客戶合約的收益(續)

(b) 重大融資部分

國際財務報告準則第15號要求實體於合約包含重大融資部分時就貨幣時間價值調整交易價格，而不管來自客戶之付款是否大部分提前收取或延後收取。

在評估此提前付款計劃是否包含重大融資部分時，本集團已考慮基於與客戶訂立的標準安排所得的付款日期與客戶獲得物業控制權之日之間的時長的差額。

NOTES TO THE FINANCIAL STATEMENTS 財務報表附註

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39 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017 (Cont'd)

(ii) IFRS 15, Revenue from contracts with customers (Cont'd)

(b) Significant financing component (Cont'd)

Where advance payment include a significant financing component, the transaction price will need to be adjusted to separately account for this component. Such adjustment will result in interest expense being recognised to reflect the effect of the financing benefit obtained from the customers during the period between the payment date and the date when the customers obtain control of the properties, with a corresponding increase to revenue on sale of properties recognised when control of the completed property is transferred to the customer. However, the actual extent of impact of this new accounting policy will also depend on whether and by how much such interest expense can be capitalised as part of the cost of the properties under IAS 23, Borrowing costs. If the interest expense is to be capitalised until the construction work is completed, then this new accounting policy will not have a material impact on the Group's net profits during the construction period and gross profit from the sales of properties. The Group is in the process of assessing the implication of the significant financing component identified from the property sales on its capitalisation policy.

(c) Incremental cost of obtaining a contract

IFRS 15 requires an entity to recognise as an asset the incremental costs of obtaining a contract with a customer if the entity expects to recover those costs. Incremental costs of obtaining a contract are costs that the entity would not have incurred if the contract had not been obtained. The asset recognised shall be amortised, i.e. charged as an expense, on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates.

39 於截至2017年12月31日止年度已頒佈但未生效的修訂、新準則及詮釋的可能影響(續)

(ii) 國際財務報告準則第15號，來自客戶合約的收益(續)

(b) 重大融資部分(續)

倘有關提前付款計劃包含重大融資部分，交易價格將需要作出調整以就該部分單獨入賬。有關調整將導致確認利息開支以反映於付款日期與客戶獲得物業控制權日期之間的期間自客戶獲得的融資利益的影響，並於完工物業的控制權轉移至客戶時確認物業銷售收益的相應增加。然而，該項新會計政策的實際影響程度亦視乎有關利息開支是否可根據國際會計準則第23號「借款成本」資本化為物業成本的一部分以及可資本化的金額。倘利息開支可予以資本化直至建築工程完成，則該新會計政策將不會對本集團建造期間的純利及銷售物業所得的毛利造成重大影響。本集團正在評估物業銷售中確定的重大融資部分對其資本化政策的含義。

(c) 獲得合約的遞增成本

國際財務報告準則第15號規定，倘實體預期可收回的獲客成本，則該實體須將該等成本確認為一項資產。獲客成本指的是若未取得相關客戶合同就不會發生之成本。已確認資產應按與轉移至客戶的貨品或服務相一致的基準進行攤銷(即作為開支扣除)。

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39 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017 (Cont'd)

(ii) IFRS 15, Revenue from contracts with customers (Cont'd)

(c) Incremental cost of obtaining a contract (Cont'd)

The Group considered the sales commission of property sales is the incremental costs of obtaining a contract because it incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. It shall be capitalised as "contract costs" when incurred and recognise it as an expense when revenue from the property sales contract that gave rise to the commission is recognised. Currently, the Group's sales commission of property sales is recognised as an expense when incurred. The Group is in the process of assessing the implication of sales commission of property sales on its capitalisation policy.

The Group plans to elect to use the cumulative effect transition method for the adoption of IFRS 15 and will recognise the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2018.

39 於截至2017年12月31日止年度已頒佈但未生效的修訂、新準則及詮釋的可能影響(續)

(ii) 國際財務報告準則第15號，來自客戶合約的收益(續)

(c) 獲得合約的遞增成本(續)

本集團認為，物業銷售的銷售佣金為獲客成本，乃因為其於獲得客戶合約時產生，而倘未有獲得合約，這項成本將不會產生。該成本於產生時應以「合約成本」列示為一項資產，並於產生佣金的物業銷售合約收入獲確認時將其確認為開支。目前，本集團物業銷售的銷售佣金於產生時即確認為開支。本集團正在評估物業銷售的銷售佣金對其資本化政策構成的影響。

本集團計劃選擇就採納國際財務報告準則第15號使用累積效應過渡法，並將確認首次應用之累積效應，作為對2018年1月1日權益期初結餘之調整。

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39 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017 (Cont'd)

(iii) IFRS 16, Leases

As disclosed in note 1(l), currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. The Group enters into some leases as the lessor and others as the lessee.

IFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once IFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease the lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee will recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

39 於截至2017年12月31日止年度已頒佈但未生效的修訂、新準則及詮釋的可能影響(續)

(iii) 國際財務報告準則第16號，租賃

誠如附註1(l)所披露，本集團現時將租賃分類為融資租賃及經營租賃，並根據租賃的分類將租賃安排分別入賬。本集團作為出租人訂立部分租約，並作為承租人訂立其他租約。

預期國際財務報告準則第16號將不會大幅影響出租人根據租約將彼等權利及義務入賬的方式。然而，一旦採納國際財務報告準則第16號，承租人將不再區分融資租賃及經營租賃。相反，受可行權宜方法的規限，承租人將按與現有融資租賃會計處理方法類似的方式將所有租約入賬，即於租約開始日期，承租人將按日後最低租賃付款的現值確認及計量租賃負債，及將確認相應的「使用權」資產。於初步確認該資產及負債後，承租人將確認租賃負債結餘所產生的利息開支及使用權資產折舊，而非根據現有政策於租期內按系統基準確認根據經營租約所產生的租賃開支。作為一項可行權宜方法，承租人可選擇不將此會計模式應用於短期租賃(即租期為12個月或以下)及低價值資產的租賃，於該等情況下，租金開支將繼續於租期內按系統基準確認。

NOTES TO THE FINANCIAL STATEMENTS 財務報表附註

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39 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017 (Cont'd)

(iii) IFRS 16, Leases (Cont'd)

IFRS 16 will primarily affect the Group's accounting treatment as a lessee of leases for properties, plant and equipment which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss over the period of the lease. The Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of IFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of IFRS 16 and the effects of discounting.

39 於截至2017年12月31日止年度已頒佈但未生效的修訂、新準則及詮釋的可能影響(續)

(iii) 國際財務報告準則第16號，租賃(續)

國際財務報告準則第16號將主要影響本集團作為租約承租人就若干物業、廠房及設備(現時分類為經營租賃)的會計處理方法。預期應用新會計模式將導致資產及負債均有所增加，及影響租約期間於損益表確認開支的時間。經考慮可行權宜方法的適用性及就現時與採納國際財務報告準則第16號期間已訂立或終止的任何租約及貼現影響作出調整後，本集團將須進行更為詳細的分析以釐定於採納國際財務報告準則第16號時經營租賃承擔所產生的新資產及負債的金額。

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39 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017 (Cont'd)

(iii) IFRS 16, Leases (Cont'd)

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. The standard offers different transition options and practical expedients, including the practical expedient to grandfather the previous assessment of which existing arrangements are, or contain, leases. If this practical expedient is chosen, the Group will apply the new definition of a lease in IFRS 16 only to contracts that are entered into on or after the date of initial application. If the practical expedient is not chosen, the Group will need to reassess all of its decisions about which existing contracts are, or contain, leases, using the new definition. Depending on whether the Group elects to adopt the standard retrospectively or follow a modified retrospective method of recognising a cumulative-effect adjustment to the opening balance of equity at the date of initial application, the Group may or may not need to restate comparative information for any changes in accounting resulting from the reassessment.

39 於截至2017年12月31日止年度已頒佈但未生效的修訂、新準則及詮釋的可能影響(續)

(iii) 國際財務報告準則第16號，租賃(續)

國際財務報告準則第16號於2019年1月1日或之後開始之年度期間生效。該準則提供不同的過渡選擇及可行權宜方法，包括融入先前評估的可行權宜方法，當中現有安排為(或包含)租賃。倘選擇此可行權宜方法，本集團僅將國際財務報告準則第16號對租賃的新定義應用於首次應用日期或之後訂立的合約。倘並無選擇可行權宜方法，本集團則需要使用新定義重新評估對哪些現有合約為(或包含)租賃而作的所有決定。視乎本集團是否選擇以追溯方式採納準則，或遵從經修訂可追溯方式確認對首次應用當日權益期初結餘的累計效應調整，本集團未必需要重列因重新評估而引致任何會計變動的比較資料。

