



GLORY 国瑞

GUORUI PROPERTIES LIMITED*

國瑞置業有限公司

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

Stock Code: 2329

GLOBAL OFFERING



Sole Sponsor and Sole Global Coordinator



BOC INTERNATIONAL

Joint Bookrunners and Joint Lead Managers



BOC INTERNATIONAL



招商证券

* Incorporated in the Cayman Islands under the name of "Glory Land Company Limited (国瑞置业有限公司)" and carrying on business in Hong Kong as "Guorui Properties Limited".

IMPORTANT

If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.



GLORY 国瑞

GUORUI PROPERTIES LIMITED*

國瑞置業有限公司

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

GLOBAL OFFERING

Number of Offer Shares under the Global Offering : 661,780,000 Shares (subject to the Over-allotment Option)
Number of Hong Kong Offer Shares : 66,178,000 Shares (subject to adjustment)
Number of International Offer Shares : 595,602,000 Shares (subject to adjustment and the Over-allotment Option)
Offer Price : not more than HK\$2.84 per Hong Kong Offer Share and no less than HK\$2.30 per Hong Kong Offer Share, plus brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund on final pricing)
Nominal value : HK\$0.001 per Share
Stock Code : 2329

Sole Global Coordinator and Sole Sponsor



BOC INTERNATIONAL

Joint Bookrunners and Joint Lead Managers



BOC INTERNATIONAL



招商证券

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in the section headed "Appendix IX — Documents Delivered to the Registrar of Companies and Available for Inspection" in this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance. The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other document referred to above.

See the section headed "Risk Factors" in this prospectus for a discussion of certain risks that you should consider before investing in the Shares.

The Offer Price is expected to be fixed by an agreement among the Sole Global Coordinator (on behalf of the Underwriters) and us on the Price Determination Date, which is expected to be on or about Friday, June 27, 2014 and, in any event, not later than Friday, July 4, 2014. The Offer Price will be not more than HK\$2.84 and is currently expected to be not less than HK\$2.30. Applicants for Hong Kong Offer Shares are required to pay, on application, the maximum Offer Price of HK\$2.84 for each Hong Kong Offer Share together with a brokerage of 1%, a SFC transaction levy of 0.003%, and a Stock Exchange trading fee of 0.005%.

The Sole Global Coordinator (on behalf of the Underwriters, and with our consent) may reduce the number of Hong Kong Offer Shares and/or the indicative Offer Price range below that stated in this prospectus (which is HK\$2.30 to HK\$2.84) at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, a notice of the reduction in the number of Hong Kong Offer Shares and/or the indicative Offer Price range will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering. Further details are set out in the sections headed "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this prospectus. If, for whatever reason, we and the Sole Global Coordinator (on behalf of the Underwriters) are not able to agree on the Offer Price on or before Friday, July 4, 2014, the Global Offering (including the Hong Kong Public Offering) will not proceed and will lapse.

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement to subscribe for, and to procure subscribers for the subscription for, Hong Kong Offer Shares are subject to termination by the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) if certain grounds arise prior to 8:00 a.m. on the day on which trading in the Offer Shares commences on the Stock Exchange. Such grounds are set out in the section headed "Underwriting" in this prospectus. It is important that you refer to that section for further details.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities laws in the United States, and may not be offered, sold, pledged or transferred, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and in accordance with any applicable U.S. state securities laws. The Offer Shares are being offered and sold only outside of the United States in offshore transactions in reliance on Regulation S.

June 23, 2014

* Incorporated in the Cayman Islands under the name of "Glory Land Company Limited (国瑞置業有限公司)" and carrying on business in Hong Kong as "Guorui Properties Limited."

CONTENTS

IMPORTANT NOTE TO INVESTORS

We have issued this prospectus solely in connection with the Hong Kong Public Offering and the Hong Kong Offer Shares, and it does not constitute an offer to sell or solicitation of an offer to buy any security other than the Hong Kong Offer Shares offered by this prospectus pursuant to the Hong Kong Public Offering. No person may use this prospectus for the purpose of, and it does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. We have taken no action to permit a public offering of the Offer Shares in any jurisdiction other than Hong Kong, and we have taken no action to permit the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdiction pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

You should rely on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorized by us, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, any of the Underwriters, any of their respective directors, agents, employee or advisers, or any other person or party involved in the Global Offering.

	Page
Contents	i
Expected Timetable	iii
Summary	1
Definition	13
Glossary of Technical Terms	26
Risk Factors	29
Forward-looking Statements	54
Waivers from Strict Compliance with the Listing Rules	55
Information about this Prospectus and the Global Offering	60
Directors and Parties Involved in the Global Offering	63
Corporate Information	66
Industry Overview	68
History and Reorganization	93
Business	116
Relationship with Our Controlling Shareholders	230
Connected Transactions	234
Directors and Senior Management	238
Substantial Shareholders	247
Cornerstone Investors	248
Share Capital	250
Financial Information	253
Future Plans and Use of Proceeds	321
Underwriting	323
Structure of the Global Offering	332
How to Apply for Hong Kong Offer Shares	339

CONTENTS

	<u>Page</u>
Appendix I — Accountants' Report	I-1
Appendix II — Unaudited Pro Forma Financial Information	II-1
Appendix III — Property Valuation Report	III-1
Appendix IV — Market Research Report	IV-1
Appendix V — Taxation and Foreign Exchange	V-1
Appendix VI — Summary of Principal Legal and Regulatory Provisions	VI-1
Appendix VII — Summary of Memorandum and Articles of Association of Our Company and Cayman Islands Company Law	VII-1
Appendix VIII — Statutory and General Information	VIII-1
Appendix IX — Documents Delivered to the Registrar of Companies and Available for Inspection	IX-1

EXPECTED TIMETABLE

Latest time to complete electronic applications under the White Form eIPO service through the designated website www.eipo.com.hk ⁽²⁾	11:30 a.m. on Thursday, June 26, 2014
Application lists of the Hong Kong Public Offering open ⁽³⁾	11:45 a.m. on Thursday, June 26, 2014
Latest time to complete payment of White Form eIPO applications by effecting internet banking transfer(s) or PPS payment transfer(s)	12:00 noon on Thursday, June 26, 2014
Latest time to lodge WHITE and YELLOW Application Forms and give electronic application instructions to HKSCC ⁽⁴⁾	12:00 noon on Thursday, June 26, 2014
Application lists close	12:00 noon on Thursday, June 26, 2014
Expected Price Determination Date ⁽⁵⁾	Friday, June 27, 2014
Announcement of: the Offer Price; the indication of the level of interest in the International Offering; the level of applications under the Hong Kong Public Offering; and the basis of allotment of the Hong Kong Offer Shares, to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on or before	
	Friday, July 4, 2014
Results of allotment in the Hong Kong Public Offering (including successful applicants' identification document numbers, where applicable) available through a variety of channels, including the websites of the Stock Exchange at www.hkexnews.hk and our Company at www.glorypty.com , as described in the paragraph headed "How to Apply for Hong Kong Offer Shares — 11. Publication of Results" in this prospectus	Friday, July 4, 2014
Results of allocations in the Hong Kong Public Offering will be available at www.iporesults.com.hk with a "search by ID" function	Friday, July 4, 2014
Dispatch of Share certificates/White Form e-Refund payment instructions/refund cheques (if applicable) on or before ⁽⁶⁾⁽⁷⁾	Friday, July 4, 2014
Dealings in Shares on the Stock Exchange expected to commence on	Monday, July 7, 2014

Notes:

- (1) All times refer to Hong Kong local time, except otherwise stated. Details of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure of the Global Offering" in this prospectus.
- (2) You will not be permitted to submit your application through the designated website at **www.eipo.com.hk** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
- (3) If there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, June 26, 2014, the application lists will not open on that day. Please refer to the section headed "How to Apply for Hong Kong Offer Shares — 10. Effect of Bad Weather on the Opening of the Application Lists" in this prospectus.
- (4) Applicants who apply for Hong Kong Offer Shares by giving electronic application instructions to HKSCC should refer to the section headed "How to Apply for Hong Kong Offer Shares — 6. Applying by Giving Electronic Application Instructions to HKSCC via CCASS" in this prospectus.
- (5) The Price Determination Date is expected to be on or about Friday, June 27, 2014, and in any event will not be later than Friday, July 4, 2014. If, for any reason, the Offer Price is not agreed on or before Friday, July 4, 2014, the Global Offering will not proceed and will lapse.
- (6) Share certificates are expected to be issued on Friday, July 4, 2014. Share certificates will only become valid certificates of title if the Hong Kong Public Offering has become unconditional in all respects and neither of the Hong Kong Underwriting Agreement nor the International Underwriting Agreement has been terminated in accordance with its respective terms, prior to 8:00 a.m. on the Listing Date. Investors who trade Shares on the basis of publicly available allocation details prior to the receipt of share certificates or prior to the share certificates becoming valid certificates of title do so entirely at their own risk.
- (7) e-Refund payment instructions or refund cheques will be issued in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering and also in respect of wholly or partially successful applications if the final Offer Price is less than the price payable per Offer Share on application. Banks may require verification of the Hong Kong identity card number or the passport number of an applicant before cashing the refund cheque. Inaccurate completion of the Hong Kong identity card number or the passport number of an applicant may lead to delay in encashment of or may invalidate the refund cheque.

EXPECTED TIMETABLE

You should read carefully the sections headed “Underwriting”, “Structure of the Global Offering” and “How to Apply for Hong Kong Offer Shares” in this prospectus for details relating to the structure of the Global Offering, how to apply for Hong Kong Offer Shares and the expected timetable including, among other things, applicable conditions, the effect of bad weather, and the dispatch of refund cheques and Share certificates.

We will publish an announcement in case there is any change in the expected timetable of the Hong Kong Public Offering as described above.

SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all the information that may be important to you. You should read the whole document before you decide whether you want to invest in the Shares.

There are risks associated with any investment. Some of the particular risks in investing in the Shares are set out in the section headed “Risk Factors” in this prospectus. You should read that section carefully before you decide to invest in the Shares.

OVERVIEW

We are a fast growing residential property developer with commercial property operations. During the Track Record Period, we achieved rapid and profitable growth. From 2011 to 2013, our revenue grew at a CAGR of 97.4% and our profit and total comprehensive income grew at a CAGR of 92.9%. According to the Savills Report, as of March 31, 2014, in terms of completed GFA and GFA under development, we were the second largest property developer within the Second Ring Road of Beijing with a market share of 4.1% and the 45th largest property developer in Beijing with a market share of 0.34%. In addition, according to the Savills Report, in terms of completed GFA, Beijing Glory Mall (北京國瑞購物中心), which we hold as investment property, was the second largest shopping mall within the Second Ring Road of Beijing as of March 31, 2014. All of our completed projects in Beijing are located in commercial centers within one kilometer to five kilometers from Tiananmen Square (天安門廣場), the center of Beijing.

Founded in Guangdong Province, we commenced our property development operations in the late 1990s and since then have significantly grown our business in Beijing and successfully expanded into other selected cities with rapid growth in China, including Haikou and Wanning in Hainan Province, Shantou and Foshan in the Pearl River Delta region, Shenyang in Liaoning Province, Zhengzhou in Henan Province, Langfang in Hebei Province and Xi'an in Shaanxi Province. As a result, we have established a strategic nationwide coverage which is centered around Beijing and the Pearl River Delta region and covers a number of selected major areas with rapid economic growth in China. We plan to focus on Beijing, the Pearl River Delta region and Yangtze River Delta region for our further expansion in the next five to 10 years and we believe we are well positioned to capitalize on the expected continuous economic growth in these regions.

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

- **Property development:** We focus on developing residential projects and large-scale mixed-use complex projects which typically consist of a combination of residential properties with a variety of commercial properties. We offer a wide range of residential properties to meet the demand of the middle-to-upper class customers. In addition, we also develop commercial properties for sale or lease. We plan to develop Grade A office buildings in central business districts of first-tier cities and second-tier cities that are provincial capitals in the PRC as we expect demands for such properties will grow significantly. As of March 31, 2014, we had completed eight projects and certain phases of five projects with a total GFA of 2.5 million sq.m.
- **Primary land construction and development services:** We undertake primary land development projects in order to access potentially available land reserves for property development. Primary land development refers to the process of preparing land to conditions ready for public tender, auction and listing-for-sale. It typically involves relocating existing business establishments and residents on the land, demolishing existing buildings and other structures, clearing the site and installing basic infrastructure for future commercial property development. We completed one primary land development project during the Track Record Period, namely, Beijing Hademen project. In addition, we are undertaking six primary land development projects with a total planned GFA of 7.7 million sq.m. in Beijing, Shantou and Chaozhou, Guangdong Province. Please see “Business — Primary Land Development” starting from page 202 of the prospectus for more details.
- **Property investment:** We selectively retain the ownership of a substantial amount of self-developed commercial properties with strategic value to generate stable and recurring rental income. As of March 31, 2014, we had investment properties located at commercial centers in Beijing, Shenyang and Shantou with a total GFA of 296,768 sq.m., including a total GFA of 183,529 sq.m. of investment properties in Beijing.
- **Property management and related services:** We provide property management and related services to owners of the properties developed by us and generate income from providing such services.

SUMMARY

Accordingly, we derive revenue from sales of properties, provision of primary land construction and development services, leasing of properties and provision of property management and related services. The table below sets forth our revenue by source for the periods indicated:

	Year ended December 31,					
	2011		2012		2013	
	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)
Revenue						
Sales of properties ⁽¹⁾	1,247,028	71.1	3,537,683	82.7	4,519,666	66.1
Primary land construction and development services ⁽²⁾	150,126	8.6	353,244	8.3	2,023,202	29.6
Rental income	203,972	11.6	220,481	5.2	232,041	3.4
Property management and related services	152,272	8.7	164,588	3.8	60,449	0.9
Total	1,753,398	100.0	4,275,996	100.0	6,835,358	100.0

Note:

- (1) Our sales of properties in 2011 included the proceeds from the sale of a high-rise residential building to China Xinhua Airlines Group for a total consideration of RMB382.3 million, from which we recognized gross profit of RMB258.2 million. We subsequently repurchased this building in February 2013 for a consideration of RMB487.8 million, primarily because we believed such properties had significant potential for appreciation, while to the best knowledge of our Directors, China Xinhua Airlines Group adjusted its business strategy and decided to cease its real estate operations. We paid RMB368.9 million in cash by December 31, 2013 and paid the remainder of the consideration of RMB118.9 million by April 30, 2014. We intend to hold this building for retail sale and as of April 30, 2014, we had sold 93 units of this building with total sales proceeds of RMB669.5 million. To the best knowledge of our Directors, China Xinhua Airlines Group was founded in August 1992 and HNA Group and Shenhua Group held 60% and 40%, respectively, of the total equity interest in China Xinhua Airlines Group as of the Latest Practicable Date. To the best knowledge of our Directors, as of the Latest Practicable Date, HNA Group was the indirect controlling shareholder of Hainan HNA Real Estate Holding Co., Ltd., which, before April 5, 2014, was a substantial shareholder of Haikou Hangrui, one of our subsidiaries. As of the Latest Practicable Date, both China Xinhua Airlines Group and Shenhua Group were independent third parties of us and of our connected persons. The transactions were conducted for normal commercial purposes in the ordinary course of our business and on normal commercial terms through arm's length negotiations.
- (2) We completed Beijing Hademen project in 2012 and the government provided us with compensation in a lump sum for such project in the amount of total assessed development costs and a reward of 5% of the total assessed development costs in 2013. Such total assessed development costs were determined by the government based on the independent valuation conducted by a third-party valuer selected by the government and engaged by us. The assessed development cost exceeded our actual costs incurred as the valuer took into consideration the prevailing market prices of the resettlement residential properties we provided to existing residents in exchange for their properties subject to demolition, which primarily contributed to the significant increase in our revenue from primary land development from 2012 to 2013. The compensation determined by the government for Beijing Hademen project was one-off and bear little indication to our performance of future primary land development projects. The increase in our revenue from 2012 to 2013 was also attributable to our completion of primary land development of one of the five land parcels of West Qinian Street project in the second quarter of 2013. See "Business — Primary Land Development" and "Financial Information — Review of Historical Operating Results of Our Group" for details.

As part of our Reorganization, on December 31, 2012, we disposed of our equity interest in Chongqing Longxia, Shijiazhuang Glory and their respective subsidiaries (the "Chongqing and Shijiazhuang Business"). For details, please see "History and Reorganization — Our Reorganization — Disposal of Interests in Certain Real Estate Related Subsidiaries by Our Group" starting from page 102 of this prospectus. Accordingly, the operating results of the Chongqing and Shijiazhuang Business ceased to be included in our comprehensive operating results from January 1, 2013 and the assets and liabilities of the Chongqing and Shijiazhuang Business ceased to be included in our total assets and liabilities from December 31, 2012. We did not have any property development project or land reserves in Chongqing and Shijiazhuang as of the Latest Practicable Date. The table below sets forth the key data of the results of operations and financial condition of our Group excluding the Chongqing and Shijiazhuang Business (the "Business other than Chongqing and Shijiazhuang Business") and those of the Chongqing and Shijiazhuang Business during the two years ended and as of December 31, 2011 and 2012:

	Year Ended December 31,			
	2011		2012	
	(RMB million)	(%)	(RMB million)	(%)
Revenue				
Business other than Chongqing and Shijiazhuang Business	1,152.3	65.7	1,921.1	44.9
Chongqing and Shijiazhuang Business	601.1	34.3	2,354.9	55.1
Total	1,753.4	100.0	4,276.0	100.0
Business other than Chongqing and Shijiazhuang Business*				
Gross Profit	604.1	75.7	546.0	34.7
Net Profit	698.9	93.9	738.3	58.0
Contracted Sales	931.3	47.8	2,443.3	74.4
Chongqing and Shijiazhuang Business (Combined)				
Gross Profit	194.1	24.3	1,029.5	65.3
Net Profit	45.5	6.1	534.9	42.0
Contracted Sales	1,015.4	52.2	840.1	25.6

SUMMARY

* The calculation of the Business other than Chongqing and Shijiazhuang Business is based on the consolidated financial information of our Group deducted by the combined financial information of the Chongqing and Shijiazhuang Business as stated above.

	As of December 31,			
	2011		2012	
	(RMB million)	(%)	(RMB million)	(%)
Business other than Chongqing and Shijiazhuang Business*				
Assets	14,435.1	71.2	18,792.6	100.0
Liabilities	10,345.1	65.9	13,107.1	100.0
Chongqing and Shijiazhuang Business (Combined)				
Assets	5,849.7	28.8	—	—
Liabilities	5,344.9	34.1	—	—

* The calculation of the Business other than Chongqing and Shijiazhuang Business is based on the consolidated financial information of our Group deducted by the combined financial information of the Chongqing and Shijiazhuang Business as stated above.

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

	Year ended December 31,	
	2011	2012
	(RMB'000)	(RMB'000)
Business other than Chongqing and Shijiazhuang Business*		
Sales of properties	661,581	1,205,367
Primary land construction and development services	150,126	353,244
Rental income	194,662	206,875
Property management and related services	145,902	155,568
Total	1,152,271	1,921,054
Chongqing and Shijiazhuang Business (Combined)		
Sales of properties	585,447	2,332,316
Primary land construction and development services	—	—
Rental income	9,310	13,606
Property management and related services	6,370	9,020
Total	601,127	2,354,942

* The calculation of the Business other than Chongqing and Shijiazhuang Business is based on the consolidated financial information of our Group deducted by the combined financial information of the Chongqing and Shijiazhuang Business as stated above.

The table below sets forth, by property type, for the years indicated, the total revenue from sales of properties, the total GFA sold and the ASP:

	Residential			Commercial		
	Revenue (RMB'000)	GFA (Sq.m.)	ASP (RMB/Sq.m.)	Revenue (RMB'000)	GFA (Sq.m.)	ASP (RMB/Sq.m.)
For the year ended December 31,						
2011	955,018	143,379	6,661	241,881	26,015	9,298
Business other than Chongqing and Shijiazhuang Business	478,224	32,291	14,810	159,473	19,017	8,386
Chongqing and Shijiazhuang Business ...	476,794	111,088	4,292	82,408	6,998	11,776
2012	3,273,286	522,481	6,265	173,965	26,582	6,544
Business other than Chongqing and Shijiazhuang Business	1,105,577	101,260	10,918	95,822	12,646	7,577
Chongqing and Shijiazhuang Business ...	2,167,709	421,221	5,146	78,143	13,936	5,607
2013	4,126,355	357,970	11,527	373,232	25,256	14,778

For detailed analysis of the results of operations and financial condition of our Business other than Chongqing and Shijiazhuang Business and Chongqing and Shijiazhuang Business, please refer to the section headed “Financial Information” in the prospectus.

We have acquired substantial and strategically located land reserves at low costs to support our property development operations. As of March 31, 2014, we had land reserves with a total GFA of 6.8 million sq.m. in Beijing, Haikou, Wanning, Shantou, Foshan, Shenyang, Zhengzhou, Langfang and Xi'an, comprising a total GFA of 501,748 sq.m. completed but remaining unsold, a total GFA of 1.4 million sq.m. under development and a total GFA of 5.0 million sq.m. held for future development. The average cost of land acquisition for our GFA completed but remaining unsold, under development and held for future development was RMB1,473 per sq.m., RMB1,427 per sq.m. and RMB1,428 per sq.m., respectively. We were able to acquire strategically located land reserves at

SUMMARY

relatively low costs primarily due to our (i) substantial experience and expertise in the real estate industry; (ii) substantial experience in developing large-scale mixed-use complex projects; (iii) strong brand established in the cities where we have property development projects and well-recognized brand name “Glory City”; (iv) substantial experience in primary land development and (v) stable and substantial cash flows generated from our investment properties to support our land acquisitions. Please see “Business — Our Competitive Strengths — We have acquired substantial and strategically located land reserves at low costs.” We believe that our large-scale, low-cost and strategically located land reserves will provide us with sufficient project development pipeline for the next four to five years. In addition, we are undertaking six primary land development projects with a total planned GFA of 7.7 million sq.m. in Beijing, Shantou and Chaozhou, Guangdong Province in order to access potentially available land reserves.

We implement a standardized and streamlined process for developing property projects, supported by a comprehensive information technology system and a proprietary bank of product designs, which, together with our two-tier management structure and centralized procurement practice, enables us to enhance our operational efficiency while effectively managing our risks.

We achieved rapid and profitable growth during the Track Record Period. For the years ended December 31, 2011, 2012 and 2013, our contracted sales were RMB1,946.8 million, RMB3,283.4 million and RMB5,057.1 million, respectively, representing a CAGR of 61.2%. Our revenue for the same periods was RMB1,753.4 million, RMB4,276.0 million and RMB6,835.4 million, respectively, representing a CAGR of 97.4%, and our profit and total comprehensive income for the same periods was RMB744.4 million, RMB1,273.2 million and RMB2,770.2 million, respectively, representing a CAGR of 92.9%. We believe that our strategic nationwide coverage and large-scale, low-cost and strategically located land reserves have laid a solid foundation for, and will continue to support, our sustainable and profitable growth.

We believe economic growth, urbanization and industrialization, availability of residential mortgages and increasing disposable income are key drivers of our business. In particular, we believe as disposable income of Chinese residents increases, demand for residential properties in general and high-quality residential properties with convenient and well-developed infrastructure in particular will increase.

OUR COMPETITIVE STRENGTHS

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

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

OUR STRATEGIES

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

- Focus on Beijing, the Pearl River Delta region and the Yangtze River Delta region;
- Continue to maintain an optimal mix of properties for sale and for investment, while further strengthening our well-recognized band name;
- Develop Grade A office buildings in central business districts of first-tier cities and second-tier cities that are provincial capitals in the PRC;
- Continue to improve our operational efficiency; and
- Attract, retain and motivate talented personnel through systematic training programs and competitive remuneration packages.

SUMMARY

KEY OPERATING STATISTICS

Property Portfolio Summary

We set out below the GFA breakdown of our property portfolio under various stages of development by planned use as of March 31, 2014:

PLANNED USE ⁽¹⁾	COMPLETED				UNDER DEVELOPMENT			
					HELD FOR FUTURE DEVELOPMENT			
	GFA Sold	GFA Available for Sale, Lease or Use by Us ⁽²⁾	Other GFA ⁽³⁾	Total	GFA	(A) With Land Use Rights Certificates	(B) Land Use Rights Certificates Not Yet Obtained	Total (A+B)
	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)
Residential (excluding siheyuan (四合院))	1,270,536	127,329	—	1,397,865	755,885	2,862,097	85,259	2,947,356
Shopping malls	—	111,050	—	111,050	16,769	66,000	45,000	111,000
Specialized markets	102,120	143,899	—	246,019	—	—	—	—
Siheyuan (四合院)	—	7,219	—	7,219	1,057	—	—	—
SOHO apartments	61,675	4,080	—	65,755	—	362,111	108,985	471,096
Offices	104,056	9,808	—	113,864	283,783	203,613	—	203,613
Hotels	—	—	—	—	—	135,323	—	135,323
Retail outlets	82,724	58,811	—	141,535	81,586	182,776	25,276	208,052
Ancillary clubhouses	—	17,250	—	17,250	2,144	5,984	—	5,984
Ancillary kindergartens, schools and children's palace (少年宫)	—	1,200	12,155 ⁽⁴⁾	13,355	2,719	44,084	—	44,084
Storage units ⁽⁸⁾	4,206	1,458	—	5,664	—	—	—	—
Car parking spaces ⁽⁵⁾⁽⁸⁾	61,923	237,735	—	299,658	180,422	675,554	56,090	731,643
Ancillary ⁽⁶⁾⁽⁸⁾	—	—	36,373	36,373	39,413	88,972	4,577	93,549
Total GFA	1,687,240	719,839	48,528	2,455,607	1,363,778	4,626,513	325,187	4,951,700
Attributable GFA⁽⁷⁾	1,419,262	591,295	39,982	2,050,539	1,091,022	3,417,727	260,150	3,677,877

Notes:

- (1) The table above includes saleable GFA and non-saleable GFA. GFA for residential, SOHO apartments, retail outlets, offices, hotels, shopping malls, specialized markets, storage units and car parking spaces consists primarily of saleable GFA. GFA for ancillary clubhouses, ancillary schools, kindergartens and children's palace as well as other ancillary use consists primarily of non-saleable GFA.
- (2) Excludes the portion of GFA held by us as amenities not available for sale or lease for each of the completed projects or completed phases of a project. The portion of GFA available for use by us comprises GFA that is not saleable independently but which we have the right to use and benefit from.
- (3) Comprises the portion of GFA not available for sale or lease for each of the completed projects or completed phases of a project.
- (4) Comprises a kindergarten of our Beijing Fugui Garden project and a children's palace of Beijing Glory City project. The ownership of the kindergarten and children's palace premises was held by the education bureau of former Chongwen District in accordance with the land grant contract.
- (5) Comprise car parking spaces available for sale, lease or use by us.
- (6) Comprises above-ground ancillary GFA and underground ancillary GFA, which we held for purposes other than residential use, retail use, SOHO apartments, offices, hotels, shopping malls, specialized markets, ancillary clubhouses, ancillary schools, kindergartens and children's palace, storage units or car parking spaces, most of which are amenities and not available for sale.
- (7) Comprises the portion of the total GFA attributable to us, based on our effective interest in the relevant projects. Our interest in the relevant projects are set out in "Appendix III — Property Valuation Report."
- (8) Include certain underground civil defense areas used as car parking spaces, storage areas and other ancillary facilities with a total GFA of 162,679 sq.m., which are not saleable independently but we are permitted to use and manage in time of peace and profit therefrom, subject to approval by civil defense authorities. Such civil defense areas comprise completed GFA of 113,189 sq.m. and GFA under development of 49,490 sq.m. Please see "Appendix VI — Summary of Principal Legal and Regulatory Provisions" for details of PRC laws and regulations governing civil defense properties. We did not obtain approval by civil defense authorities to use some of our completed civil defense properties in compliance with relevant PRC laws and regulations. Please see "Business — Regulatory Compliance" for more details.

SUMMARY

Land Reserves

The table below sets forth a summary of our land reserves as of March 31, 2014 by geographic location:

	Completed	Under Development	Future Development	Total Land Reserves	% of Total Land Reserves	Average Land Acquisition Cost
	Saleable/Rentable GFA Remaining Unsold	GFA Under Development	Planned GFA ⁽¹⁾	Total GFA		
	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(%)	(RMB per sq.m.)
Beijing	250,502	140,021	—	390,523	5.8	8,378
Haikou	66,580	504,229	41,545	612,354	9.0	2,977
Wanning	—	154,642	206,756	361,398	5.3	356
Shantou	65,131	—	302,093	367,224	5.4	1,889
Foshan	—	—	456,375	456,375	6.7	1,370
Shenyang	85,580	275,954	1,188,695	1,550,229	22.7	1,122
Zhengzhou	29,971	165,196	461,860	657,027	9.6	394
Langfang	3,984	123,736	2,008,659	2,136,379	31.3	359
Xi'an	—	—	285,717	285,717	4.2	1,575
TOTAL	501,748	1,363,778	4,951,700	6,817,226	100.0	1,431

Note:

- (1) Includes 216,523 sq.m. of planned GFA in respect of which we had received the confirmation letter on bidding for granting land use rights after we had successfully won the bids but had not yet signed the relevant land grant contract. Our PRC legal advisor has advised us that there are no legal impediments to entering into the land grant contract if we have received the confirmation letter on bidding for granting land use rights.

In May 2013, Shantou City Land Reserve Center (汕頭市土地儲備中心) entered into an agreement with us to acquire the land use rights of the land parcels for Phase II of Shantou Glory City for a consideration of RMB287.1 million from us as the local government decided to re-zone the site for Phase II from warehousing and logistics uses to residential, commercial and exhibition uses. As a result of such transaction, we recognized a gain of RMB265.7 million and our prepaid lease payment for land use rights decreased by RMB21.3 million during the six months ended June 30, 2013. We subsequently re-acquired the land use rights of such land parcels at the land premium of RMB675 million through listing-for-sale after the re-zoning. We entered into the land grant contract and paid the land premium in full in September 2013, as a result of which our properties under development for sale increased by RMB675 million in September 2013. Please see “Business — Our Property Development Projects — Shantou — Shantou Glory City” for more details about Shantou Glory City.

Contracted Sales

The table below summarizes our contracted sales for each of the years ended December 31, 2011, 2012 and 2013 and the three months ended March 31, 2013 and 2014:

	Year Ended December 31,			For the Three Months Ended March 31,	
	2011	2012	2013	2013	2014
Contracted GFA (sq.m.)	290,902	421,716	383,970	56,964	85,254
Contracted sales (RMB million)	1,946.8	3,283.4	5,057.1	742.4	1,136.6
Contracted ASP (RMB/sq.m.)	6,692	7,786	13,170	13,033	13,332

Note:

* Contracted sales shown in the table include sales of car parking spaces.

** We disposed of the Chongqing and Shijiazhuang Business on December 31, 2012. Accordingly, the contracted sales from the Chongqing and Shijiazhuang Business ceased to be included in our total contracted sales from January 1, 2013.

Our contracted ASP increased from RMB6,692 per sq.m. in 2011, to RMB7,786 per sq.m. in 2012 and RMB13,170 per sq.m. in 2013 and further to RMB13,332 per sq.m. for the three months ended March 31, 2014, primarily reflecting the impact of progress of our various projects and project phases.

Our actual cash receipts from property sales, which represented the aggregate cash amount received from binding pre-sale and sale contracts entered into during such periods, were RMB2,430.9 million, RMB2,933.1 million, RMB4,143.9 million, RMB773.7 million and RMB1,437.7 million for the years ended December 31, 2011,

SUMMARY

2012 and 2013 and the three months ended March 31, 2013 and 2014, respectively. Such amounts do not necessarily correspond to the amounts of our contracted sales for the corresponding periods.

OUR RESULTS OF OPERATIONS

Selected Consolidated Statements of Comprehensive Income

	Year ended December 31,		
	2011	2012	2013
	(RMB'000)	(RMB'000)	(RMB'000)
Revenue	1,753,398	4,275,996	6,835,358
Cost of sales and services	(955,157)	(2,700,448)	(3,130,684)
Gross profit	798,241	1,575,548	3,704,674
Profit and total comprehensive income for the year	744,421	1,273,178	2,770,189
Profit and total comprehensive income for the year attributable to:			
Owners of the Company	597,001	1,029,776	2,233,812
Non-controlling interests	147,420	243,402	536,377
	744,421	1,273,178	2,770,189

Note:

The table below sets forth selected data relating to our adjusted profit before taxation during the Track Record Period after excluding the effect of (i) changes in the fair value of investment properties and (ii) changes in the fair value of held-for-trading investments:

	Year ended December 31,		
	2011	2012	2013
	(RMB'000)	(RMB'000)	(RMB'000)
Profit before taxation	1,075,107	2,033,649	3,855,784
Fair value gain upon transfer to investment properties	—	—	(527,270)
Changes in fair value of investment properties	(890,358)	(1,043,243)	(384,625)
Changes in fair value of held-for-trading investments	562	142	(628)
Profit before taxation excluding changes in fair value of investment properties and change in fair value of held for trading investments for the year.	185,311	990,548	2,943,261

	Year ended December 31,		
	2011	2012	2013
	(%)	(%)	(%)
Gross profit margin	45.5	36.8	54.2
Net profit margin	42.5	29.8	40.5

Selected Consolidated Statements of Financial Position

	As of December 31,		
	2011	2012	2013
	(RMB'000)	(RMB'000)	(RMB'000)
Assets			
Current assets	13,721,754	11,379,926	14,267,765
Non-current assets	6,563,042	7,412,685	8,199,638
	20,284,796	18,792,611	22,467,403
Liabilities			
Current liabilities	10,069,020	8,283,901	8,451,791
Non-current liabilities	5,621,011	4,823,212	7,919,633
	15,690,031	13,107,113	16,371,424
Net assets	4,594,765	5,685,498	6,095,979
Total equity	4,594,765	5,685,498	6,095,979

SUMMARY

Selected Consolidated Statements of Cash Flow

	Year ended December 31,		
	2011	2012	2013
	(RMB'000)	(RMB'000)	(RMB'000)
Net cash (used in) generated from operating activities	(1,531,172)	37,675	32,901

Our Negative Net Operating Cash Flow

We recorded negative net cash flow from operating activities of RMB1,531.2 million for the year ended December 31, 2011. Our negative net cash flow from operating activities was primarily attributable to our land acquisitions for land parcels of Shenyang Glory City and Yongqing Glory City and our continued business expansion in 2011.

Key Financial Ratio

		As of December 31,		
	Notes	2011	2012	2013
Profitability ratios				
Revenue growth	1	N/A	144%	60%
Net profit growth	2	N/A	71%	118%
Return on equity	3	18%	25%	47%
Liquidity ratio				
Current ratio	4	1.36	1.37	1.69
Capital adequacy ratio				
Gearing ratio	5	122%	100%	120%
Net debt to equity ratio	6	105%	79%	106%
Interest coverage ratio	7	6.57	9.84	7.73
Commitment to equity ratio	8	29%	31%	57%
Contingent liability to equity ratio	9	18%	18%	27%

Notes:

- The calculation of the revenue growth is based on revenue for the year divided by revenue for the previous year, minus one and multiplied by 100%.
- The calculation of net profit growth is based on net profit for the year divided by net profit for the previous year, minus one and multiplied by 100%.
- The calculation of return on equity is based on profit and total comprehensive income for the year divided by total average equity and multiplied by 100%.
- The calculation of current ratio is based on current assets divided by current liabilities.
- The calculation of gearing ratio is based on interest-bearing debt divided by total equity and multiplied by 100%.
- The calculation of net debt to equity ratio is based on total interest-bearing debt less bank balances, cash and restricted cash divided by total equity and multiplied by 100%.
- The calculation of interest coverage ratio is based on profit before taxation plus finance costs for the years ended December 31, 2011, 2012 and 2013, divided by finance costs.
- The calculation of commitment to equity ratio is based on the commitment of our Group (being the amount contracted for purposes of acquisition of land use rights expenditures and property development expenditures but not provided in our audited financial statements contained in the Accountants' Report included as Appendix I to this prospectus) divided by total equity and multiplied by 100%.
- The calculation of contingent liability to equity ratio is based on the contingent liability commitment of our Group (being the amount of the outstanding guarantees of the mortgage loans provided to our customers' by banks in the PRC) divided by total equity and multiplied by 100%.

LISTING EXPENSES

We will incur listing expenses in connection with the Listing, which include professional fees, underwriting commissions and other fees. Listing expenses to be borne by our Group are estimated to be HK\$123.8 million (based on the mid-point of our indicative price range for the Global Offering). Listing expenses of approximately HK\$26.3 million had been incurred as of December 31, 2013. Listing expenses of approximately HK\$97.5 million are expected to be incurred after December 31, 2013, of which HK\$35.7 million is expected to be charged to our statement of profit or loss and other comprehensive income and HK\$61.8 million is expected to be accounted for as a deduction from equity. The listing expenses above are the latest practicable estimate for reference only and the actual amount may differ from the estimate. Our Directors do not expect such expenses to have a material adverse impact on our results of operations for the year ending December 31, 2014.

VALUATION OF OUR PROPERTIES

In connection with its valuation, CBRE applied the direct comparison approach based on comparison and reference to comparable sales transactions as available in the relevant market, or where appropriate, income capitalization approach by capitalization of the net rental income derived from the existing tenancy agreements with due allowance for the reversionary income potential of the properties. Direct comparison

SUMMARY

approach is a common approach to value the properties held for sale, properties held for development, properties held for investment and properties held for self-use, while income capitalization approach is commonly used to value the properties held for investment. In conducting its valuation, CBRE assumed, among other things, that properties that are uncompleted will be developed and completed in accordance with our latest development proposals and development program provided to CBRE and that all consents, approvals and licences from relevant government authorities for the development proposals have been obtained without onerous conditions or delays. However, investors are advised that the appraised value of our property interests shall not be taken as their actual realizable value or a forecast of their realizable value. Please see “Risk Factors — Risks Relating to Our Business — The appraised values of our properties may be different from their actual realizable values and are subject to change.”

For a summary of CBRE’s valuation of each of our properties and the selected valuation approaches and key assumptions used by CBRE in its valuation, please see “Business — Valuation of Our Properties” starting from page 178 of this prospectus. Further details, including the background of these assumptions, please see “Appendix III — Property Valuation Report.”

RECENT DEVELOPMENTS

Our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since December 31, 2013 and up to the date of this prospectus.

For the fourth months ended April 30, 2014, we recorded revenue of RMB1,270.7 million, gross profit of RMB535.0 million and gross profit margin of 42.1%, which was lower in comparison with the four months ended April 30, 2013, primarily due to the compensation in a lump sum provided by the government for our completion of Beijing Hademen project in 2013. See “— Overview”, “Business — Primary Land Development” and “Financial Information — Review of Historical Operating Results of Our Group” for details. The financial information for the four months ended April 30, 2014 as shown above was extracted from our unaudited condensed consolidated financial statements for the four months ended April 30, 2014 prepared by the Directors in accordance with International Accounting Standard 34 “Interim Financial Reporting”, which were reviewed by Deloitte Touche Tohmatsu, our reporting accountants, in accordance with International Standard on Reviewing Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity.”

For the four months ended April 30, 2014, we entered into two trust financing arrangements with principal amount of RMB446.0 million to satisfy our working capital requirement. Please see “Business — Alternative Financing Provided by Trust Financing Companies — Our Trust Financing Arrangements.” We entered into a trust financing agreement with China Minsheng Trust Co., Ltd. (中國民生信託有限公司) in June 2014 for trust financing with a principal amount of no more than RMB450.0 million to finance our development of Phase IV of Shenyang Glory City. The trust financing will be secured by guarantee by Beijing Glory and New Beijing Glory and pledge of land use rights and properties of Phase I of Shenyang Glory City and land use rights of one of the land parcels of Phase V of Shenyang Glory City with a total planned GFA of 156,970 sq.m. As of the Latest Practicable Date, loan proceeds had not yet been granted under this agreement.

On April 2, 2014, we entered into an equity interest transfer and cooperation agreement with an independent third party to acquire 100% of the equity interest in Hainan Junhe Industrial Co., Ltd. (海南駿和實業有限公司) (“**Hainan Junhe**”) for a total consideration of RMB1,014.0 million in order to acquire the land use rights of certain land parcels in Haikou with a site area of approximately 1.1 million sq.m. The consideration was determined based on arm’s length negotiation between the parties and included expenses to be paid to Hainan Junhe for its advertising and promotional services in respect of such land parcels. As of April 2, 2014, the appraised value of such land parcels was RMB1,019.0 million based on CBRE’s valuation. We transferred a total amount of RMB517.0 million in March and April 2014 to a joint bank account in accordance with the equity interest transfer and cooperation agreement. We must pay the remainder of the consideration of RMB496.9 million in three installments, with the last installment to be paid within one year after the execution of the equity interest transfer and cooperation agreement. On May 23, 2014, we injected additional RMB25.5 million into Hainan Junhe in the form of capital contribution on a pro-rata basis, following which the total registered capital of Hainan Junhe increased from RMB4.0 million to RMB50.0 million. We completed the transfer of 51% of the equity interest in Hainan Junhe on May 21, 2014 and the transferor must transfer the remaining 49% of the equity interest within six months after the execution of the equity interest transfer and cooperation agreement. As of May 21, 2014, Hainan Junhe did not carry out any business.

SUMMARY

On March 5, 2014, we entered into an equity interest transfer agreement to acquire 30% of the equity interest in Shenzhen Dachaoshan Construction Co., Ltd. (深圳市大潮建設有限公司) (“**Shenzhen Dachaoshan**”) from independent third parties for a total consideration of RMB12.0 million. Shenzhen Dachaoshan is a limited liability company incorporated on September 30, 2013 in Shenzhen, the PRC with a total paid-in capital of RMB40.0 million at the time of the above acquisition. We have paid such consideration in full and the SAIC registration for the equity transfer was completed in March 2014. Upon completion of the acquisition, we became the second largest shareholder of Shenzhen Dachaoshan. On April 3, 2014, we injected RMB24.0 million into Shenzhen Dachaoshan as an additional paid-in capital on a pro-rata basis, following which the total paid-in capital of Shenzhen Dachaoshan increased from RMB40.0 million to RMB120.0 million. Shenzhen Dachaoshan intends to undertake a development project in Shenzhen under the “Urban Resettlement” policy with a total site area of 3.8 million sq.m. and entered into a cooperation agreement on March 12, 2014 with a company controlled by the local self-governing organization with respect to the aforementioned project. The acquisition signifies our first step of entering the property development market in Shenzhen, which is in line with our development strategies in the Pearl River Delta region. Please see section headed “Waivers from Strict Compliance with the Listing Rules” for details of this acquisition.

On June 16, 2014, we won the bid to acquire a land parcel in Foshan with a total planned GFA of 171,313 sq.m. through listing-for-sale for a total consideration of RMB1,483.2 million. We received the relevant confirmation letter on bidding for granting land use rights on June 18, 2014 and our PRC legal advisor has advised us that there are no legal impediments to entering into the land grant contract if we have received the confirmation letter on bidding for granting land use rights.