INVESTMENT PROPERTIES HELD BY THE GROUP 本集團持有之投資物業

COMPLETED INVESTMENT PROPERTIES

已完工投資性物業

No.	Properties	Type	Term of land	Floor area 樓面面積 sq.m. 平方米	Percentage of interest of the Company 本公司 權益比例
序號	物業	類型	土地年限		
1	Portion of office and commercial of Haode Yinzuo, 18 Zhangjiang South Avenue, Zhanggong District, Ganzhou, Jiangxi Province, PRC 中國 江西省 贛州市 章貢區 章江南大道18號 豪德銀座 辦公及商業的部分	office 辦公 commercial 商業	Medium 中期	1,836 382	100%
2	Guangcai Trade Plaza Convention Center of Ningxiang Trade Center, 2 Yuxing Road, Yutan Town, Ningxiang County, Changsha, Hunan Province, PRC 中國 湖南省 長沙市 寧鄉縣 玉潭鎮玉興路2號 寧鄉商貿物流中心 光彩貿易廣場會展中心	convention center 會展中心	Medium 中期	33,823	100%

INVESTMENT PROPERTIES HELD BY THE GROUP 本集團持有之投資物業

No.	Properties	Type	Term of land	Floor area	Percentage of
序號	物業	類型	土地年限	樓面面積	interest of
				sq.m.	the Company
				平方米	本公司
					權益比例
3	Portion of Jewel Market and Convention Center of Wuzhou Trade Center, Shundi Avenue, Changzhou District, Wuzhou, Guangxi Zhuang Autonomous Region, PRC 中國 廣西壯族自治區 梧州市 長洲區 舜帝大道 梧州商貿物流中心寶石城及會展中心的部分	convention center 會展中心	Medium 中期	18,250	100%
4	Portion of Small Commodity Market of Zone B of Jining Trade Center, East State Road 105, North Juyu Road, Jining, Shandong Province, PRC 中國 山東省 濟寧市 105國道東、居禹路北 濟寧商貿物流中心B區 小商品城的部分	commercial 商業	Medium 中期	50,481	100%

INVESTMENT PROPERTIES HELD BY THE GROUP 本集團持有之投資物業

No.	Properties	Type	Term of land	Floor area 樓面面積 sq.m. 平方米	Percentage of interest of the Company 本公司 權益比例
序號	物業	類型	土地年限		
5	<p>Portion of Comprehensive Exhibition Center, Ganzhou Hydoo Trade Center, Southwest side of Tan Dong Road Two, Northwest Hexie Avenue, Ganzhou, Jiangxi Province, PRC 中國 江西省 贛州市 潭東二路西南側， 和諧大道西北側 贛州毅德商貿物流園 綜合會展中心之部分</p>	commercial 商業	Medium 中期	58,853	100%
6	<p>Portion of Hall 3, Hydoo International Trade Center, 1228 North Second Ring Road, Yulin, Guangxi Zhuang Autonomous Region, PRC 中國 廣西壯族自治區 玉林市 二環北路 1228 號 毅德國際商貿城 3 號館之部分</p>	commercial 商業	Medium 中期	31,619	100%

INVESTMENT PROPERTIES HELD BY THE GROUP 本集團持有之投資物業

No. 序號	Properties 物業	Type 類型	Term of land 土地年限	Floor area 樓面面積 sq.m. 平方米	Percentage of interest of the Company 本公司 權益比例
7	Portion of Hall 5, Hydoo International Trade Centre, 1228 North Second Ring Road, Yulin, Guangxi Zhuang Autonomous Region, PRC 中國 廣西壯族自治區 玉林市 二環北路 1228 號 毅德國際商貿城 5 號館之部分	commercial 商業	Medium 中期	29,313	100%

INVESTMENT PROPERTIES HELD BY THE GROUP 本集團持有之投資物業

INVESTMENT PROPERTIES IN PROGRESS

在建投資性物業

No.	Properties	Type	Term of land	Floor area 樓面面積 sq.m. 平方米	Percentage of interest of the Company 本公司 權益比例
序號	物業	類型	土地年限		
I	Red Star Macalline Global Household Shopping Mall in Heze Trade Centre East of National Highway 220, West of Kunming Road, North of Binhe Road, Mudan District, Heze, Shandong Province PRC 中國 山東省 菏澤市 牡丹區 220國道以東，昆明路以西，濱河北路以北 菏澤毅德城·紅星美凱龍全球家居生活廣場	commercial 商業	Medium 中期	54,680	100%

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US\$25,893,000

HYDOO INTERNATIONAL HOLDING LIMITED

(incorporated in Cayman Islands with limited liability)

12.00% Senior Notes due 2020

Issue Price: 98.287%

plus, accrued interest, if any, from the issue date