According to the Savills Report, the total GFA completed, the total GFA sold and the average selling price of properties in China decreased by 0.3%, 6.9% and 0.9%, respectively, from the first four months of 2013 to the first four months of 2014. In addition, according to the Savills Report, the growth in real estate investment in China slowed down during the first four months of 2014. Despite such negative market trend, for the four months ended April 30, 2014, our contracted sales reached RMB1,515.4 million, contracted GFA reached 113,912 sq.m. and contracted ASP reached RMB13,303 per sq.m., representing an increase of 118.4%, 74.2% and 25.3%, respectively, from the four months ended April 30, 2013. In addition to our contracted sales, during the four months ended April 30, 2014, we received good faith deposits with a total amount of RMB57.9 million for the purchase of our properties with a total estimated contract value of RMB412.3 million. During the same period, we did not encounter any undue difficulty in obtaining credit facilities or bank loans or other borrowings, any request for early repayment of bank loans and other borrowings or any material default by customers. However, our customers did experience difficulties and delays in obtaining mortgage financings during the first four months of 2014. On May 12, 2014, the PBOC held a seminar with 15 commercial banks in China, urging the commercial banks to prioritize the borrowing needs of first-time home buyers. In such seminar, the PBOC also asked the commercial banks to approve and grant mortgage loans to qualified residential property purchasers in a more efficient and timely way. Our Directors do not expect the recent market slowdown will have a material adverse impact on our business due to our competitive strengths in developing large-scale mixed-use complex projects with a complementary mix of residential and commercial properties which, based on our Directors’ belief, despite the recent market slowdown, (i) tend to substantially improve the local living and commercial environment, which in turn increases the value and marketability of our properties; (ii) are expected to have increasing demands as the urbanization process in China continues and the population of the middle-to-upper class and their demand for high-quality life continue to increase and (iii) are expected to enjoy significant capital appreciation over the long term as they are located at commercial centers in their respective cities.

OUR CONTROLLING SHAREHOLDERS

Immediately upon completion of the Global Offering, our Controlling Shareholders are Chairman Zhang and Alltogether. Chairman Zhang will, through Alltogether, a company wholly owned by him, hold approximately 84.238% of our Company’s entire issued share capital (assuming that the Over-allotment Option is not exercised and without taking into account any Shares to be issued pursuant to the exercise of any options granted under the Pre-IPO Share Option Scheme or may be granted under the Post-IPO Share

SUMMARY

Option Scheme). Ms. Ruan Wenjuan, an executive Director of our Company, is the spouse of Chairman Zhang and will be deemed to be interested in approximately 84.238% of our Company's entire issued share capital under the SFO.

Please refer to the section headed "Substantial Shareholders" beginning on page 247 in this prospectus for details.

REAL ESTATE-RELATED AUSTERITY MEASURES IMPLEMENTED BY THE PRC GOVERNMENT

The PRC government has introduced a number of real estate-related austerity measures since the second half of 2010. Our Directors believe that one of the objectives of the recent austerity measures of the PRC government is to direct consumers to make reasonable purchases of residential properties and discourage investment and speculation in the housing market. During the Track Record Period, we did not experience any material difficulty in selling our properties, but we cannot assure you that property development and investment activities in the PRC will continue at past levels or that there will not be a downturn in the property markets in the regions and cities of the PRC where we operate or intend to expand our operations. Please see "Business — Real Estate-related Austerity Measures Implemented by the PRC Government" starting on page 212 of this prospectus for further details.

OFFERING STATISTICS⁽¹⁾

	Based on Offer Price of HK\$2.30	Based on Offer Price of HK\$2.84
Market capitalization of our Shares ⁽²⁾	HK\$10,147.1 million	HK\$12,529.5 million
Unaudited pro forma adjusted net tangible asset value per Share ⁽³⁾	HK\$1.69	HK\$1.77

Notes:

- (1) All statistics in this table are on the assumption that the Over-allotment Option is not exercised.
- (2) The calculation of market capitalization is based on 4,411,780,000 Shares expected to be in issue immediately after completion of the Global Offering.
- (3) The unaudited pro forma adjusted net tangible asset value per Share is calculated after making the adjustments referred to in "Unaudited Pro Forma Financial Information" included in Appendix II to this prospectus.

DIVIDEND POLICY

For the year ended December 31, 2012, Original Beijing Glory and Glory Industrial declared and paid dividend of RMB250.0 million to their then non-controlling shareholders. The dividend was paid to offset our other receivables.

For the year ended December 31, 2013, Garden Group declared dividend of RMB2,350.0 million to its shareholder, all of which had been paid as of April 30, 2014.

We currently intend to distribute to our Shareholders 20% to 30% of any net distributable profit derived during the year, excluding net fair value gains or losses on investment properties, for the fiscal year ending December 31, 2014 and onwards. We will re-evaluate our dividend policy annually.

Please refer to the section headed "Financial Information — Dividend Policy" beginning on page 316 in this prospectus for a detailed description of our dividend policy.

SUMMARY

USE OF PROCEEDS

We estimate that we will receive net proceeds from the Global Offering of approximately HK\$1,603.3 million, assuming that the Over-allotment Option is not exercised, after deducting the underwriting commissions and other estimated offering expenses payable by our Company and assuming an initial public Offer Price of HK\$2.57 per Share, being the mid-point of the indicative Offer Price range set forth on the cover page of this prospectus. We intend to use these proceeds from the Global Offering for the following purposes:

- approximately 60%, or approximately HK\$962.0 million, is expected to be used in our property development projects, out of which:
 - approximately 40%, or approximately HK\$641.3 million, is expected to be used in the development of our Beijing Glory Center, Shenyang Glory City Phase IV and Haikuotiankong Glory City Phases IV and V projects, which include Grade A office buildings; and
 - the remaining 20%, or approximately HK\$320.7 million, is expected to be used in our other property development projects including development of Zhengzhou Glory City Phase VI and Yongqing Glory City Phase IV;
- approximately 30%, or approximately HK\$481.0 million, is expected to be used in our land reserves by seeking and acquiring suitable land parcels in cities in which we are currently operating and target cities in the future, especially in the Pearl River Delta; and
- the remaining 10% or approximately HK\$160.3 million, will be used for our general corporate and working capital purposes.

To the extent that the net proceeds of the Global Offering derived from unused capital are not immediately applied to the above purposes, we intend to deposit the proceeds in interest-bearing bank accounts, such as short-term savings accounts or basic short-term currency market instruments, with licensed commercial banks and/or authorized financial institutions. Please refer to the section headed “Future Plans and Use of Proceeds” beginning on page 321 in this prospectus for details.

RISK FACTORS

There are certain risks involved in our operations. For example, our performance during the three years ended and as of December 31, 2011, 2012 and 2013 may not be taken as a reference or indication of our future prospects and results of operations because as part of our Reorganization, we disposed of the Chongqing and Shijiazhuang Business on December 31, 2012. Accordingly, the operating results of the Chongqing and Shijiazhuang Business ceased to be included in our comprehensive operating results from January 1, 2013 and the total assets and liabilities of the Chongqing and Shijiazhuang Business ceased to be included in our total assets and liabilities from December 31, 2012. In addition, we are dependent on the performance of the real estate market in the PRC, particularly in the cities in which we develop our property projects and manage the properties we have developed. Our operations are also subject to extensive governmental regulations, and in particular, we are susceptible to changes in policies related to the real estate industry in the PRC. Furthermore, our results of operations may vary significantly from period to period. In particular, the compensation determined by the government for Beijing Hademen project was one-off and bear little indication to our performance of future primary land development projects and future results of operations and financial condition. A detailed discussion of the risk factors that our Directors believe are particularly relevant to our Group is set out in the section headed “Risk Factors” beginning on page 29 in this prospectus.

DEFINITION

In this prospectus, unless the context otherwise requires, the following terms shall have the meanings set out below.

“Alltogether”	Alltogether Land Company Limited (通和置業有限公司), an exempted company with limited liability that was incorporated in the BVI on July 4, 2012 and was owned as to 100% by Chairman Zhang as of the Latest Practicable Date
“Application Form(s)”	WHITE Application Form(s), YELLOW Application Form(s) and GREEN Application Form(s) or, where the context so requires, either of them that is used in connection with the Hong Kong Public Offering
“Articles of Association” or “Articles”	our articles of association, conditionally approved and adopted on June 5, 2014 and to become effective on the Listing Date, as amended, supplemented or otherwise modified from time to time
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Banking Ordinance”	the Banking Ordinance (Chapter 155 of the Laws of Hong Kong), as amended or supplemented from time to time
“Beijing Glory”	Beijing Glory Xingye Real Estate Co., Ltd.* (北京國瑞興業地產股份有限公司), the surviving entity following the Split of Original Beijing Glory, which inherited the property development business and projects of Original Beijing Glory in Beijing
“Beijing Wenchang”	Beijing Wenchang Real Estate Development Co., Ltd.* (北京文昌房地產開發有限公司), a limited liability company that was incorporated in the PRC on May 27, 2002 and an indirect subsidiary of our Company, which was owned as to 100% by Beijing Glory as of the Latest Practicable Date
“Board”	the board of Directors
“BOCI”, “Sole Global Coordinator” or “Sole Sponsor”	BOCI Asia Limited, a licensed corporation under the SFO for Type 1 regulated activity (dealing in securities) and Type 6 regulated activity (advising on corporate finance)
“Business Day” or “business day”	any day (other than Saturday, Sunday and public holidays in Hong Kong) on which the banks in Hong Kong are generally open for normal banking business
“BVI”	the British Virgin Islands
“CAGR”	compound annual growth rate
“CBD”	central business district
“CBRC”	China Banking Regulatory Commission (中國銀行業監督管理委員會)
“CBRE”	CBRE Limited, our property valuer

DEFINITION

“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual, joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“Chairman Zhang”	Mr. Zhang Zhangsun (張章筭), our Chairman, founder and one of our Controlling Shareholders
“Chaoan Meilin”	Chaoan County Meilin Lake Development & Construction Co., Ltd.* (潮安縣梅林湖開發建設有限公司), a limited liability company that was incorporated in the PRC on March 19, 2013 and an indirect subsidiary of our Company, which was owned as to 60% by New Beijing Glory and 40% by Chaoan County Baoshan Investment & Development Co., Ltd.* (潮安縣寶山投資開發有限公司), a connected person by virtue of its holding of more than 10% equity interest in Chaoan Meilin, as of the Latest Practicable Date
“China” or “PRC”	the People’s Republic of China, for the purpose of this prospectus and except where the context requires, references in this prospectus to the PRC or China do not include Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Chongqing Longxia”	Chongqing Longxia Real Estate Development Co., Ltd.* (重慶龍廈房地產開發有限公司), a limited liability company that was incorporated in the PRC on June 25, 2004 and was owned as to 100% by Shantou Guoxia Real Estate Limited* (汕頭市國廈地產有限公司), a company controlled by Mr. Zhang Zhangqiao (張章喬), the brother of Chairman Zhang and a connected person of our Group, as of the Latest Practicable Date
“Chongqing Ruiao”	Chongqing Ruiao Properties Co., Ltd.* (重慶瑞奧置業有限公司), a limited liability company that was incorporated in the PRC on May 31, 2011, which was owned as to 100% by Chongqing Longxia and a connected person of our Group, as of the Latest Practicable Date
“CMS (HK)”	China Merchants Securities (HK) Co., Limited, a licensed corporation under the SFO for Type 1 regulated activity (dealing in securities), Type 2 regulated activity (dealing in futures contracts), Type 4 regulated activity (advising on securities), Type 6 regulated activity (advising on corporate finance) and Type 9 regulated activity (asset management)

DEFINITION

“Company” or “our Company”	Guorui Properties Limited (國瑞置業有限公司), an exempted company with limited liability that was incorporated in the Cayman Islands on July 16, 2012 under the name of “Glory Land Company Limited (國瑞置業有限公司)” and that carries on business in Hong Kong as “Guorui Properties Limited”
“Companies Law”	the Companies Law (2013 Revision) of the Cayman Islands
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended or supplemented from time to time
“connected person(s)”	has the meaning ascribed thereto in the Listing Rules
“Controlling Shareholders”	has the meaning ascribed thereto in the Listing Rules and, in the context of our Company means Chairman Zhang and Alltogether
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會)
“Detong Shunli”	Beijing Detong Shunli Investment Advisory Co., Ltd.* (北京德通順利投資顧問有限公司), a limited liability company that was incorporated in the PRC on April 17, 2008, which was owned as to 100% by Shantou Jinming Wujin Co., Ltd.* (汕頭市金明五金材料有限公司) immediately upon disposed by our Group, a company controlled by Chairman Zhang and a connected person of our Group
“Director(s)”	director(s) of our Company
“Feier Site”	Beijing Feier Site Commerce Services Co., Ltd.* (北京菲爾斯特商務服務有限公司), a limited liability company that was incorporated in the PRC on October 18, 2012, which was owned as to 100% by Beijing Feier Site Agricultural Development Co., Ltd.* (北京菲爾斯特農業發展有限公司), an independent third party of the Company, as of the Latest Practicable Date
“Foshan Glory”	Foshan Glory Xingye Real Estate Co., Ltd.* (佛山市國瑞興業地產有限公司), a limited liability company that was incorporated in the PRC on June 2, 2010 and an indirect subsidiary of our Company, which was owned as to 100% by New Beijing Glory as of the Latest Practicable Date
“Foshan Glory Southern”	Foshan Glory Southern Real Estate Development Co., Ltd.* (佛山市國瑞南方地產開發有限公司), a limited liability company that was incorporated in the PRC on April 25, 2014 and indirect subsidiary of our Company, which was owned as to 100% by Foshan Glory as at the Latest Practicable Date
“Foshan Guohua”	Foshan Guohua Properties Co., Ltd.* (佛山市國華置業有限公司), a limited liability company that was incorporated in the PRC on December 19, 2012 and an indirect subsidiary of our Company, which was owned as to 55% by Foshan Glory and 45% by Shantou Liyi Real Estate Investment Co., Ltd.* (汕頭市利溢房地產投資有限公司), a connected person by virtue of its holding of more than 10% equity interest in Foshan Guohua, as of the Latest Practicable Date

DEFINITION

“Garden Group”	Shantou Garden Group Co., Ltd.* (汕頭花園集團有限公司), a limited liability company that was incorporated in the PRC on April 1, 1994 and an indirect subsidiary of our Company, which was owned as to 100% by Glory Management as of the Latest Practicable Date
“GDP”	gross domestic product
“Global Offering”	the Hong Kong Public Offering and the International Offering
“Glory Commercial Management”	Beijing Glory Industrial Commercial Management Limited* (北京國瑞興業商業管理有限公司), a limited liability company that was incorporated in the PRC on August 27, 2007, which was owned as to 0.07% by Ms. Zhang Jin and 99.93% by Beijing Yinhe Glory Commercial Investment Co., Ltd.* (北京銀和國瑞商業投資有限公司) as of the Latest Practicable Date, both of which are our connected persons of our Company
“Glory Industrial”	Glory Xingye (Beijing) Industrial Co., Ltd.* (國瑞興業 (北京) 實業股份有限公司), a limited liability company that was incorporated in the PRC on August 17, 1999 and an indirect subsidiary of our Company, which was owned as to 91% by Garden Group and 9% by Longhu Huamu as of the Latest Practicable Date
“Glory Investment”	Glory Xingye (Beijing) Investment Co., Ltd.* (國瑞興業 (北京) 投資有限公司), a limited liability company that was incorporated in the PRC on February 13, 2012 and an indirect subsidiary of our Company, which was owned as to 100% by Beijing Glory as of the Latest Practicable Date
“Glory Management”	Shantou Glory Management Co., Ltd.* (汕頭國瑞企業管理有限公司) (formerly known as Shantou Garden Hotel Co., Ltd.* (汕頭花園賓館有限公司)), a limited liability company that was incorporated in the PRC on December 24, 1996 and an indirect subsidiary of our Company, which was owned as to 100% by Glory Real Estate (HK) as of the Latest Practicable Date
“Glory Real Estate (HK)”	Glory Real Estate (HK) Investment Limited (國瑞地產 (香港) 投資有限公司), a limited liability company that was incorporated in Hong Kong on April 29, 2013 and a wholly-owned subsidiary of our Company as of the Latest Practicable Date
“Glory Services”	Beijing Glory Property Services Co., Ltd.* (北京國瑞物業服務有限公司), a limited liability company that was incorporated in the PRC on April 12, 2002 and an indirect subsidiary of our Company, which was owned as to 100% by New Beijing Glory as of the Latest Practicable Date
“Green Application Form(s)”	the application form(s) to be completed by White Form eIPO Service Provider, Computershare Hong Kong Investor Services Limited
“Group”, “our Group”, “our”, “we” or “us”	our Company and its subsidiaries or, where the context so requires in respect of any period before our Company became the holding company of its present subsidiaries, the present subsidiaries of our Company and the businesses carried on by such subsidiaries or (as the case may be) their predecessors

DEFINITION

“Hainan Glory”	Hainan Glory Real Estate Development Co., Ltd.* (海南國瑞房地產開發有限公司), a limited liability company incorporated in the PRC on April 21, 2009 and an indirect subsidiary of our Company, which was owned as to 100% by New Beijing Glory as of the Latest Practicable Date
“Haikou Hangrui”	Haikou Hangrui Industrial Development Co., Ltd.* (海口航瑞實業發展有限公司), a limited liability company that was incorporated in the PRC on June 6, 2008 and an indirect subsidiary of our Company, which was owned as to 100% by Hainan Glory as of the Latest Practicable Date
“Hainan HNA”	Hainan HNA Glory Investment & Development Co., Ltd.* (海南海航國瑞投資開發有限公司), a limited liability company that was incorporated in the PRC on July 6, 2009 and an indirect subsidiary of our Company, which was owned as to 100% by Hainan Glory as of the Latest Practicable Date
“Hainan Junhe”	Hainan Junhe Industrial Co., Ltd.* (海南駿和實業有限公司), a limited liability company that was established in the PRC on June 7, 2010 and an indirect subsidiary of our Company, which was owned as to 51% by Hainan Glory, 48.2% by Dongguan Junhao Real Estate Development Co., Ltd (東莞駿豪房地產開發有限公司), 0.64% by Qiu Xuecai (丘學才) and 0.16% by Ye Dehong (葉德宏) as at the Latest Practicable Date
“Hainan Nanduijiang”	Hainan Nanduijiang Industrial Development Co., Ltd.* (海南南渡江實業發展有限公司), a limited liability company that was incorporated in the PRC on January 3, 2003 and an indirect subsidiary of our Company, which was owned as to 100% by Hainan Glory as of the Latest Practicable Date
“Hainan Tongcheng”	Hainan Tongcheng Industrial Co., Ltd.* (海南同城實業有限公司), a limited liability company that was incorporated in the PRC on August 11, 2003 and an indirect subsidiary of our Company, which was owned as to 100% by Hainan Glory as of the Latest Practicable Date
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Hong Kong dollars” or “HK dollars” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong Offer Shares”	66,178,000 newly issued Shares offered by us for subscription in the Hong Kong Public Offering, subject to reallocation as described in the section headed “Structure of the Global Offering” in this prospectus

DEFINITION

“Hong Kong Public Offering”	our offering of the Hong Kong Offer Shares for subscription by the public in Hong Kong for cash at the Offer Price and on and subject to the terms and conditions described in this prospectus and the Application Forms
“Hong Kong Share Registrar”	Computershare Hong Kong Investor Services Limited
“Hong Kong Underwriters”	the underwriters of Hong Kong Public Offering listed in the section headed “Underwriting — Underwriters — Hong Kong Underwriters” in this prospectus
“Hong Kong Underwriting Agreement”	the Hong Kong underwriting agreement relating to the Hong Kong Public Offering entered into by, among others, our Company, the Sole Global Coordinator, the Joint Bookrunners and the Hong Kong Underwriters
“IFRS”	International Financial Reporting Standards, which are standards and interpretations adopted by the International Accounting Standards Board. They comprise: (a) International Financial Reporting Standards; (b) International Accounting Standards; and (c) Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee
“independent third party(ies)”	individual(s) or a company(ies) who is/are not considered a connected person of our Company under the Listing Rules
“International Offer Shares”	595,602,000 newly issued Shares offered by us pursuant to the International Offering, together with any additional Shares offered pursuant to any exercise of the Over-allotment Option, subject to reallocation as described in the section headed “Structure of the Global Offering” in this prospectus
“International Offering”	the conditional offering of International Offer Shares outside the United States to investors pursuant to Regulation S, including institutional and professional investors and other investors anticipated to have a sizeable demand for the International Offer Shares in Hong Kong (other than retail investors in Hong Kong) for cash at the Offer Price as further described in the section headed “Structure of the Global Offering” in this prospectus
“International Underwriters”	the underwriters of the International Offering and parties to the International Underwriting Agreement as described in the section headed “Underwriting — Underwriting Arrangements, Commissions and Expenses — International Offering” in this prospectus
“International Underwriting Agreement”	the international underwriting agreement relating to the International Offering to be entered into by, among others, the Sole Global Coordinator, the Joint Bookrunners, the International Underwriters and us on or around the Price Determination Date
“Joint Bookrunners” or “Joint Lead Managers”	BOCI and CMS (HK)
“Langfang Agricultural”	Langfang Glory Agricultural Development Co., Ltd.* (廊坊國瑞農業開發有限公司), a limited liability company that was incorporated in the PRC on April 14, 2010, which was owned as to 100% by Shantou Jinming Wujin Co., Ltd.* (汕頭市金明五金材料有限公司), a company controlled by Chairman Zhang and a connected person of our Group, as of the Latest Practicable Date

DEFINITION

“Langfang Glory”	Langfang Glory Investment Co., Ltd.* (廊坊國瑞投資有限公司), a limited liability company that was incorporated in the PRC on November 25, 2009 and an indirect subsidiary of our Company, which was owned as to 100% by New Beijing Glory as of the Latest Practicable Date
“Langfang Guosheng”	Langfang Guosheng Investment Co., Ltd.* (廊坊國盛投資有限公司), a limited liability company that was incorporated in the PRC on November 12, 2010 and an indirect subsidiary of our Company, which was owned as to 100% by Langfang Glory as of the Latest Practicable Date
“Langfang Guoxing”	Langfang Guoxing Real Estate Development Co., Ltd.* (廊坊國興房地產開發有限公司), a limited liability company that was incorporated in the PRC on November 12, 2010 and an indirect subsidiary of our Company, which was owned as to 100% by Langfang Glory as of the Latest Practicable Date
“Langfang Real Estate”	Langfang Glory Real Estate Development Co., Ltd.* (廊坊國瑞房地產開發有限公司), a limited liability company that was incorporated in the PRC on April 15, 2010 and an indirect subsidiary of our Company, which was owned as to 100% by Langfang Glory as of the Latest Practicable Date
“Langfang Yongqing”	Yongqing County Orchard Sport Services Co., Ltd.* (永清縣果園體育服務有限公司), a limited liability company that was incorporated in the PRC on February 15, 2011 and an indirect subsidiary of our Company, which was owned as to 100% by Langfang Guosheng as of the Latest Practicable Date
“LAT”	Land Appreciation Tax (土地增值稅) as defined in the “Provisional Regulations of the PRC on Land Appreciation Tax” (《中華人民共和國土地增值稅暫行條例》) and the “Detailed Implementation Rules on the Provisional Regulations of the PRC on Land Appreciation Tax” (《中華人民共和國土地增值稅暫行條例實施細則》) as described in Appendix VI to this prospectus
“Latest Practicable Date”	June 16, 2014, the latest practicable date for the inclusion of certain information in this prospectus prior to its publication
“Listing”	the listing of our Shares on the Stock Exchange
“Listing Committee”	the Listing Committee of the Stock Exchange
“Listing Date”	the date, expected to be on or around July 7, 2014 on which our Shares are listed on the Stock Exchange and from which dealing in our Shares are permitted to take place on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“Longhu Huamu”	Shantou Longhu Huamu Market Co., Ltd.* (汕頭市龍湖花木市場有限公司), a limited liability company that was incorporated in the PRC on January 29, 1999 and was owned as to 100% by Ms. Zhang Youxi (張幼惜), Chairman Zhang’s sister and a connected person of our Group, as of the Latest Practicable Date

DEFINITION

“Memorandum of Association” or “Memorandum”	the memorandum of association of our Company, adopted on June 5, 2014, as amended, supplemented or otherwise modified from time to time, a summary of which is set out in Appendix VII to this prospectus
“MOF”	Ministry of Finance of the PRC (中華人民共和國財政部)
“MOFCOM”	Ministry of Commerce of the PRC (中華人民共和國商務部)
“NDRC”	National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
“New Beijing Glory”	Beijing Glory Xingye Real Estate Holding Limited* (北京國瑞興業房地產控股有限公司), a limited liability company that was established in the PRC following the Split, which, in place of Original Beijing Glory, became the onshore holding company of all our operating subsidiaries other than Beijing Glory, Glory Industrial, Beijing Wenchang, Glory Investment, Shantou Construction Materials and Shenzhen Glory
“nominal GDP”	gross Domestic Product not adjusted for inflation
“Offer Price”	the final price per Offer Share in HK dollars (exclusive of 1% brokerage, 0.003% SFC transaction levy and 0.005% Stock Exchange trading fee) at which Offer Shares are to be subscribed for and issued pursuant to the Global Offering, to be determined as further described in the section headed “Information About This Prospectus and the Global Offering — Determination of the Offer Price” in this prospectus
“Offer Shares”	the Hong Kong Offer Shares and the International Offer Shares together, where relevant, with any additional Shares issued pursuant to any exercise of the Over-allotment Option
“Original Beijing Glory”	Beijing Glory Xingye Real Estate Co., Ltd.* (北京國瑞興業地產股份有限公司), a joint stock limited liability company that was incorporated in the PRC on March 12, 2002 which underwent the Split in 2013, which was an indirect subsidiary of our Company owned as to 80% by Garden Group and 20% by Longhu Huamu before the Split
“Over-allotment Option”	the option we will grant to the Joint Bookrunners on behalf of the International Underwriters, exercisable by the Joint Bookrunners on behalf of the International Underwriters pursuant to the International Underwriting Agreement at any time for up to 30 days after the last day for lodging of applications under the Hong Kong Public Offering, to require us to allot and issue up to an aggregate of 99,267,000 additional Shares representing 15% of the number of Offer Shares initially being offered under the Global Offering, at the Offer Price, to, among other things, cover over-allocations in the International Offering, if any, details of which are described in the section headed “Structure of the Global Offering — Over-allotment and Stabilization — Over-allotment Option” in this prospectus
“PBOC”	People’s Bank of China (中國人民銀行), the central bank of China

DEFINITION

“PHIP”	post-hearing information pack
“PRC Company Law”	PRC Company Law (中華人民共和國公司法), as enacted by the PRC National People’s Congress on December 29, 1993 and effective on July 1, 1994, as amended, supplemented or otherwise modified from time to time
“Pre-IPO Share Option Scheme”	the share option scheme conditionally adopted by us on June 5, 2014 for the benefit of our employees (including our Directors and senior management personnel), the principal terms of which are summarized in the paragraph headed “Appendix VIII — Statutory and General Information — D. Other Information — 3 Pre-IPO Share Option Scheme” in this prospectus
“Price Determination Agreement”	the agreement to be entered into between our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) on the Price Determination Date to record and fix the final Offer Price
“Price Determination Date”	the date, expected to be on or around June 27, 2014 but no later than July 4, 2014, on which the Offer Price will be fixed for the purpose of the Global Offering
“Property Valuation Report”	property valuation report prepared by CBRE, independent property valuer, and included as Appendix III to this prospectus
“Post-IPO Share Option Scheme”	the share option scheme conditionally adopted by us on June 5, 2014 for the benefit of our employees (including our Directors and senior management personnel), the principal terms of which are summarized in the paragraph headed “Appendix VIII — Statutory and General Information — D. Other Information — 2 Post-IPO Share Option Scheme” in this prospectus
“Regulation S”	Regulation S under the U.S. Securities Act, as amended from time to time
“Reorganization”	the reorganization of our assets and liabilities, including assets and liabilities of our subsidiaries and associated companies, as described in the section headed “History and Reorganization — Our Reorganization” in this prospectus
“RMB” or “Renminbi”	the Renminbi yuan, the lawful currency of China
“SAFE”	State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
“SAIC”	PRC State Administration for Industry and Commerce (中華人民共和國國家工商行管理總局)
“SARS”	severe acute respiratory syndrome
“Savills”	Savills (Hong Kong) Limited
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

DEFINITION

“Shaanxi Huawei”	Shaanxi Huawei Shida Industrial Co., Ltd.* (陝西華威世達實業有限公司), a limited liability company that was incorporated in the PRC on December 28, 2011 and an indirect subsidiary of the Company, which was owned as to 65% by Beijing Glory and 35% by Shaanxi Like Investment Group Ltd.* (陝西利科投資集團有限公司), a connected person by virtue of its holding of interest of more than 10% in Shaanxi Huawei, as at the Latest Practicable Date
“Shantou Construction Materials”	Shantou Glory Construction Materials & Home Furnishing Exhibition Center Co., Ltd.* (汕頭國瑞建材家居博覽中心有限公司), a limited liability company that was incorporated in the PRC on August 6, 2004 and an indirect subsidiary of our Company, which was owned as to 90% by Garden Group and 10% by Mr. Lin Yaoquan (林耀泉), Chairman Zhang’s brother-in-law and a connected person of our Group, as of the Latest Practicable Date
“Shantou Glory”	Shantou Glory Real Estate Development Co., Ltd.* (汕頭市國瑞房地產開發有限公司), a limited liability company that was incorporated in the PRC on December 3, 2009 and an indirect subsidiary of our Company, which was owned as to 100% by New Beijing Glory as of the Latest Practicable Date
“Shantou Guohua”	Shantou Guohua Properties Real Estate Development Co., Ltd.* (汕頭市國華置業地產開發有限公司), a limited liability company that was incorporated in the PRC on May 31, 2011 and an indirect subsidiary of our Company, which was owned as to 75% by Shantou Glory and 25% by Mr. Xie Maolin (謝茂林), a connected person by virtue of his holding of more than 10% equity interest in Shantou Guohua, as of the Latest Practicable Date
“Shantou Property Management”	Shantou Garden Property Management Co., Ltd.* (汕頭市花園物業管理有限公司), a limited liability company that was incorporated in the PRC on April 14, 1999 and was owned as to 100% by Shantou Guoxia Real Estate Limited* (汕頭市國廈地產有限公司), a company controlled by Mr. Zhang Zhangqiao (張章僑), Chairman Zhang’s brother and a connected person of our Group, as of the Latest Practicable Date
“Shantou Sanjin”	Shantou Special Economic Zone Sanjin Plants Co., Ltd.* (汕頭經濟特區三金廠房開發有限公司), a limited liability company that was incorporated in the PRC on December 19, 2008, which was owned as to 100% by Shantou Jinming Wujin Co., Ltd.* (汕頭市金明五金材料有限公司), a company controlled by Chairman Zhang and a connected person of our Group, as of the Latest Practicable Date
“Shantou Zhoucuowen”	Shantou Glory Zhoucuowen Real Estate Development Co., Ltd.* (汕頭市國瑞周厝塢房地產開發有限公司), a limited liability company that was incorporated in the PRC on March 2, 2011 and an indirect subsidiary of our Company, which was owned as to 85% by Shantou Glory and 15% by Mr. Ji Yongcai (紀永財), a connected person by virtue of his holding of more than 10% equity interest in Shantou Zhoucuowen, as of the Latest Practicable Date

DEFINITION

“Share(s)”	ordinary share(s) in the share capital of our Company with a par value of HK\$0.001 each
“Share Award Scheme”	the share award scheme adopted by us on June 5, 2014 for the benefit of our employees, a summary of the principal terms of which is set forth in the paragraph headed “Statutory and General Information — D. Other Information — 1 Share Award Scheme” to this prospectus
“Shareholder(s)”	holder(s) of our Share(s)
“Shenyang Commerce”	Shenyang Glory Industrial Commerce Co., Ltd.* (瀋陽國瑞興業商務有限公司), a limited liability company that was incorporated in the PRC on November 30, 2007 and an indirect subsidiary of our Company, which was owned as to 100% by Shengyang Dadongfang as of the Latest Practicable Date
“Shenyang Dadongfang”	Shenyang Dadongfang Properties Co., Ltd.* (瀋陽大東方置業有限公司), a limited liability company that was incorporated in the PRC on March 19, 2004 and an indirect subsidiary of our Company, which was owned as to 100% by New Beijing Glory as of the Latest Practicable Date
“Shenzhen Glory”	Shenzhen Glory Xingye Real Estate Co., Ltd.* (深圳國瑞興業房地產有限公司), a limited liability company that was incorporated in the PRC on August 21, 2013 and indirect subsidiary of our Company, which was owned as to 100% by Garden Group as of the Latest Practicable Date
“Shijiazhuang Glory”	Shijiazhuang Glory Real Estate Development Co., Ltd.* (石家莊國瑞房地產開發有限公司), a limited liability company that was incorporated in the PRC on April 26, 2006 and owned as to 100% by Shantou Glory Real Estate Limited* (汕頭市國慶地產有限公司), a company controlled by Mr. Zhang Zhangqiao (張章僑), Chairman Zhang’s brother and a connected person of our Group, as of the Latest Practicable Date
“Shijiazhuang Glory City”	Shijiazhuang Glory City Real Estate Development Co., Ltd.* (石家莊國瑞城房地產開發有限公司), a limited liability company that was incorporated in the PRC on November 11, 2010, which was owned as to 100% by Shijiazhuang Glory and a connected person of our Group, as of the Latest Practicable Date
“Shijiazhuang Guoxia”	Shijiazhuang Guoxia Real Estate Development Co., Ltd.* (石家莊國慶房地產開發有限公司), a limited liability company that was incorporated in the PRC on March 18, 2011, which was owned as to 100% by Shijiazhuang Glory and a connected person of our Group, as of the Latest Practicable Date
“Shijiazhuang Property Management”	Shijiazhuang Glory Property Management Co., Ltd.* (石家莊國瑞物業管理有限公司), a limited liability company that was incorporated in the PRC on April 23, 2008, which was owned as to 100% by Shijiazhuang Glory and a connected person of our Group, as of the Latest Practicable Date

DEFINITION

“Shijiazhuang Yixing”	Shijiazhuang Yixing Real Estate Development Co., Ltd.* (石家莊義興房地產開發有限公司), a limited liability company that was incorporated in the PRC on July 22, 2006, which was owned as to 100% by Shijiazhuang Glory and a connected person of our Group, as of the Latest Practicable Date
“specialized markets”	for the purpose of this prospectus, refer to home furnishing and decoration materials retail centers and auto parts retail stores
“Split”	the split of Original Beijing Glory into two companies, namely, Beijing Glory and New Beijing Glory, which was carried out in accordance with the relevant provisions of the PRC Company Law and the shareholders resolutions passed by the then shareholders of Original Beijing Glory and completed on November 5, 2013
“Stabilizing Manager”	BOCI
“Stock Borrowing Agreement”	the stock borrowing agreement to be entered into on or about the Pricing Determination Date between the Stabilizing Manager and Alltogether
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiaries”	has the meaning ascribed thereto in the Hong Kong Companies Ordinance
“substantial shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Takeovers Code”	the Code on Takeovers and Mergers approved by the Securities and Futures Commission as amended from time to time
“Track Record Period”	the three years ended December 31, 2011, 2012 and 2013
“Tonghe Leasing”	Tonghe Leasing Co., Ltd.* (通和租賃股份有限公司), a limited liability company that was incorporated in the PRC on September 26, 2012 and an indirect subsidiary of Chairman Zhang, which was owned as to 100% by Shantou Huitong Investment Co., Ltd.* (汕頭市惠通投資有限公司) and a connected person of our Group, as of the Latest Practicable Date
“Underwriters”	the Hong Kong Underwriters and the International Underwriters
“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
“United States” or “U.S.”	the United States of America, its territories and possessions and all areas subject to its jurisdiction
“United States dollars” or “US dollars” or “US\$”	United States dollars, the lawful currency of the United States
“U.S. persons”	U.S. persons as defined in Regulation S
“U.S. Securities Act”	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder

DEFINITION

“Wanning Glory”	Wanning Glory Real Estate Development Co., Ltd.* (萬甯國瑞房地產開發有限公司), a limited liability company that was incorporated in the PRC on July 13, 2009 and an indirect subsidiary of our Company, which was owned as to 100% by Hainan Glory as of the Latest Practicable Date
“White Form eIPO”	the application for Hong Kong Offer Shares to be issued in the applicant’s own name by submitting applications online through the designated website of White Form eIPO at www.eipo.com.hk
“White Form eIPO Service Provider”	Computershare Hong Kong Investor Services Limited
“Xinzheng Glory”	Xinzheng Glory Real Estate Development Co., Ltd.* (新鄭市國瑞房地產開發有限公司), a limited liability company that was incorporated in the PRC on October 26, 2009 and an indirect subsidiary of our Company, which was owned as to 100% by New Beijing Glory as of the Latest Practicable Date

* Denotes English translation of the name of a Chinese company or entity or vice versa and is provided for identification purpose only.

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

Words importing the singular include, where applicable, the plural and vice versa. Words importing the masculine gender include, where applicable, the feminine and neuter genders.

GLOSSARY OF TECHNICAL TERMS

In this prospectus, unless the context otherwise requires, explanations and definitions of certain terms used in this prospectus in connection with our Group and its business shall have the meanings set out below. The terms and their meanings may not correspond to standard industry meaning or usage of these terms.

“asset turnover ratio”	the asset turnover ratio is calculated by dividing revenue during a given period, by the average of total assets of the beginning and the end of the period
“ASP”	average selling price
“commercial property(ies)”	complex(es), project(s) or property(ies) (as applicable) designated for financial, wholesale and retail uses, or for development into offices, SOHO apartments or hotels
“commodity properties”	residential properties, commercial properties and other buildings that are developed by property developers for the purposes of sale or lease after their completion
“completion certificate”	construction work of house and urban infrastructure completion inspection certificate, a construction work completion inspection certificate issued by local urban construction bureaus or equivalent authorities in China with respect to the completion of property projects (房屋建築工程和市政基礎設施工程竣工驗收備案表)
“construction land planning permit”	construction land use planning permit, a permit issued by local urban zoning and planning bureaus or equivalent authorities in China with respect to the planning and design of land (建設用地規劃許可證)
“construction work commencement permit”	construction work commencement permit, a permit issued by local construction committees or equivalent authorities in China with respect to the commencement of construction of property projects (建築工程施工許可證)
“construction work planning permit”	construction work planning permit, a permit issued by local urban zoning and planning bureaus or equivalent authorities in China with respect of the planning and design of property projects (建設工程規劃許可證)
“contracted ASP”	average selling price under contracted sales
“contracted GFA”	gross floor area under contracted sales
“contracted sales”	contracted sales are made when the property developer enters into a purchase contract with a customer for the sale of property, regardless of whether the property is delivered to the customer or not
“GFA”	gross floor area
“land use rights certificate”	State-owned land use rights certificate, a certificate (or certificates as the case may be) of the right of a party to use a parcel of land (國有土地使用證)

GLOSSARY OF TECHNICAL TERMS

“land grant contract”	an agreement to be entered into between the property developer and the relevant local governmental authority in China after the public tender, auction or listing-for-sale (as applicable), which provides for, among other things, the acquisition of the land use rights by the property developer and the amount of land grant premium payable for such acquisition. After the property developer has paid the land grant premium and satisfied any other conditions as set forth in the land grant contract, it will obtain a land use rights certificate for the relevant land parcel (國有土地使用權出讓合同)
“plot ratio”	the ratio of the gross floor area (excluding floor area underground) of all buildings to their site area
“pre-sale permit”	the commodity properties pre-sale permit, a property pre-sale permit authorizing a developer to start the pre-sale of property under construction (商品房預售許可證)
“property ownership certificate”	property ownership certificate, a certificate issued by a local real estate bureau with respect to the ownership rights of the buildings on such land (房屋所有權證)
“public tender”, “auction”, or “listing-for-sale”	public tender, auction or listing at a land exchange administered by the local government, each of which is a competitive bidding process through which a purchaser acquires land use rights directly from the PRC government
“resettlement residential properties (安置房)”	the residential properties provided by government authorities to exchange for the existing residents’ properties that are to be demolished pursuant to the “Regulations on the Expropriation of and Compensation for Houses on State-Owned Land” (國有土地上房屋征收與補償條例) by way of (a) resettlement residential properties developed or purchased by primary land developers (異地安置房) and (b) resettlement residential properties to be developed on the original site (the “original-site resettlement residential properties”) (回遷房)
“rentable GFA”	in relation to (i) completed property projects, the total GFA shown in the relevant completion documents, survey documents and/or property ownership certificates for leasing purposes; and (ii) projects where we have obtained pre-sale permits, the leasable GFA as shown in the pre-sale permits, completion documents, survey documents and/or property ownership certificates for leasing purposes
“saleable GFA”	in relation to (i) completed property projects, the total GFA shown in the relevant completion documents, survey documents and/or property ownership certificates for sale purposes; and (ii) projects where we have obtained pre-sale permits, the saleable GFA as shown in the pre-sale permits, completion documents, survey documents and/or property ownership certificates for sales purposes
“SOHO apartments”	small office-home office apartments, which refer to the apartments built on the land designated for commercial use, with land use rights for a term of 40 to 50 years, to provide small office or home office environment to people who work from home or very small companies.

GLOSSARY OF TECHNICAL TERMS

“sq.m.”	square meter
“sq.km.”	square kilometers
“Urban Redevelopment”	urban redevelopment (三舊改造), a policy reform under the “Opinions on Promoting Urban Redevelopment to Advance the Conservation of Land” (《關於推進“三舊”改造促進節約集約用地的若干意見》) issued by the People’s Government of Guangdong Province (廣東省人民政府) on August 25, 2009 (the “Urban Redevelopment Opinion”) to promote the redevelopment of “old towns” (舊城鎮), “old factories” (舊廠房) and “old villages” (舊村莊);
“total gross floor area” or “total GFA”	the above-ground and underground saleable and/or leasable area contained within the external walls of any building at each floor level and the whole thickness of the external walls of the relevant project together with other non-leasable and non-saleable area. In general, this includes mechanical and electrical services rooms, refuse rooms, water tanks, car parking spaces, lifts and staircases
“ultra high-rise office building(s) (超高層寫字樓)”	for the purpose of this prospectus, refer to office buildings that are approximately 150 meters or above in height

RISK FACTORS

You should carefully consider all of the information in this prospectus, including the risks and uncertainties described below. Our business, financial condition and results of operations may be materially and adversely affected by any of these risks.

RISKS RELATING TO OUR BUSINESS

Our performance during 2011 and 2012 may not be comparable with that in 2013

As part of our Reorganization, we disposed of the Chongqing and Shijiazhuang Business on December 31, 2012. For details, please see “History and Reorganization — Our Reorganization — Disposal of Interests in Certain Real Estate Related Subsidiaries by Our Group.” Accordingly, the operating results of the Chongqing and Shijiazhuang Business ceased to be included in our comprehensive operating results from January 1, 2013 and the total assets and liabilities of the Chongqing and Shijiazhuang Business ceased to be included in our total assets and liabilities from December 31, 2012. In 2011 and 2012, the Chongqing and Shijiazhuang Business contributed 34.3% and 55.1%, respectively, of our total revenue, 24.3% and 65.3%, respectively, of our gross profit and 6.1% and 42.0%, respectively, of our profit and total comprehensive income for the year. As of December 31, 2011, the Chongqing and Shijiazhuang Business contributed 28.8% of our total assets and accounted for 34.1% of our total liabilities. Therefore, our performance during 2011 and 2012 may not be comparable with that in 2013.

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

We appointed qualified property valuers to reassess the fair value of our investment properties at every reported statement of financial position date based on direct comparison approach and direct capitalization approach. Please refer to the section headed “Financial Information” of this prospectus for the details of changes in fair value of investment properties. According to IAS 40, the International Accounting Standard for investment properties issued by the IASB, investment properties may be recognized by using either the fair value model or the cost model. The Directors are of the view that periodic fair value adjustments in accordance with the then prevailing market conditions, irrespective of whether such market trend moves upwards or downwards, should be recorded so that our financial statements present a more updated picture of the fair value of our investment properties. However, prospective investors should be aware that an upward change in the fair value, which reflects unrealized capital gain of our investment properties at the relevant statement of financial position dates and not profit generated from day to day rentals of our investment properties, largely depends on the prevailing property markets and does not generate cash inflow to us for dividend distributions to Shareholders until such investment properties are disposed of. Moreover, prospective investors should be aware that property values are subject to market fluctuation and there can be no assurance that we will continue to record upward change in the fair value of investment properties in the future. Should there be any material downward change in the fair value of our investment properties in the future, our results of operations may be adversely affected.

We depend on the performance of the property market in the PRC, particularly in the cities in which we develop our property projects and manage the properties we have developed

We develop and sell properties in cities throughout China. As of the Latest Practicable Date, our property portfolio consisted of 20 projects completed or under various stages of development located in Beijing, Haikou, Wanning, Shantou, Foshan, Shenyang, Zhengzhou, Langfang and Xi'an. From 2003 to 2012, as a result of changing policies and market cycles, the annual growth rates of real estate investment in the cities where we have property projects were volatile. Please refer to the section headed “Industry Overview” of this prospectus for more details. Any property market downturn in China generally or in the

RISK FACTORS

cities in which we have property projects may materially and adversely affect our business, financial condition and results of operations. The property market in the PRC is affected by many factors, including changes in the PRC's social, political, economic and legal environment, changes in the PRC government's fiscal and monetary policies, the lack of a mature and active secondary market for residential and commercial properties in China and consumer spending, all of which are beyond our control. Any over-supply, economic downturn or austerity measures imposed by the PRC government may result in a decline in property sales or property prices nationally or regionally, which may have a material adverse effect on our business, financial condition and results of operations.

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

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

The PRC government implemented a series of regulations and policies to slow down the property market and inflation of property prices, as well as to dampen property speculation. These policies may limit our ability to obtain financing, acquire land for future development, sell our properties at profit or generate sufficient operating cash flows from contracted sales. Since 2011, as a result of the various measures implemented by the PRC government, the transaction volumes for properties in some cities in the PRC have experienced decline, and average selling prices for property sales have also decreased, but to a lesser and varying extent in different cities, as market players began launching a wide range of promotional initiatives, including but not limited to different forms of price reduction offers, to stimulate demand for properties in the market.

We cannot assure you that the PRC government will not adopt additional and more stringent industry policies, regulations and measures in the future. It is also impossible to ascertain the extent of the impact of these measures or to accurately estimate our sales volume and revenue had the measures been introduced. If we fail to adapt our operations to new government policies, regulations or measures that may come into effect from time to time with respect to the property development industry, or if our marketing and pricing strategies are ineffective in promoting our contracted sales, such changes may dampen our contracted sales and cause us to lower our average selling prices and/or incur additional costs, in which case our business prospects, results of operations and financial condition may be materially adversely affected. Please refer to “— Risks Relating to the Real Estate Industry in China” and “— Risks Relating to the PRC” in this section and the section headed “Industry Overview” of this prospectus and the “Market Research Report” in Appendix IV and “Summary of Principal Legal and Regulatory Provisions” in Appendix VI to this prospectus for more risks and uncertainties relating to the extensive PRC regulations.

RISK FACTORS

We had negative net operating cash flow for the year ended December 31, 2011. If we are unable to meet our payment obligations, our business, financial condition and results of operations may be materially adversely affected

For the years ended December 31, 2012 and 2013, we had net cash generated from operating activities of RMB37.7 million and RMB32.9 million, respectively, and for the year ended December 31, 2011, we recorded negative net cash flow from operating activities of RMB1,531.2 million. Our negative net operating cash flow was principally attributable to our land acquisitions for land parcels of Shenyang Glory City and Yongqing Glory City and business expansion in 2011. During the Track Record Period, we funded our capital expenditure with internal resources and external financing. Please refer to the section headed “Financial Information — Liquidity and Capital Resources — Our Negative Net Operating Cash Flow” in this prospectus. We cannot assure you that we will not experience negative net operating cash flow in the future. Negative net operating cash flow requires us to obtain sufficient external financing to meet our financial needs and obligations. If we are unable to do so, we will default on our payment obligations and may not be able to develop our projects as planned. As a result, our business, financial condition and results of operations may be materially adversely affected.

We may not always be able to obtain land reserves that are suitable for development or have adequate financing to fund our land acquisitions and property developments

We derive the majority of our revenue from the sale of properties that we have developed. To have a steady stream of developed properties available for sale and a continuous growth in the long term, we need to replenish and increase our land reserves that are suitable for development. Our ability to identify and acquire suitable development sites is subject to a number of factors, some of which are beyond our control. As the land supply in China is controlled by the PRC government, the PRC government’s land policies have a direct impact on our ability to acquire land use rights for development and our costs of land acquisition. In recent years, the PRC central and local governments have also implemented various measures to regulate the means by which property developers obtain land for property development. All these measures further intensify the competition for land in China among property developers. If we fail to acquire sufficient land reserves suitable for development in a timely manner and at acceptable prices, our prospects and competitive position may be adversely affected and our business strategies, growth potential and performance may be materially adversely affected.

Property development is capital intensive. We finance our property projects primarily through a combination of pre-sale and sale proceeds, borrowings from financial institutions and internal funds. Our ability to obtain adequate financing for land acquisition and property development is dependent on a number of factors that are beyond our control, such as general economic conditions, credit availability from financial institutions, as well as monetary policies in China and PRC laws and regulations relating to the property sector. Pre-sale and sale proceeds depend on the property development progress of our various projects and phases. As permitted under the PRC laws and regulations, we are allowed to develop our projects in phases, and to apply for pre-sale permit for such phase when we fulfill certain conditions. Changes in PRC laws and regulations with respect to pre-sale may materially and adversely affect our financing ability. See “— Changes in PRC laws and regulations with respect to pre-sale may materially and adversely affect our business performance.” We cannot assure you that the PRC government will not limit our access to capital, our flexibility and our ability to use bank loans or other forms of financing to finance our property development. We cannot assure you that we will be able to secure adequate financing to fund our land acquisitions (including any unpaid land premium for past acquisitions), to finance our project construction or to renew our existing credit facilities prior to their expiration. Our failure to do so may adversely affect our business, financial condition and results of operations.

RISK FACTORS

We are highly leveraged and a deterioration of our cash flow position could materially and adversely affect our ability to service our indebtedness and to continue our operations

We maintain a significant level of indebtedness to finance our operations. As of December 31, 2011, 2012 and 2013, our total current and non-current borrowings, which include our borrowings from banks and non-bank financial institutions were RMB5,623.9 million, RMB5,682.8 million and RMB7,336.6 million, respectively. Out of our total borrowings as of December 31, 2013, RMB1,112.1 million was due within one year, RMB5,504.5 million was due more than one year but not exceeding five years and RMB720.0 million was due more than five years. We may incur a significant amount of interest expenses in relation to our bank borrowings and other forms of financing. A significant portion of these interest expenses have been or will be capitalized as properties under development rather than being recorded as expenses in our income statement upon their incurrence. For the years ended December 31, 2011, 2012 and 2013, we recognized capitalized interest of RMB154.0 million, RMB251.1 million and RMB284.4 million, respectively. As of December 31, 2011, 2012 and 2013, our gearing ratio was 122%, 100% and 120%, respectively. Gearing ratio is calculated by dividing interest-bearing debt by total equity. As of December 31, 2011, 2012 and 2013, our net debt to equity ratio was 105%, 79% and 106%, respectively. Net debt to equity ratio is calculated by dividing total interest-bearing debt less bank balances, cash and restricted cash by total equity. For further information relating to our indebtedness, please refer to the section headed “Financial Information — Indebtedness” and “Financial Information — Key Financial Ratios” in this prospectus. We cannot assure you that we will be able to generate sufficient cash flow from operations to support the repayment of our current indebtedness. If we are unable to make scheduled payments in connection with our debt and other fixed payment obligations as they become due, we may need to renegotiate the terms and conditions of such obligations or to obtain additional equity or debt financing. We cannot assure you that our renegotiation efforts would be successful or our financial condition, cash flow position and our business prospects would not be materially and adversely affected.

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

We have incurred and expect to continue to incur interest expenses relating to our borrowings. For the years ended December 31, 2011, 2012 and 2013, the effective interest rate of our variable rate borrowings ranged from 5.83% to 8.55%, 5.64% to 8.65% and 6.22% to 8.00%, respectively, and the effective interest rate of our fixed rate borrowings ranged from 5.40% to 6.10%, 5.40% to 10.50% and 10.04% to 12.00%, respectively. Bank borrowings are one of the most important sources of funding for our property developments. As of December 31, 2011, 2012 and 2013, bank borrowings accounted for 100%, 89.6% and 70.2%, respectively, of our total borrowings. The increase in the effective interest rate on our bank borrowings was primarily due to an increase in the PBOC benchmark rates and the tightened credit policies imposed by banks towards PRC property developers. The proportion of loans from non-bank financial institutions in our total borrowings increased from nil as of December 31, 2011 to 10.4% as of December 31, 2012 and further to 29.8% as of December 31, 2013, as we utilized more trust financings as our alternative for bank loans, primarily because compared with bank loans, trust financings offer greater flexibility. While drawdowns on bank loans usually depend on actual construction progress, drawdowns on trust financings may be made in full in one or multiple installments as agreed with the relevant trust companies. Please refer to the section headed “Business — Alternative Financing Provided by Trust Financing Companies” in this prospectus for more details. Trust financing companies do not usually link their interest rates to the PBOC benchmark interest rates. They typically charge rates higher than those charged by commercial banks. Future increases in the PBOC benchmark interest rates may lead to higher lending rates, which may increase our financing costs and thereby adversely affect our business, financial condition and results of operations.

RISK FACTORS

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

We entered into two trust financing arrangements in 2012 and three trust financing arrangements in 2013 and the total outstanding amount of our borrowings from trusting financing arrangements accounted for 29.8% of our total bank and other borrowings as of December 31, 2013. As of December 31, 2011, 2012 and 2013, our outstanding loans from trust financing arrangements amounted to nil, RMB520.0 million and RMB2,183.3 million, respectively. Please refer to the section headed “Business — Alternative Financing Provided by Trust Financing Companies” in this prospectus for more details. Operation of the trust financing companies in the PRC is primarily regulated by the CBRC pursuant to the “Rules Governing Trust Financing Companies” (《信託公司管理辦法》), which became effective on March 1, 2007. Trust financing companies are therefore under the supervision and monitoring of the CBRC and must comply with all notices and regulations promulgated by the CBRC. We cannot assure you that the PRC government will not implement additional or more stringent measures to limit the amount that trust financing companies can make available to the PRC real estate industry. If this were to happen, our ability to obtain trust loans may be adversely affected.

We are subject to risks associated with certain covenants or restrictions under our bank borrowings arrangements, which may adversely affect our business, financial condition and results of operations

We are subject to certain restrictive covenants in our loan and financing agreements with banks and trust companies. Our certain loan agreements contain cross-default clauses. If any cross default occurs, these banks are entitled to accelerate payment of all or any part of the indebtedness under the relevant loan agreements and to enforce all or any of the security for such indebtedness. Moreover, some of our loan agreements restrict our operating subsidiaries from making any distribution to their shareholders as long as the loans are outstanding. In addition, many of our loan agreements contain covenants, pursuant to which we or our relevant PRC operating subsidiaries may not undertake certain transactions such as merger, joint venture, restructuring, capital reduction, transfer of material assets, liquidation and distribution without the relevant lenders’ prior written consent. Breach of any of such contracts may trigger the lenders’ exercise of their rights and therefore may have a material adverse effect on our business, financial condition and results of operations.

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

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

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

As of the Latest Practicable Date, our property portfolio consisted of 20 projects completed or under various stages of development located in Beijing, Haikou, Wanning, Shantou, Foshan, Shenyang, Zhengzhou, Langfang and Xi’an. We plan to focus on Beijing, the Pearl River Delta region and the Yangtze River Delta region for our further expansion in the next five to 10 years and we believe we are well-

RISK FACTORS

positioned to capitalize on expected future robust economic growth in these regions. In addition, we plan to develop Grade A office buildings in central business districts of first- and second-tier cities that are provincial capitals in the PRC.

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

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

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

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

Fluctuations in the price of construction materials and contractors’ labor costs could affect our business and financial performance

We engage third-party contractors for construction of our projects. Such contractors are responsible for procuring steel, cement and cables. Steel and cement prices have been volatile in recent years. Please

RISK FACTORS

refer to the “Market Research Report” in Appendix IV to this prospectus for detailed discussion of the prices of construction materials. According to our contracts with our contractors, in the event that the prices of the equipment and construction materials procured by our construction contractors fluctuate beyond a pre-determined band from the pre-agreed price, we will adjust our payments to our contractors accordingly. Please refer to the section headed “Business — Project Development Management — Our Standardized Property Development Process — Contracting, Procurement, Project Management and Quality Control — Contracting and Procurement” in this prospectus. In addition, we are responsible for procuring certain construction materials and equipment, especially those affecting product quality such as elevators, doors, windows, stone materials and interior decoration materials, directly from our suppliers. Therefore, any increase in the cost of construction materials or contractors’ labor costs may lead to future increases in construction contract costs. If we cannot pass any or all of the increased costs on to our customers, our results of operations, financial condition and profitability will be adversely affected.

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

The schedules of our project development depend on a number of factors, including:

- our ability to finance the construction;
- the performance and efficiency of our third-party contractors;
- natural catastrophes and adverse weather conditions;
- national events or government actions, such as re-zoning;
- changes in market conditions, economic downturns, and decreases in business and consumer sentiment in general;
- failure to obtain, or material delays in obtaining, necessary government approvals in carrying out our property development and management operations
- changes in relevant regulations and government policies;
- relocation of existing residents and/or demolition of existing constructions;
- shortages of materials, equipment, contractors and skilled labor;
- labor disputes;
- construction accidents; and
- errors in judgment on the selection and acquisition criteria for potential sites.

Construction delays or failure to complete the construction of a project according to its planned specifications, schedule and budget may harm our reputation as a property developer, lead to loss of or delay in recognizing revenues and lower returns and adverse impact on our cash flows. If a property project is not completed on time, the purchasers may be entitled to compensation for late delivery. If the delay extends beyond a certain period, the purchasers may be entitled to terminate their purchase and sale agreement and claim damages. We cannot assure you that we will not experience any significant delays in completion or delivery of our projects in the future or that we will not be subject to any liabilities for any such delays.

RISK FACTORS

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

The property development industry in the PRC is heavily regulated. Property developers must comply with various laws and regulations, including rules stipulated by national and local governments to enforce these laws and regulations. To engage in property development and management operations, we must apply to relevant government authorities to obtain (and renew for those relating to on-going operations) various licenses, permits, certificates and approvals, including but not limited to, qualification certificates, land use rights certificates, construction land planning permits, construction work planning permits, construction work commencement permits, pre-sale permits and completion certificates. Before the government authorities issue or renew any certificate or permit, we must meet certain conditions. Please refer to the section headed “Summary of Principal Legal and Regulatory Provisions” in Appendix VI to this prospectus for details.

We cannot guarantee that we will be able to adapt to new rules and regulations that may come into effect from time to time with respect to the property development industry or that we will not encounter other material delays or difficulties in fulfilling the necessary conditions to obtain and/or renew all necessary certificates or permits for our operations in a timely manner in the future. In the event that we fail to obtain or renew, or encounter significant delays in obtaining or renewing, the necessary government approvals for any of our major property projects, we will not be able to continue with our development plans, and our business, financial condition and results of operations may be adversely affected. In addition, there can be no assurance that some of our project companies that are in the process of applying for or renewing proper qualification certificates will be able to obtain such certificates on a timely basis to commence their planned property development on schedule. There can be no further assurance that we and our project companies will continue to be able to extend or renew the qualification certificates or be able to successfully upgrade the current qualification class to a higher qualification. If we or our project companies are unable to obtain or renew qualification certificates, the PRC government will refuse to issue pre-sale and other permits necessary for the conduct of the property development business, and our results of operations, financial condition and cash flows will be adversely affected. In addition, if any of our project companies engages in the development and sale of properties outside the scope of its qualification certificate, it may be ordered to rectify such conduct within a prescribed period, be fined up to RMB100,000, or even have its qualification certificate and business license revoked.

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

Apart from engaging in our property development projects, we also actively undertake primary land development projects as a strategic business in order to access potentially available land reserves. Please refer to the section headed “Business – Primary Land Development” and “Financial Information – Significant Factors Affecting Our Results of Operations and Financial Condition” in this prospectus. There can be no assurance that we will be able to acquire the relevant land use rights of land parcels, of which the primary land development has been completed by us. Even if the local government grants such land to us, any increase in the compensation we are required to pay will increase our land acquisition costs, which could adversely affect our financial condition and results of operations. Dissenting owners and residents may also refuse to relocate. Any administrative process or resistance or refusal to relocate may delay our future project development schedules. Any occurrence of the above events may result in increases in our future development costs, which can adversely affect our cash flows, financial condition and results of operations.

RISK FACTORS

Our results of operations may vary significantly from period to period

We derive the majority of our revenue from the sale of properties that we have developed and primary land development projects. Our results of operations from sales of properties may vary significantly from period to period due to the timing of sales and delivery of our various development projects. Additionally, selling prices of properties vary and are largely determined by local market conditions. Furthermore, according to our accounting policy for revenue recognition, we recognize revenue from the sales of properties upon delivery to purchasers. We can only undertake a limited number of projects during a specific period due to our substantial capital requirements. Therefore, our operational results in any period are significantly affected by the delivery made during such period. In addition, the volatility of our results of operations during the Track Record Period was due to certain non-recurring gains such as changes in fair value of investment properties and fair value gain upon transfer to investment properties. Revenue generated from our primary land development project during a specific period is recognized by multiplying the total contract revenue estimated by us by the proportion that costs incurred during the period bear to the estimated total costs of the contract. Our estimation of the contract revenue and recoverable costs is subject to final approval by the government. Please refer to the section headed “Business — Primary Land Development” of this prospectus for more details. Therefore, the compensation determined by the government for one primary land development project may not recur and bear little indication to our performance of future primary land development project and future results of operations and financial condition. Revenue generated from primary land construction and development services for Beijing Hademen project increased significantly from RMB217.1 million in 2012 to RMB1,264.2 million in 2013, primarily because we provided original-site resettlement residential properties developed by us to existing residents in exchange for their properties subject to demolition. Upon the completion of primary land development of Beijing Hademen project in 2012, the government provided us with compensation in a lump sum for such project in the amount of total assessed development costs and a reward of 5% of the total assessed development costs in 2013. Such total assessed development costs were determined by the government based on the independent valuation conducted by a third-party valuer selected by the government and engaged by us. The assessed development costs exceeded our actual costs incurred as the valuer took into consideration the prevailing market prices of the resettlement residential properties we provided to existing residents in exchange for their properties subject to demolition, which primarily contributed to our significant increase in revenue from primary land development from 2012 to 2013. The compensation determined by the government for Beijing Hademen project was one-off and bear little indication to our performance of future primary land development project.

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

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

The appraised values of our properties as contained in the Property Valuation Report are based on multiple assumptions that include elements of subjectivity and uncertainty. The assumptions, on which the appraised values of our properties and land reserves are based, include the assumptions that:

- we will develop and complete projects on a timely basis in accordance with our latest development proposals set out in the Property Valuation Report;
- we have obtained or will obtain on a timely basis all approvals from regulators necessary for the development of the projects, absence of delays caused by weather and natural disasters, and the timely completion of demolition and relocation as of the Latest Practicable Date; and

RISK FACTORS

- we have paid all the land premiums and demolition and resettlement costs and obtained all land use rights certificates and transferable land use rights without any obligation to pay additional land premium or demolition and resettlement costs as of the Latest Practicable Date.

As of March 31, 2014, appraised capital value of our properties attributable to the Group were RMB20,390.6 million based on Property Valuation Report. If we fail to obtain the approvals from regulators necessary for the development of our projects, some assumptions used by CBRE in reaching the appraised values of our properties will prove inaccurate. Therefore, the appraised values of our properties should not be taken as their actual realizable values or a forecast of their realizable values. Unforeseeable changes to the development of our property projects as well as national and local economic conditions may affect the value of our property holdings.

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

For the years ended December 31, 2011, 2012 and 2013, our rental income from leasing of properties accounted for 11.6%, 5.2% and 3.4%, respectively, of our total revenue. As we seek to selectively increase our portfolio of investment properties by adding investment properties with good locations and high appreciation potential, rental income may become an increasingly important contributor to our revenue going forward. We may not, however, be able to identify new tenants or retain existing tenants for our properties for lease. In addition, an increase in the number of competing properties, particularly in close proximity to our properties, could increase competition for tenants and force us to reduce rent or incur additional costs in order to make our properties more attractive. If there is a significant downturn in the commercial property leasing markets generally or in the cities where we have investment properties, we may not be able to maintain our current levels of rental income. Our inability to expand our portfolio of commercial properties for lease and operations, to secure suitable tenants or otherwise to enhance the profitability of our investment properties or to maintain our current levels of rental income may have an adverse effect on our business, financial condition and results of operations.

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

We currently have no hotel properties completed or under development, but we plan to construct three hotel properties on our existing land reserves in Langfang, Shenyang and Shantou. We expect to complete the construction of these three hotel properties in 2017, 2018 and 2017, respectively. We may retain the ownership of the hotels and may develop and own additional hotels in the future. The results of operations of our hotel properties will depend, to a large extent, on the performance of the economy and the property market conditions in the PRC. The hotel industry has been cyclical and affected by, among other factors, the supply of, and demand for, comparable properties, the rate of economic growth, interest rates, inflation, and political and economic development. There can be no assurance that the PRC economy will not slow down or that hotel property values and rates will not decline. We may face considerable reputational and financial risks if the hotels do not meet the expectations of hotel customers. In addition, we cannot assure you that there will be sufficient demand for our hotel properties. A general decline in the economy, or in hotel property values and rates, may have an adverse effect on our business, financial condition and results of operations.

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

We provide property management services to owners of all residential properties developed by us through our property management subsidiary, Glory Services. Under PRC laws and regulations, property owners of a residential development have the right to change the property management service provider upon the approval of a certain percentage of the property owners of that residential development. If owners of the properties that we have developed are not satisfied with our property management services, they may

RISK FACTORS

terminate our property management services or publish negative feedback in respect of our property management services, in which case our reputation, future sales of our properties and our results of operations could be adversely affected.

The relevant PRC tax authorities may not completely agree with the basis on which we calculate our LAT obligations

In accordance with PRC regulations on LAT, all persons including companies and individuals that receive income from the sale or transfer of land use rights, buildings and their attached facilities are subject to LAT at progressive rates ranging from 30% to 60% of the appreciated value of the property. Pursuant to a circular issued by the State Administration of Taxation, effective February 1, 2007, LAT obligations must be settled with the relevant tax bureaus within a specified time frame after the completion of a property project. Please refer to the section headed “Taxation and Foreign Exchange — 1. PRC Taxation — (3) Land Appreciation Tax” in Appendix V to this prospectus for a detailed description of PRC regulations on LAT.

From time to time we make provisions for the full amount of applicable LAT in accordance with the relevant PRC tax laws and regulations pending settlement of the same with the relevant tax authorities. As we often develop our projects in phases, deductible items for calculation of LAT, such as land costs, are apportioned amongst such different phases of development. Provisions for LAT are made on our own estimates based on, among others, our own apportionment of deductible expenses which is subject to final confirmation by the relevant tax authorities upon settlement of the LAT. We believe that our overall provisions for LAT are sufficient. However, given the time gap between the point at which we make provision for and the point at which we settle the full amount of LAT payable, the relevant tax authorities may not necessarily agree with our own apportionment of deductible expenses or other bases on which we calculate LAT. Hence, our LAT expenses as recorded in our financial statements of a particular period may require subsequent adjustments. For the years ended December 31, 2011, 2012 and 2013, we recorded LAT expenses in the amount of RMB33.2 million, RMB240.9 million and RMB157.9 million, respectively. If we substantially underestimated LAT for a particular period, a payment of the actual LAT assessed on us by the tax authorities could adversely affect our financial results for a subsequent period.

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

We depend on the services provided by our senior management and other skilled and experienced key staff members, in particular, Chairman Zhang. Chairman Zhang has more than 10 years of experience in the PRC property development industry. Other members of our senior management team also have substantial experience in the PRC property development industry, with an average of over 11 years of relevant experience. As competition for experienced managerial talents and skilled personnel in the property development market is intense and the pool of qualified candidates is limited, we may not be able to retain the services of our senior executives or key personnel, or attract and retain high-quality senior executives or key personnel in the future. The loss of the services of our senior management or other key personnel and failure to find qualified replacements could disrupt and adversely affect our operations. Moreover, along with our rapid growth and expansion into other regional markets in China, we will need to hire and retain skilled managers to lead and manage our regional operations. If we cannot attract and retain qualified personnel, our business and future growth may be adversely affected.

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

Approximately 84.238% of our outstanding shares will be beneficially owned by our controlling shareholder, Chairman Zhang, following the Global Offering. The interests of our controlling shareholder may differ from our interests or the interests of our other shareholders. Subject to compliance with the Listing Rules and applicable laws, by maintaining such ownership, Chairman Zhang is able to influence our corporate policies, appoint our directors and officers and vote on corporate actions requiring shareholders’

RISK FACTORS

approval. In particular, the strategic goals of Chairman Zhang may not be aligned with our strategies and could reduce the level of management flexibility that would otherwise exist with a more diversified shareholder base. We cannot assure you that our controlling shareholder will act entirely in our interest or that any potential conflicts of interest will be resolved in our favor.

The costs of any Shares to be transferred or granted pursuant to the Pre-IPO Share Award Scheme and the Pre-IPO Share Option Scheme adopted prior to completion of the Global Offering will adversely affect our results of operations

We have adopted the Pre-IPO Share Award Scheme and the Pre-IPO Share Option Scheme prior to completion of the Global Offering in order to provide incentives to our key personnel. Pursuant to the Share Award Scheme, four selected persons were awarded Shares representing approximately 0.762% of the total issued share capital of our Company upon completion of the Global Offering. Pursuant to the Share Option Scheme, the total number of Shares which may be issued upon the exercise of all options granted under the Pre-IPO Share Option Scheme represents approximately 1.52% of the enlarged issued share capital of the Company immediately following the completion of the Global Offering. Further details of the Pre-IPO Share Award Scheme and the Pre-IPO Share Option Scheme may be found in “Statutory and General Information” in Appendix VIII to this prospectus. The fair value of Shares that will be transferred or granted pursuant to the Pre-IPO Share Award Scheme and the Pre-IPO Share Option Scheme as of the date they are transferred or granted will be charged as share-based compensation, which may have a material adverse effect on our results of operations.

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

Under Regulations on the Administration of Quality of Construction Works (《建設工程質量管理條例》), which became effective on August 6, 2005, all property developers in the PRC must provide certain quality warranties for the properties they construct or sell. We are required to provide these warranties to our customers. Generally, we receive quality warranties from our third-party contractors with respect to our property projects. If a significant number of claims are brought against us under our warranties and if we are unable to obtain reimbursement for such claims from third-party contractors in a timely manner, or if the money retained by us to cover our payment obligations under the quality warranties is not sufficient, we may incur significant expenses to resolve such claims or face delays in remedying the related defects, which may in turn harm our reputation, and adversely affect our business, financial condition and results of operations.

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

We are subject to a variety of laws and regulations concerning the protection of the environment. Environmental laws and regulations can prohibit or severely restrict property development activities in environmentally sensitive regions or areas. Compliance with environmental laws and regulations may delay our property development schedules and increase our compliance and other costs and can severely restrict project development activities in environmentally sensitive regions or areas. Please refer to the sections headed “Business — Environmental Matters” and “Business — Legal Proceedings” in this prospectus for details.

As required by PRC laws, we engage independent environmental consultants to conduct environmental impact assessments at all of our construction projects and provide environmental impact assessment documents to the relevant government authorities for approval before commencement of construction. The local authorities may request a developer to submit the environmental impact documents, issue orders to suspend the construction and impose a penalty for a project where environmental impact assessment documents have not been approved before commencement of construction. It is possible that there may be environmental liabilities we are unaware of, which may have an adverse impact on our business.

RISK FACTORS

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

In line with market practice, we have entered into arrangements with various banks for the provision of mortgage financing to our customers. We do not conduct independent credit checks on our customers, but rely on credit checks conducted by relevant banks. As with other property developers in the PRC, the banks usually require us to guarantee our customers' obligations to repay the mortgage loans on the properties. The guarantee period normally lasts until the bank receives the strata-title building ownership certificate (分戶產權證) from the customer as security of the mortgage loan granted. As of April 30, 2014, our outstanding guarantees in respect of the mortgages of our customers amounted to RMB1,867.8 million. If any of our customers defaults under a mortgage loan during the term of the respective guarantee, we are obligated to repay all debt owed by such purchaser to the mortgagee bank under the loan. Under such circumstances, we have the right to forfeit the down payment received and sell the repossessed properties. Please refer to "Business — Project Development Management — Our Standardized Property Development Process — Completion, Delivery and After-sales Services — Customers Payment Arrangements" for more details of our guarantees provided in respect of mortgage loans borrowed by customers. Should any material default in repayment of mortgage loans by our customers during our guarantee periods occur and if we are called upon to honor our guarantees, our financial condition and results of operations may be adversely affected.

We were not in full compliance with the applicable PRC laws and regulations during the Track Record Period

We were not in full compliance with the applicable PRC laws and regulations during the Track Record Period. The non-compliance incidents include commencement of construction before obtaining construction work commencement permits, failure to obtain the approvals to use some of our civil defense properties, inconsistent usage of siheyuan (四合院) by our tenants, inter-company loans, failure to register some of the lease agreements we entered into as lessor or lessee and failure to make social insurance and housing provident fund contributions for employees in some of our subsidiaries in Shantou. For details of the non-compliance incidents, please refer to the section headed "Business — Regulatory Compliance" in this prospectus. Any future judgment or penalty against us in respect of these non-compliance incidents could have an adverse effect on our reputation, cash flow and results of operations.

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

We may from time to time be involved in disputes with various parties involved in the development and the sale of our properties, including contractors, suppliers, construction companies, original residents, business or joint venture partners and purchasers. These disputes may lead to protests or legal or other proceedings and may result in damage to our reputation, substantial costs and diversion of resources and management's attention from our core business activities. Purchasers of our properties may take legal actions against us if our developed properties are perceived to be inconsistent with our representations and warranties made to such purchasers. In addition, we may have compliance issues with regulatory bodies in the course of our operations, and as a result, we may face administrative proceedings and unfavorable decisions that may result in liabilities and cause delays to our property development. We may be involved in other proceedings or disputes in the future that may have a material adverse effect on our business, financial condition, results of operations or cash flows.

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

Under PRC laws, construction companies bear the primary civil liability for personal injuries arising out of their construction work. The owner of a property under construction may also bear liability supplementary to the liability of the construction company if the latter is not able to fully compensate the

RISK FACTORS

injured. The owner of the property may also bear civil liability for personal injuries, accidents and death if such personal injuries, accidents or death are caused by the fault of such owner.

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

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

Deterioration in our brand image may materially and adversely affect our business, financial condition and results of operations

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

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

As of March 31, 2014, we had received the confirmation letter on bidding for granting land use rights but had not yet signed the relevant land grant contract for land parcels with a site area of 71,073 sq.m. in Phase VI and Phase VII of Shenyang Glory City, because demolition of existing buildings, resettlement of existing residents and construction of basic infrastructure by the local government on such land parcels had not been completed. The estimated total GFA on these land parcels is 216,523 sq.m., accounting for 4.4% of the total GFA of our properties held for future development as of March 31, 2014. The local government planned to complete the demolition and resettlement process and delivered the land parcels to us by September 2014. We expect to enter into the land grant contract for such land parcels with the local government then. Delay in governmental demolition and resettlement processes may delay property development and pre-sale schedule of Shenyang Glory City, which may in turn adversely affect our business, results of operations and financial condition.

RISK FACTORS

RISKS RELATING TO THE REAL ESTATE INDUSTRY IN CHINA

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

The PRC government exerts considerable direct and indirect influence on the growth and development of the PRC property market through industry policies and other economic measures such as setting interest rates, increasing bank reserve ratios and implementing lending restrictions, increasing tax and duties on property transfers and imposing foreign investment and currency exchange restrictions. From 2004 to 2013, the PRC government introduced a series of regulations and policies designed to generally control the growth of the property market, including, among others:

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

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

- increasing the minimum amount of down payment of the purchase price of the residential property of each family;
- tightening the availability of individual housing loans in the property market to individuals and their family members with more than one residential property;
- limiting the availability of individual housing provident fund loans for the purchase of second (or more) residential properties by individuals and their family members; and
- imposing a business tax levy on the sales proceeds for second-hand transfers subject to the length of holding period and type of properties and a 20% tax on profits from the individual sale of second-hand homes.

Please refer to the section headed “Summary of Principal Legal and Regulatory Provisions” in Appendix VI to this prospectus for details.

Following a downturn in the PRC property market in late 2008 and early 2009, property prices and transaction volume began increasing sharply in the second half of 2009. This led to imposition of further regulations and policies by the PRC government to regulate the property market. These measures resulted in downward pricing pressures on the PRC property market starting in the second half of 2011 and low transaction volumes in the first half of 2012. Please refer to “Summary of Principal Legal and Regulatory Provisions” in Appendix VI to this prospectus.

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

RISK FACTORS

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

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

On December 24, 2011, the MOFCOM and NDRC jointly issued a revised Foreign Investment Industrial Guidance Catalogue (《外商投資產業指導目錄》), which became effective on January 30, 2012, and provided, among other things, that the development and construction of high-end hotels and office buildings by foreign-invested enterprises are restricted. As of the Latest Practicable Date, none of the offices comprising our projects under development has been identified as high-end offices by relevant authorities and none of our projects under development was subject to review and approval by the MOFCOM. We may, in the future, develop hotels or office buildings that are considered as high-end hotels or office buildings by the relevant authorities, in which case the development of such properties will be subject to the review and approval by the MOFCOM. For further information, please refer to the section headed “Summary of Principal Legal and Regulatory Provisions” in Appendix VI to this prospectus.

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

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

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

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

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

RISK FACTORS

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

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

Interest rates in the PRC have been relatively stable during the past decade. However, from October 2004 to December 2007, the PBOC took a series of actions to cool down the then overheated PRC economy by, among other things, raising its benchmark interest rates. On October 28, 2004, the PBOC raised its benchmark lending rate to 5.58% for one-year Renminbi loans and deposit interest rate to 2.25% for one-year deposits. The PBOC also abolished the upper limit on Renminbi lending rates and permitted banks to offer deposit rates below the PBOC benchmark rate. In March 2005, the PBOC cancelled the preferential mortgage loan rate for individuals and restricted the minimum mortgage loan rate to 0.9 times of the benchmark lending rate. The PBOC further raised its benchmark lending interest rates for one-year Renminbi loans to 7.29% on September 15, 2007 and to 7.47% on December 21, 2007. The PBOC subsequently lowered the benchmark one-year lending rate for Renminbi loans to 5.31% on December 23, 2008 and then raised the benchmark one-year lending rate several times to 6.56% through July 7, 2011. Since then, the PBOC has lowered the benchmark one-year lending rate, which as of the Latest Practicable Date was at 6.00%. There is no assurance that the PBOC will not raise the benchmark rates in the future. Any increase in interest rates will decrease the affordability and attractiveness of mortgage financing to our customers, and this may in turn affect demand for our properties.

In addition, the PRC government and commercial banks may also increase the down payment requirements, impose other conditions or otherwise change the regulatory framework in a manner that would make mortgage financing unavailable or unattractive to potential property purchasers. In April 2010, the State Council issued the Notice on Strict Control of the Escalation of Property Prices in Certain Cities (《國務院關於堅決遏制部分城市房價過快上漲的通知》) to further increase the minimum down payment with respect to mortgage loans on purchases of second residential properties by individuals to 50% of the purchase price and provide that the applicable mortgage rate must be at least 1.1 times the relevant benchmark lending rate published by the PBOC. The minimum down payment with respect to mortgage loans on purchases of third or more residential properties by individuals may be substantially increased at the commercial bank's discretion and based on its risk control policies. The notice also specifies that the minimum amount of down payment for the purchase of properties with a GFA of more than 90 sq.m. by first time purchases must be at least 30% of the purchase price. In September 2010, the PBOC and the CBRC issued the Notice on Issues Concerning the Improvement of Differential Housing Credit Policies (《中國人民銀行、中國銀行業監督管理委員會關於完善差別化住房信貸政策有關問題的通知》), requiring commercial banks to suspend extending mortgage loans to buyers purchasing their third or subsequent residential properties or to those non-local residents who cannot provide documentation evidencing their payment for over one year of tax or social security in the locality. In January 2011, the General Office of the State Council issued the Notice on Issues in Further Well Controlling the 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 further increased the minimum down payment with respect to mortgage loans on purchases of second residential properties by individuals to 60% of the purchase price and provided that the applicable mortgage rate must be at least 1.1 times the relevant benchmark lending rate published by the PBOC.

In addition, we provide guarantees to banks for the mortgages they offer to our customers. If there are changes in laws, regulations, policies and practices that would prohibit property developers from providing such guarantees, and if these banks would not accept any alternative guarantees by other third parties, or if no third party is available in the market to provide such guarantees, it may become more difficult for property purchasers to obtain mortgages from banks during pre-sales.

Any disruption to, or change in, the banking sector in the PRC that affects our customers' ability to obtain mortgages, or our ability to provide guarantees to such mortgages, may adversely affect our liquidity and operational performance. We cannot assure you that such changes will not occur in the future.

RISK FACTORS

Property developers in the PRC face intense competition

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

RISKS RELATING TO THE PRC

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

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

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

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

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

RISK FACTORS

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

Our business is subject to general economic and social conditions in China. Natural disasters, epidemics and other acts of God which are beyond our control may adversely affect the economy, infrastructure and livelihood of the people in China. Some regions in China, including the cities where we operate, are under the threat of flood, earthquake, sandstorm, snowstorm, fire, drought, or epidemics such as Severe Acute Respiratory Syndrome, or SARS, H5N1 or H7N9 avian flu or the human swine flu, also known as Influenza A (H1N1). For examples, a destructive earthquake measured at magnitude 8.0 on the Richter scale took place in the Sichuan Province of the PRC on May 12, 2008 and another earthquake measured at magnitude 7.1 hit Yushu county in western China's Qinghai Province on April 14, 2010, and resulted in tremendous loss of lives and destruction of assets in the affected regions. Another destructive earthquake took place in Sichuan Province, near the city of Ya'an, in April 2013. A recurrence of SARS or an outbreak of any other epidemics or other natural disasters in China, especially in the cities where we have operations, may result in material disruptions to our property development and our sales and marketing, which in turn may adversely affect our financial condition and results of operations.

Fluctuations in the value of the Renminbi may have a material adverse impact on your investment

Substantially all of our revenues and expenditures are denominated in Renminbi, while any dividends we pay on our Shares will be in Hong Kong dollars. Fluctuations in the exchange rate between the Renminbi and the Hong Kong dollar or U.S. dollar will affect the relative purchasing power in Renminbi. Fluctuations in the exchange rate may also cause us to incur foreign exchange losses and affect the relative value of any dividend issued by our PRC subsidiaries. In addition, appreciation or depreciation in the value of the Renminbi relative to the Hong Kong dollar or U.S. dollar would affect our financial results in Hong Kong dollar or U.S. dollar terms without giving effect to any underlying change in our business or results of operations.

Movements in Renminbi exchange rates are affected by, among other things, changes in political and economic conditions and China's foreign exchange regime and policy. The Renminbi has been unpegged from the U.S. dollar since July 2005 and, although the People's Bank of China regularly intervenes in the foreign exchange market to limit fluctuations in Renminbi exchange rate, the Renminbi may appreciate or depreciate significantly in value against the U.S. dollar. The People's Bank of China allows the Renminbi to rise or fall 2% from a mid-point every day, effective on March 17, 2014, compared with its previous 1% limit.

There are limited hedging instruments available in China to reduce our exposure to exchange rate fluctuations between the Renminbi and other currencies. The cost of such hedging instruments may fluctuate significantly over time and can outweigh the potential benefit from the reduced currency volatility. To date, we have not entered into any hedging transactions in an effort to reduce our exposure to foreign currency exchange risks. The availability and effectiveness of these hedges may be limited and we may not be able to hedge our exposure successfully.

The PRC government's control of foreign currency conversion may limit our foreign exchange transactions, including dividend payments on our Shares

Currently, the Renminbi still cannot be freely converted into any foreign currency, and conversion and remittance of foreign currencies are subject to PRC foreign exchange regulations. It cannot be guaranteed that under a certain exchange rate, we will have sufficient foreign exchange to meet our foreign exchange requirements. Under the current PRC foreign exchange control system, foreign exchange transactions under the current account conducted by us, including the payment of dividends, do not require advance approval from the SAFE, but we are required to present documentary evidence of such transactions and conduct such transactions at designated foreign exchange banks within China that have the licenses to carry out foreign exchange business. Foreign exchange transactions under the capital account conducted by us, however, must be approved in advance by the SAFE.

RISK FACTORS

Under existing foreign exchange regulations, following the completion of the Global Offering, we will be able to pay dividends in foreign currencies without prior approval from the SAFE by complying with certain procedural requirements. However, there is no assurance that these foreign exchange policies regarding payment of dividends in foreign currencies will continue in the future. In addition, any insufficiency of foreign exchange may restrict our ability to obtain sufficient foreign exchange for dividend payments to shareholders or to satisfy any other foreign exchange requirements. If we fail to obtain approval from the SAFE to convert Renminbi into any foreign exchange for any of the above purposes, our business, results of operations and financial condition, may be materially and adversely affected.

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

Our business is conducted in China and is governed by PRC laws and regulations. All of our subsidiaries are located in China and are subject to PRC laws and regulations. The PRC legal system is a civil law system based on written statutes, and prior court decisions have little precedential value and can only be used as a reference. Additionally, PRC written statutes are often principle-oriented and require detailed interpretations by the enforcement bodies to further apply and enforce such laws. Since 1979, the PRC legislature has promulgated laws and regulations in relation to economic matters such as foreign investment, corporate organization and governance, commercial transactions, taxation and trade, with a view to developing a comprehensive system of commercial law, including laws relating to property ownership and development. However, due to the fact that these laws and regulations have not been fully developed, and because of the limited volume of published cases and the non-binding nature of prior court decisions, interpretation of PRC laws and regulations involves a degree, sometimes a significant degree, of uncertainty. Depending on the government agency or how or by whom an application or case is presented to such agency, we may receive less favorable interpretation of laws and regulations than our competitors. In addition, any litigation in China may be protracted and result in substantial costs and diversion of resources and management attention. All these uncertainties may limit the legal protections available to foreign investors, including you.

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

We are a company incorporated under the laws of the Cayman Islands, but substantially all of our operations and assets are located in China. As a result, it may not be possible for investors to effect service of process upon our PRC subsidiaries within the PRC or to enforce any judgments obtained from non-PRC courts against our PRC subsidiaries. The PRC does not have treaties or arrangements providing for the recognition or enforcement of civil judgments made by the courts in many other jurisdictions (except pursuant to the arrangement between the Hong Kong Government and the Supreme People's Court of the PRC as described in the following paragraph). Therefore, the recognition and enforcement in the PRC of judgments obtained in such jurisdictions may be difficult or even impossible. In addition, there are doubts as to the enforceability in original actions brought in the PRC of actions predicated on the laws of other jurisdictions.

On July 14, 2006, the Hong Kong Government and the Supreme People's Court of the PRC entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements Between Parties Concerned. Under such arrangement, which became effective on August 1, 2008, a party with a final judgment rendered by a designated Hong Kong court requiring payment of money in a civil and commercial case pursuant to a written choice-of-court agreement may apply to the relevant People's Court in the PRC for recognition and enforcement of the judgment in the PRC and vice versa. A choice of court agreement in writing is any written agreement entered into between the parties after the effective date of such arrangement under which a Hong Kong court or a PRC court is expressly designated as the court having sole jurisdiction for the dispute concerned. It follows that without a choice-of-court agreement, the parties would not be able to benefit from such arrangement, rendering it

RISK FACTORS

impossible to enforce a judgment rendered by a Hong Kong court in the PRC or vice versa. Even in the case where a choice-of-court agreement is in place, the outcome of any action taken under such arrangement may still be uncertain as the interpretation of relevant cases has not been fully developed.

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

We are a holding company incorporated in the Cayman Islands and operate our core business primarily through our subsidiaries in the PRC. We rely on dividends paid by our subsidiaries for cash requirements, including the funds necessary to service any debt we incur and to pay any dividend we declare. If any of our subsidiaries incurs debt in its own name in the future, the instruments governing the debt may restrict dividends or other distributions on its equity interest to us. In addition, our PRC subsidiaries are required to set aside a certain percentage of their after-tax profit based on PRC accounting standards each year for their reserve fund in accordance with the requirements of relevant laws and provisions in their respective articles of association. As a result, our PRC subsidiaries may be restricted in their ability to transfer any portion of their net income to us whether in the form of dividends, loans or advances. In addition, restrictive covenants in bank credit facilities, convertible bond instruments or other agreements that we or our subsidiaries may enter into in the future, if any, may also restrict the ability of our PRC subsidiaries to make distributions to us. Any limitation on the ability of our PRC subsidiaries to pay dividends to us may materially and adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our businesses, pay dividends, service our indebtedness or otherwise fund and conduct our business.

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

On October 21, 2005, SAFE promulgated The 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 《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. 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.

Our indirect shareholders who are PRC residents are required to comply with foreign exchange registration requirements in all material respects in connection with any material change of financing activities of the special purpose vehicles. If our indirect shareholders who are PRC residents fail to comply with the relevant SAFE requirements, such failure may subject our indirect shareholders who are PRC residents or us to fines and legal sanctions, restrict our ability to inject capital into our subsidiaries in the PRC or limit the ability of our subsidiaries in the PRC to distribute profit or to distribute funds from capital reduction, share transfers or liquidations to us, which as a result may materially and adversely affect our business, financial condition and operating results.

Failure to comply with PRC regulations regarding the registration requirements for stock incentive plans may subject the PRC plan participants or us to fines and other legal or administrative sanctions

On December 25, 2006, the PBOC promulgated the Administrative Measures of Foreign Exchange Matters for Individuals, which set forth the respective requirements for foreign exchange transactions by

RISK FACTORS

individuals (both PRC or non-PRC citizens) under either the current account or the capital account. On January 5, 2007, SAFE issued implementing rules for the Administrative Measures of Foreign Exchange Matters for Individuals, which, among other things, specify approval requirements for certain capital account transactions such as a PRC citizen's participation in the employee stock ownership plans or stock option plans of an overseas publicly-listed company. On February 15, 2012, SAFE issued the Notices on Issues concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plan of Overseas Publicly-Listed Company 《關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知》 (the “**Stock Incentive Plan Rules**”), which terminated the Application Procedures of Foreign Exchange Administration for Domestic Individuals Participating in Employee Stock Ownership Plan or Stock Option Plan of Overseas Publicly-Listed Company issued by SAFE in March 2007. Under these rules, PRC citizens who participate in a stock incentive plan in an overseas publicly-listed company are required to register with SAFE and complete certain other procedures. Participants in a stock incentive plan who are PRC citizens must retain a qualified PRC domestic agent, which could be a PRC subsidiary of such overseas publicly-listed company that participates in the stock incentive plan or other qualified PRC domestic institution designated by such PRC subsidiary, to conduct the SAFE registration and other procedures with respect to the stock incentive plan on behalf of these participants. Such participants must also retain an overseas entrusted institution to handle matters in connection with their exercise of stock options and their purchase and sale of stocks. In addition, the PRC domestic agent is required to amend the SAFE registration with respect to the stock incentive plan if there is any material change to the stock incentive plan, the PRC domestic agent or the overseas entrusted institution or other material changes. We and our PRC citizen employees who participate in our stock incentive plan will be subject to these regulations when our Company becomes a publicly-listed company in Hong Kong. If we or our PRC optionees fail to comply with these regulations, we or our PRC optionees may be subject to fines and other legal or administrative sanctions. We may also face regulatory uncertainties that could restrict our ability to adopt additional option plans for our directors and employees under the PRC laws.

In addition, the State Administration of Taxation has issued certain circulars concerning employee share options. Under these circulars, our employees working in the PRC who exercise share options will be subject to PRC individual income tax. We have obligations to file documents related to employee share options with relevant tax authorities and to withhold individual income taxes of those employees who exercise their share options. If our employees fail to pay or we fail to withhold their income taxes according to relevant laws and regulations, we may face sanctions imposed by the tax authorities or other PRC government authorities. Furthermore, there are substantial uncertainties regarding the interpretation and implementation of the Individual Foreign Exchange Rule and the Stock Incentive Plan Rules.

We may be deemed a PRC resident enterprise under the PRC Enterprise Income Tax Law and be subject to PRC taxation on our worldwide income

Under the PRC Enterprise Income Tax Law, which came into effect on January 1, 2008, enterprises established outside China whose “de facto management bodies” are located in China are considered “resident enterprises” and their global income will generally be subject to the uniform 25% PRC enterprise income tax rate. Under the Implementation Rules for the PRC Enterprise Income Tax Law, “de facto management bodies” is defined as the bodies that have material and overall management control over the business, personnel, accounts and properties of an enterprise.

Substantially all of our management is currently based in China and may remain in China. In April 2009, the PRC State Administration of Taxation promulgated a circular to clarify the definition of “de facto management bodies” for enterprises incorporated overseas with controlling shareholders being onshore enterprises or enterprise groups in China. However, it remains unclear how the tax authorities will treat an overseas enterprise invested or controlled by another overseas enterprise and ultimately controlled by PRC individual residents, as in our case. Therefore, we may be treated as a PRC resident enterprise for PRC enterprise income tax purposes. The tax consequences of such treatment are currently unclear as they will depend on how PRC finance and tax authorities apply or enforce the PRC Enterprise Income Tax Law and the Implementation Rules.

RISK FACTORS

Dividends payable by us to our foreign investors and gains on the sale of our Shares may become subject to withholding taxes under PRC tax laws

Under the PRC Enterprise Income Tax Law and its implementation regulations issued by the State Council, PRC income tax at the rate of 10% is applicable to dividends payable by a PRC “resident enterprise” to investors that are “non-resident enterprises” (those enterprises that do not have an establishment or place of business in the PRC, or those that have such an establishment or place of business but the relevant income of which is not effectively connected with the establishment or place of business) to the extent such dividends have their source within the PRC. Similarly, any gain realized on the transfer of shares by such enterprises is also subject to 10% PRC income tax if such gain is regarded as income derived from sources within the PRC. If we are regarded as a PRC “resident enterprise”, it is unclear whether the dividends we pay with respect to our Shares, or the gain you may realize from the transfer of our Shares, will be treated as income derived from sources within the PRC and be subject to PRC income tax. This will depend on how the PRC tax authorities interpret, apply or enforce the PRC Enterprise Income Tax Law and the implementation rules. One example of a limitation on the 10% withholding tax is that, pursuant to a tax treaty between the PRC and Hong Kong, which became effective on December 8, 2006, a Hong Kong “tax resident enterprise” is subject to withholding tax at the rate of 5% on dividends it receives from a company incorporated in the PRC if it holds a 25% or greater interest in the PRC company, or 10% if it holds an interest of less than 25% in the PRC company. If we are required under the PRC Enterprise Income Tax Law to withhold PRC income tax on our dividends payable to our foreign Shareholders, or if you are required to pay PRC income tax on the transfer of your Shares, the value of your investment in our Shares may be materially and adversely affected.

RISKS RELATING TO THE GLOBAL OFFERING

There has been no prior public market for our Shares. The market prices and liquidity of our Shares following the Global Offering may be volatile

Prior to the Global Offering, there has been no public market for our Shares. Following the completion of the Global Offering, the Hong Kong Stock Exchange will be the only market on which our Shares are listed. We cannot assure you that an active, liquid public trading market for our Shares will develop upon the present listing on the Hong Kong Stock Exchange. In addition, following the Global Offering our Shares may trade in the public market below the Offer Price. The Offer Price will be determined by agreement among us and the Sole Global Coordinator, on behalf of the Underwriters, and the Offer Price may differ significantly from the market price of our Shares following the completion of the Global Offering. If an active trading market for our Shares does not develop or is not sustained after the Global Offering, the market price and liquidity of our Shares could be materially and adversely affected.

As the Offer Price is higher than our net tangible book value per Share, you will incur immediate dilution

The Offer Price of the Shares is higher than the net tangible book value per share issued to existing holders of our Shares. Therefore, you and other purchasers of the Shares in the Global Offering will experience an immediate dilution in pro forma net tangible book value and existing holders of our Shares will receive an increase in net tangible book value per share of their Shares. If we issue additional Shares or equity-linked securities in the future, you and other purchasers of our Shares may experience further dilution in the net tangible assets book value per Share if we issue additional Shares at a price lower than the net tangible assets book value per Share at the time of their issuance.

The trading price of our Shares may be volatile, which could result in substantial losses to you

The trading price of our Shares may be volatile and could fluctuate widely in response to factors beyond our control, including general market conditions of the securities markets in Hong Kong, China, the

RISK FACTORS

United States and elsewhere in the world. In particular, the performance and fluctuation of the market prices of other companies with business operations located mainly in China that have listed their securities in Hong Kong, and in particular other property companies, may affect the volatility in the price of and trading volumes for our Shares. Recently, a number of PRC companies have listed their securities, or are in the process of preparing to list their securities, in Hong Kong. Some of the listed companies have experienced significant share price volatility, including significant declines, after their initial public offerings. The trading performances of the securities of these companies at the time of or after their offerings may affect the overall investor sentiment towards companies listed in Hong Kong whose operations are primarily in China, and, consequently, may impact the trading performance of our Shares. These broad market and industry factors may significantly affect the market price and volatility of our Shares, regardless of our actual operating performance.

In addition to market and industry factors, the share price and trading volume for our Shares may be highly volatile for specific business reasons. In particular, factors such as variations in our turnover, earnings and cash flow, or the occurrence or speculation of any of the risks described elsewhere in this “Risk Factors” section, could cause the market price of our Shares to change substantially. Any of these factors may result in large and sudden changes in the price and trading volume of our Shares.

Future sale of our securities in the public market (or perception or speculation that such sales may occur) could have a material and adverse impact on the prevailing market price of our Shares

The market price of the Shares could decline as a result of future sale of substantial amount of Shares or other securities relating to the Shares in the public market or the issuance of new Shares or other securities, or the perception or speculation that such sales or issuances may occur. Future sale of substantial amounts of our securities, including any future offerings, or the perception that such sales are likely to occur, may also materially and adversely affect our ability to raise capital in the future at a time and at a price we deem to be appropriate.

In addition, the Shares held by our Controlling Shareholders are subject to a lock-up period, details of which are set out in the section headed “Underwriting — Underwriting Arrangements, Commissions and Expenses — Undertakings pursuant to the Hong Kong Underwriting Agreement” of this prospectus. While we are not aware of any intentions of these shareholders to dispose of significant amounts of their Shares after the completion of the lock-up periods, we are not in a position to give any assurances that they will not dispose of any Shares they may own. Future sales of our Shares by our Controlling Shareholders following the completion of the relevant lock-up periods could materially and adversely affect the prevailing market price of our Shares.

Purchasers of our Shares in the Global Offering may experience dilution if we issue additional Shares in the future

In order to expand our business, we may consider issuing additional Shares in the future. Purchasers of our Shares may experience dilution in the net tangible asset book value per Share of their Shares if we issue additional Shares in the future at a price which is lower than the net tangible asset book value per Share.

There is no assurance that we will pay dividends in the future

Our subsidiaries have declared and paid dividend in the past. We currently intend to distribute to our Shareholders 20% to 30% of any distributable profit derived during the year, excluding fair value gains or losses on investment properties, for the fiscal year ending December 31, 2014 and onwards. We will re-evaluate our dividend policy annually. For further details of our dividend policy, please refer to the section headed “Financial Information — Dividend Policy” in this prospectus.

RISK FACTORS

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

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

We strongly caution you not to place any reliance on any information contained in press articles or other media regarding us and the Global Offering

Prior to the publication of this prospectus, there has been press and media coverage regarding us and the Global Offering which included, among other things, certain financial information, projection, valuations and other information about us and the Global Offering. We have not authorized the disclosure of any such information in the press or media and we do not accept any responsibility for the accuracy or completeness of press coverage or other media reports that have not been prepared or approved by us in advance of publication. We make no representation or warranty as to the appropriateness, accuracy, completeness or reliability of any such report, projection, valuation or forward-looking information about us, or any of the assumptions underlying such information. We disclaim statements in the press or other media that are inconsistent or conflict with the information contained in this prospectus. Accordingly, prospective investors should not rely on any such information. In making your decision as to whether to purchase our Shares, you should rely only on the financial, operational and other information included in this prospectus.

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. These forward-looking statements include, without limitation, statements relating to:

- our business and operating strategies and our ability to implement such strategies;
- our dividend distribution plans;
- our ability to further develop and manage our projects as planned;
- our capital commitment plans, particularly, plans relating to acquisition of land for our property development and the development of our projects;
- our operations and business prospects, including development plans for our existing and new businesses;
- the regulatory environment in terms of changes in laws and PRC government regulations, policies and approval processes in the regions where we operate as well as the general industry outlook for the PRC real estate industry;
- exchange rate fluctuations and restrictions;
- future developments and the competitive environment in the PRC real estate industry; and
- the general economic trend of the PRC and, in particular, the cities in which we operate.

The words “anticipate”, “believe”, “could”, “estimate”, “expect”, “going forward”, “intend”, “may”, “plan”, “seek”, “will”, “would” and similar expressions, as they relate to us, in particular, in the sections entitled “Business” and “Financial Information” of this prospectus, are intended to identify a number of these forward-looking statements. These statements are based on numerous reasonable assumptions made as of the Latest Practicable Date regarding our present and future business strategy and the environment in which we will operate in the future. They reflect the current views of our management with respect to future events and are subject to certain risks, uncertainties and aforementioned assumptions, including the risk factors described in this prospectus. Subject to the requirements of applicable laws, rules and regulations, we do not have any obligation to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. Hence, should one or more of these risks or uncertainties materialize, or should underlying assumptions prove to be incorrect, our financial condition may be adversely affected and may vary materially from those described herein as anticipated, believed, estimated or expected. Despite the forward-looking statements having been prepared by our Directors with due care, such statements are not a guarantee of future performance and you should not place undue reliance on such forward-looking information. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set out in this section.

In this prospectus, statements of or references to our intentions or those of any of our Directors are made as of the date of this prospectus. Any such intentions may change in light of future developments.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

In preparation for the Listing, our Company has sought the following waivers from strict compliance with the relevant provisions of the Listing Rules:

CONNECTED TRANSACTIONS

Members of our Group have entered into, and may after the Listing enter into, certain transactions, which will constitute non-exempt continuing connected transactions of the Company under the Listing Rules upon Listing. We have applied to the Stock Exchange for, and the Stock Exchange has granted to us, a waiver from strict compliance with the announcement requirement in respect of such non-exempt continuing connected transactions under Chapter 14A of the Listing Rules. The details of such waiver are set out in “Connected Transactions” in this prospectus.

MANAGEMENT PRESENCE

According to Rule 8.12 of the Listing Rules, an issuer must have a sufficient management presence in Hong Kong and normally at least two of the issuer’s executive directors must be ordinarily resident in Hong Kong. Since the headquarters and the principal operations of our Group are in the PRC, the Company does not, and in the foreseeable future, will not, have a sufficient management presence in Hong Kong in strict compliance with the normal requirements under Rule 8.12. At present, none of our executive Directors is ordinarily resident in Hong Kong. Hence, our Directors consider that it would be unduly burdensome and impracticable for our Company to appoint two Hong Kong residents as executive Directors or to relocate any of our existing executive Directors to Hong Kong merely for the purpose of complying with Rule 8.12 of the Listing Rules. Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted to us, a waiver from strict compliance with Rule 8.12 of the Listing Rules.

Our Company has made the following arrangements for maintaining regular and effective communication with the Stock Exchange:

- Our Company will appoint two authorized representatives pursuant to Rule 3.05 of the Listing Rules, namely, Mr. Ge Weiguang (葛偉光) and Ms. Zheng Jin (鄭瑾) who will act as our principal channel of communication with the Stock Exchange on behalf of the Company. They will be readily contactable by the Stock Exchange by their mobile phone numbers, office telephone numbers, e-mail addresses and fax numbers and if required, will be able to meet with the Stock Exchange to discuss any matters in relation to the Company at short notice. They have means of contacting all Directors (including the independent non-executive Directors) promptly at all times as and when the Stock Exchange wishes to contact the Directors on any matter.
- All the executive Directors can normally be contacted at the head office of the Company in Beijing during working hours and each Director has provided his/her respective mobile phone number, office telephone number, e-mail address and fax number to the Stock Exchange.
- Each of the Directors who is not ordinarily resident in Hong Kong possesses or is able to apply for valid travel documents to visit Hong Kong and will be able to meet with relevant members of the Stock Exchange within a reasonable period of time.
- The Company will, in accordance with Rule 3A.19 of the Listing Rules, appoint a compliance adviser, who will serve as a further channel of communication with the Stock Exchange. The compliance adviser will have access at all times to the authorized representatives, Directors and other senior officers of the Company to ensure that they are in a position to provide prompt responses to any query or request from the Stock Exchange with respect to the Company.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

COMPANY SECRETARY

Rule 8.17 of the Listing Rules requires that the issuer must appoint a company secretary who satisfies Rule 3.28 of the Listing Rules.

Rule 3.28 of the Listing Rules requires that a company secretary of an issuer, by virtue of his academic or professional qualifications or relevant experience, should, in the opinion of the Stock Exchange, be capable of discharging the functions of company secretary. The Note 2 to Rule 3.28 of the Listing Rules further states that in assessing “relevant experience”, the Stock Exchange will consider the individual’s:

- length of employment with the issuer and other issuers and the roles he played;
- familiarity with the Listing Rules and other relevant law and regulations including the SFC, Hong Kong Companies Ordinance, and the Takeovers Code;
- relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Listing Rules, which requires an issuer’s company secretary to take not less than 15 hours of relevant professional training in each financial year; and
- professional qualifications in other jurisdictions.

Ms. Zheng Jin (鄭瑾) worked as the assistant manager in KPMG Huazhen (special general partnership) from July 2007 to January 2010, responsible for auditing. Ms. Zheng was awarded the qualification as a certified public accountant by the Chinese Institute of Certified Public Accountants in August 2009. In January 2010, she joined Original Beijing Glory, and successively served as the vice president of its capital and financial management center and its operation and construction management center. Ms. Zheng has, through her holding of the managerial functions, gained extensive knowledge about and is therefore familiar with the operations and business of the Group. Ms. Zheng has been actively involved in and has worked as one of the officers-in-charge responsible for the preparation of the Listing, in the process of which she has gained familiarity with the Listing Rules and the Hong Kong Companies Ordinance. However, Ms. Zheng may not fully possess the relevant experience as required by Rule 3.28 of the Listing Rules and given the important role of a company secretary in our corporate governance, our Company has made the following arrangements to enable Ms. Zheng to discharge the functions as a joint company secretary of our Company:

- Ms. Zheng will endeavor to attend relevant trainings on the Listing Rules and the relevant Hong Kong laws and regulations, including briefing on the latest amendments to the applicable Hong Kong laws and regulations and the Listing Rules organized by the Company’s Hong Kong legal advisers on invitation basis and seminars organized by the Stock Exchange for the issuers from time to time.
- Ms. Zheng will take no less than 15 hours of relevant professional training in each financial year.
- Ms. Zheng will be assisted by (i) the compliance adviser of the Company for the first full financial year from the date of listing of the Shares of the Company on the Stock Exchange, particularly in relation to Hong Kong corporate governance practices and compliance issues; and (ii) the Hong Kong legal advisers of the Company, on matters concerning the Company’s on-going compliance with the Listing Rules and the applicable laws and regulations.
- The Company has engaged the services of Ms. Kwong Yin Ping, Yvonne (鄺燕萍), as the joint company secretary, to assist Ms. Zheng in the discharge of her duties as the joint company secretary for an initial period of three years. Ms. Kwong is a member of The Hong Kong Institute of Chartered Secretaries and therefore, possesses the professional qualifications as required under Rule 3.28 of the Listing Rules to serve as a company secretary. As part of the proposed arrangement, Ms. Kwong will familiarize herself with the affairs of the Company and will communicate regularly with Ms. Zheng on matters relating to corporate governance, the Listing Rules as well as the applicable laws and regulations and other affairs of the Company.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

We have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules in relation to the appointment of Ms. Zheng as our joint company secretary, provided that she shall be assisted by Ms. Kwong for a period of three years from the date of the Listing. Upon the expiry of the initial three years period, the situation of Ms. Zheng will be re-visited by the Stock Exchange and if it can be demonstrated that Ms. Zheng has then acquired the relevant experience within the meaning of Rule 3.28 of the Listing Rules, a further waiver would not be necessary.

PUBLIC FLOAT REQUIREMENTS

Rule 8.08 of the Listing Rules requires there to be an open market in the securities for which listing is sought and for a sufficient public float of an issuer's listed securities to be maintained. According to Rule 8.08(1)(a) of the Listing Rules, this normally means that at least 25% of the issuer's total issued share capital must at all times be held by the public.

We have applied to the Stock Exchange to request the Stock Exchange to exercise, and the Stock Exchange has confirmed it will exercise, its discretion under Rule 8.08(1)(d) of the Listing Rules to accept a lower public float percentage of our Company of about 15% (assuming the Over-allotment Option is not exercised) or such higher percentage of the issued share capital of our Company as will be held by the public in the event that the whole or a part of the Over-allotment Option is exercised.

The above waiver is subject to the condition that we will make appropriate disclosure of the lower prescribed percentage of public float in the prospectus and we will confirm sufficiency of public float in our successive annual reports after the Listing. We will endeavor to ensure continual maintenance of the minimum percentage of public float prescribed by the Stock Exchange. In the event that the public float percentage falls below the minimum percentage prescribed by the Stock Exchange, our Directors and Controlling Shareholders will take appropriate steps, which include a further issue of equity and/or our substantial shareholders placing some of their Shares to independent third parties, to ensure the minimum percentage of public float prescribed by the Stock Exchange is complied with. We will continue to comply with Rules 8.08(2) and 8.08(3) of the Listing Rules.

POST BALANCE SHEET DATE ACQUISITION

Pursuant to Rules 4.04(2) and 4.04(4) of the Listing Rules, our accountants' report must include the results of any business or subsidiary acquired since December 31, 2013.

On March 5, 2014, we, through Shenzhen Glory, entered into an equity transfer agreement with the then existing shareholders of Shenzhen Dachaoshan Construction Co., Ltd.* (深圳市大潮汕建設有限公司, the **"Target Company"**) to acquire a 30% equity interest of the Target Company (the **"Equity Interest"**) for a consideration of RMB12 million (the **"Acquisition"**).

The Target Company is a limited liability company incorporated on September 30, 2013 in Shenzhen, the PRC with a total paid-in capital of RMB40 million at the time of the Acquisition. The sellers of the Equity Interest and other existing shareholders of the Target Company are independent third parties from our Company and our connected persons. Following completion of the Acquisition, we became the second largest shareholder of the Target Company, holding 30% of the equity interest in the Target Company. The Target Company was not consolidated as a subsidiary into our consolidated accounts upon completion of the Acquisition.

The total consideration payable by us for the Acquisition was determined based on the paid-in capital of the Target Company multiplied by the percentage of equity interests to be purchased by us (i.e. 30%), being RMB12 million and was determined through arm's length negotiations with other parties. Such consideration has been fully paid up by us and the SAIC registration has been completed as of the Latest Practicable Date.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

Based on the unaudited management accounts (prepared in accordance with the PRC accounting standards) of the Target Company for the three months ended December 31, 2013, the total assets of the Target Company as at December 31, 2013 was approximately RMB39.93 million. The Target Company has not recorded any revenue for the same period and recorded a loss (before tax) of approximately RMB0.07 million.

On April 3, 2014, we injected RMB24 million into the Target Company as an additional paid-in capital on a pro-rata basis, following which the total paid-in capital of the Target Company increased from RMB40 million to RMB120 million. The percentage of the equity interest held by the Company in the Target Company remains to be 30% following the above capital injection.

As at the date of the Latest Practicable Date, as far as we are aware, the Target Company does not carry out any substantial business. The Target Company intends to undertake a development project in Shenzhen under the “Urban Resettlement” policy with a total site area of 3.8 million sq.m. and entered into a cooperation agreement on March 12, 2014 with a company controlled by the local self-governing organization with respect to the aforementioned project. The acquisition signifies our first step of entering the property development market in Shenzhen in line with our development strategies in the Pearl River Delta region.

We have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with Rules 4.04(2) and 4.04(4) (a) of the Listing Rules on the following grounds:

- **Immateriality of the size of the Target Company and financial impact of the Acquisition on our Group**

The size of the business of the Target Company and the financial impact of the Acquisition on our Group is minimal and immaterial. Based on the unaudited management accounts of the Target Company as indicated above, the total assets of the Target Company as at December 31, 2013 only accounted for approximately 0.18% of that of our Group as shown in our consolidated financial statements as of the same day. Assuming the Offer Price of HK\$2.30 per Share (being the low end of the estimated offer price as stated in the prospectus) and assuming that the Over-allotment Option is not exercised, it is estimated that the total consideration payable for the Acquisition only accounts for not more than 0.15% of the estimated market capitalization of our Company.

The Acquisition was not significant enough that would require us to prepare pro forma financial information in the prospectus pursuant to Rule 4.28 of the Listing Rules.

- **Overly burdensome to prepare the financial information required under Rules 4.04(2) and 4.04(4) of the Listing Rules**

As indicated above, the financial impact of the Acquisition on our Group’s performance is minimal. In addition, the Target Company was established on September 30, 2013 and does not carry out any substantial business so far. We are of the opinion that providing full financial information of the Target Company as required under Rules 4.04(2) and 4.04(4) will have little value for the purpose of providing sufficient information to enable an investor to make an informed assessment of the activities, assets and liabilities and financial position of our Group.

We held only 30% equity interest in the Target Company and did not have control over the Target Company as at the Latest Practicable Date. The Acquisition was completed only recently, and we have not been actually involved in the day-to-day management of the Target Company. As we only hold a minority interest in the Target Company, our Company does not have immediate access to, and despite its best efforts, encountered genuine practical difficulties in obtaining, in a short period of time, all of the necessary financial information of the Target Company to prepare its audited financials for the three months ended December 31, 2013.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

Moreover, even if our Company did get such information, our Company has to incur additional time and expenses to prepare the necessary financial information of the Target Company if Rules 4.04(2) and 4.04(4) were to be strictly complied with. Due to the tight timeframe between the completion of the Acquisition and the Listing and considering the immateriality of the Acquisition and the fact that the Target Company has not commenced substantial business, we respectfully submit that the time and expenses to be incurred by us for the preparation of the financial information of the Target Company as required under Rules 4.04(2) and 4.04(4) of the Listing Rules will outweigh the limited benefit and value, if any, of the inclusion of such information in the prospectus of our Company as far as the disclosure is concerned.

- **Alternative disclosure**

We have made appropriate disclosure in this prospectus to cover:

- (a) major terms (including the consideration paid) of the Acquisition;
- (b) general information of the Target Company and reasons for the Acquisition; and
- (c) total assets (as at December 31, 2013), revenue and profits (before tax) of the Target Company for the three months ended December 31, 2013 as recorded in the unaudited management accounts of the Target Company.

We are of the view that the aforementioned alternative disclosure is sufficient for providing information necessary for the potential investors to make an informed assessment of the Acquisition and its financial impact on our Group.

Furthermore, we will disclose the relevant financial information of our Group's investment and minority interests in the Target Company in our annual report for the financial year ending December 31, 2014.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules and the Listing Rules for the purpose of giving information with regard to our Group. Our Directors collectively and individually accept full responsibility for the accuracy of the information contained in this prospectus and confirm, having made all reasonable enquiries that to the best of their knowledge and belief, the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein and in this prospectus misleading.

INFORMATION ON THE GLOBAL OFFERING

The Hong Kong Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set out in this prospectus and the Application Forms. No person is authorized to give any information in connection with the Hong Kong Public Offering or to make any representation not contained in this prospectus, and any information or representation not contained in this prospectus must not be relied upon as having been authorized by us, the Sole Global Coordinator, the Underwriters, any of their respective directors, employees, agents or advisors or any other party involved in the Global Offering.

Details of the structure of the Global Offering, including its conditions, are set out in the “Structure of the Global Offering” in this prospectus, and the procedures for applying for Hong Kong Offer Shares are set out in “How to Apply for Hong Kong Offer Shares” in this prospectus and in the relevant Application Forms.

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering. For applicants under the Hong Kong Public Offering, this prospectus and the Application Forms set out the terms and conditions of the Hong Kong Public Offering. Details of the terms of the Global Offering are described in the section headed “Structure of the Global Offering” in this prospectus.

The Listing is sponsored by the Sole Sponsor.

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement, subject to the agreement on the Offer Price between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company on or before the Price Determination Date.

Details of the Underwriters and the underwriting arrangements are set out in “Underwriting” in this prospectus.

DETERMINATION OF THE OFFER PRICE

The Offer Shares are being offered at the Offer Price which is expected to be determined by agreement between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company on or around June 27, 2014, and in any event no later than July 4, 2014.

If the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company are unable to reach an agreement on the Offer Price, the Global Offering will not proceed and will lapse.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

RESTRICTIONS ON OFFER AND SALE OF THE OFFER SHARES

Each person acquiring the Hong Kong Offer Shares will be required to, or be deemed by his/her acquisition of Hong Kong Offer Shares to, confirm that he/she is aware of the restrictions on offers of the Hong Kong Offer Shares described in this prospectus.

No action has been taken in any jurisdiction other than Hong Kong to permit an offering of the Hong Kong Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering of the Hong Kong Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

Application has been made to the Listing Committee for the listing of, and permission to deal in, the Shares in issue, the Offer Shares (including any additional Shares which may be issued pursuant to the exercise of the Over-allotment option), and any Shares which may be issued upon the exercise of any options granted under the Pre-IPO Share Option Scheme and any option to be granted under the Post-IPO Share Option Scheme. Dealings in our Shares on the Stock Exchange are expected to commence on or around July 7, 2014.

None of our Shares or loan capital are listed on or dealt in on any other exchange and no such listing or permission to list is being or proposed to be sought in the near future.

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, our Shares on the Stock Exchange is refused before the expiration of three weeks from the date of the closing of the application lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to our Company by the Stock Exchange.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of listing of, and permission to deal in, our Shares on the Stock Exchange and the compliance with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in our Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements have been made for our Shares to be admitted into CCASS. If you are unsure about the details of CCASS settlement arrangements and how such arrangements will affect your rights and interests, you should seek the advice of your stockbrokers or other professional advisors.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisors if they are in any doubt as to the taxation implications of subscribing for, holding or disposal of, and dealing

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

in our Shares (or exercising rights attached to them). None of us, the Sole Global Coordinator, the Underwriters, any of their respective directors or any other person or party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription, purchase, holding or disposal of, dealing in, or the exercise of any rights in relation to, our Shares.

OVER-ALLOTMENT AND STABILIZATION

Details of the arrangement relating to the Over-allotment Option and stabilization are set out in the section headed “Structure of the Global Offering” in this prospectus.

PROCEDURE FOR APPLICATION FOR HONG KONG OFFER SHARES

The procedures for applying for the Hong Kong Offer Shares are set out in the section headed “How to Apply for Hong Kong Offer Shares” in this prospectus and on the related Application Forms.

STRUCTURE OF THE GLOBAL OFFERING

Particulars of the structure of the Global Offering, including its conditions, are set out in the section headed “Structure of the Global Offering” in this prospectus.

HONG KONG REGISTER OF MEMBERS AND HONG KONG STAMP DUTY

The Company’s principal register of members will be maintained by its principal share registrar Offshore Incorporations (Cayman) Limited. Dealings in the Shares registered in the Company’s Hong Kong register of members will be subject to Hong Kong stamp duty. Only Shares registered on our Hong Kong register of members may be traded on the Stock Exchange.

EXCHANGE RATE CONVERSION

For exchange rate translations throughout this prospectus, unless otherwise specified, we have used the PBOC rates of HK\$1.00 to RMB0.79310 being the PBOC medium rate prevailing on June 9, 2014. All translations from Hong Kong dollars into U.S. dollars were made at the rate of US\$1.00 to HK\$7.7511, being the exchange set forth in the Federal Reserve Board of the United States on June 9, 2014. We make no representations and none should be construed as being made, that any of the Renminbi, Hong Kong dollar or U.S. dollar amounts contained in this prospectus could have been or could be converted into amounts of any other currencies at any particular rate or at all on such date or any other date.

ROUNDING

Any discrepancies in any table between totals and sums of amounts listed in the table are due to rounding.

DISCLAIMER ABOUT MAPS

All maps in this prospectus are provided only for illustrative purposes and are not drawn to scale. Neither are they intended to accurately show the size or exact location of our property development projects or of the labeled or otherwise indicated sites or districts, nor do they provide exhaustive or precise information on all sites located within the area of the maps.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

DIRECTORS

Name	Address	Nationality

Executive Directors

Zhang Zhangsun (張章筭)	A 104, No. 8 Courtyard Longtan East Road Dongcheng District, Beijing PRC	Chinese

Ge Weiguang (葛偉光)	Room 2106, Block F Huating Garden No. 6, North 4th Ring Middle Road Chaoyang District, Beijing PRC	Chinese

Ruan Wenjuan (阮文娟)	A 104, No. 8 Courtyard Longtan East Road Dongcheng District, Beijing PRC	Chinese

Zhang Jin (張瑾)	Room 1501, Unit 1, Building 7 Central Area, Glory City Dongcheng District, Beijing PRC	Chinese

Independent Non-Executive Directors

Nie Meisheng (聶梅生)	Room 1306, Unit A8 No. 9 Courtyard, Sanlihe Road Haidian District, Beijing PRC	Chinese

Luo Zhenbang (羅振邦)	10/F, Building 7 No. 16 Courtyard West 4th Ring Middle Road Haidian District, Beijing PRC	Chinese

Lai Siming (賴思明)	Flat A, 14/F, Begonia Mansion Tai Koo Shing Hong Kong	Australian

Chen Jingru (陳靜茹)	Room 1605, Building 4, No. 1 Courtyard Ciyunsi Chaoyang District, Beijing PRC	Chinese

See “Directors and Senior Management” in this prospectus for further details of our Directors.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

PARTIES INVOLVED IN THE GLOBAL OFFERING

Sole Sponsor and Sole Global Coordinator

BOCI Asia Limited
26th Floor, Bank of China Tower
1 Garden Road
Central
Hong Kong

Joint Bookrunners and Joint Lead Managers

BOCI Asia Limited
26th Floor, Bank of China Tower
1 Garden Road
Central
Hong Kong

China Merchants Securities (HK) Co., Limited
48/F, One Exchange Square
Central
Hong Kong

Legal Advisers to Our Company

As to Hong Kong law
Baker & McKenzie
23/F, One Pacific Place
88 Queensway
Hong Kong

As to PRC law
Jingtian & Gongcheng
34/F, Tower 3, China Central Place
77 Jianguo Road, Chaoyang District
Beijing 100025
PRC

As to Cayman Islands law
Maples and Calder
53/F, The Center
99 Queen's Road Central
Hong Kong

Legal Advisers to the Underwriters

As to Hong Kong law
Shearman & Sterling
12/F, Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

As to PRC law
JiaYuan Law Offices
F408, Ocean Plaza
158 Fuxing Men Nei Ave, Xicheng District
Beijing 100031
PRC

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Auditor and Reporting Accountants

Deloitte Touche Tohmatsu
Certified Public Accountants
35/F , One Pacific Place
88 Queensway
Hong Kong

Property Valuer

CBRE Limited
Suite 1204-06 (Main Reception),
3/F & 4/F, Three Exchange Square
8 Connaught Place
Central, Hong Kong

Market Consultant

Savills (Hong Kong) Limited
23rd Floor, Two Exchange Square
Central
Hong Kong

Receiving Bank

Bank of China (Hong Kong) Limited
Bank of China Tower
1 Garden Road
Hong Kong

CORPORATE INFORMATION

Registered Office	Offshore Incorporations (Cayman) Limited Scotia Centre, 4th Floor P.O. Box 2804, George Town Grand Cayman KY1-1112 Cayman Islands
Headquarter and principal place of business in the PRC	No.15, Zhushikou East Street Dongcheng District, Beijing PRC
Principal Place of Business in Hong Kong	Suite 5103A, 51F, Central Plaza 18 Harbour Road Hong Kong
Website of Our Company	http://www.glorypty.com/ (information contained in the website does not form part of this prospectus)
Joint Company Secretaries	Zheng Jin (鄭瑾)(CPA) No.15, Zhushikou East Street Dongcheng District, Beijing PRC Kwong Yin Ping, Yvonne (鄺燕萍)(FCIS, FCS) Flat A, 15/F, Block 2, 7 Tai Hang Road Causeway Bay, Hong Kong
Authorized Representatives	Ge Weiguang (葛偉光) No.15, Zhushikou East Street Dongcheng District, Beijing PRC Zheng Jin (鄭瑾) No.15, Zhushikou East Street Dongcheng District, Beijing PRC
Audit Committee	Luo Zhenbang (羅振邦) (<i>Chairman</i>) Nie Meisheng (聶梅生) Lai Siming (賴思明)
Remuneration Committee	Lai Siming (賴思明) (<i>Chairman</i>) Ruan Wenjuan (阮文娟) Luo Zhenbang (羅振邦)
Nomination Committee	Zhang Zhangsun (張章筭) (<i>Chairman</i>) Nie Meisheng (聶梅生) Lai Siming (賴思明)
Internal Control Committee	Chen Jingru (陳靜茹) (<i>Chairman</i>) Luo Zhenbang (羅振邦) Ruan Wenjuan (阮文娟)
Principal Share Registrar and Transfer Office	Offshore Incorporations (Cayman) Limited Scotia Centre, 4th Floor P.O. Box 2804, George Town Grand Cayman KY1-1112 Cayman Islands

CORPORATE INFORMATION

Hong Kong Share Registrar

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong

Compliance Adviser

Messis Capital Limited
Room 1606, 16/F
Tower 2
Admiralty Centre
18 Harcourt Road
Hong Kong

Principal Bankers

Industrial and Commercial Bank of China Limited
No. 55 Fuxingmennei Avenue
Xicheng District, Beijing
PRC

Agricultural Bank of China Limited
No. 69 Jianguomennei Avenue
Dongcheng District, Beijing
PRC

Bank of China Limited
No. 1 Fuxingmennei Avenue
Xicheng District, Beijing
PRC

China Construction Bank Corporation
No. 25 Finance Street
Xicheng District, Beijing
PRC

Bank of Beijing Co., Ltd.
No. C-17, Finance Street
Xicheng District, Beijing
PRC

INDUSTRY OVERVIEW

THE SAVILLS REPORT

We have commissioned Savills, an independent third party and an experienced consultant in the global real estate industry, to prepare an industry research report (“**the Report**”) which analyzes the property markets in various regions of China. We will pay Savills a total fee of RMB900,000 for the preparation of the Report.

Savills has prepared the Report based on various government publications, site visits and interviews as well as Savills proprietary data on the relevant property sector markets.

In preparing the Report, Savills has adopted assumptions when certain information is not available or falls outside the scope of its expertise. While Savills has adopted assumptions based upon careful consideration of known factors, Savills cannot rule out the risk that any of the assumptions maybe incorrect. The Report also contains a significant volume of information which is directly derived from secondary sources or based on other third-party information. Savills does not represent or warrant the accuracy or completeness of such information.

In preparing and updating the Report, Savills has adopted a four-step methodology illustrated below to enhance the credibility and accuracy of the forecasts:

- **Market research:** The market specialists at Savills collected information and data from various sources, which provided an overview of the current market landscape and trends, and also formed the basis for the forecast.
- **Identifying drivers and factors:** The market specialists then identified the factors that drove and will drive market growth, as well as those that restrained and will restrain growth of the market.
- **Integration of opinions:** The specialists further discussed and interviewed a variety of industry experts and consultants, as well as industry participants and customers. The data obtained were then integrated with the existing data to provide a refined basis for the forecast data.
- **Quality control:** Before finalizing the report, the market specialists verified the data and forecast by cross-checking against other available data or information.

Assumptions included in the Report are inherently uncertain because of events or combinations of events that cannot reasonably be foreseen, including but without limitation, the activities of the government, individuals, third parties and competitors. Specific factors that could cause actual results to differ materially include, among others, risks inherent in the real estate industry, property risks, financing risks, labor risks, regulatory risks and environmental concerns.

THE CHINESE ECONOMY

Overview of the Chinese Economy

Since the central government of China started the profound economic reform more than 30 years ago, China has maintained strong economic growth. The nominal GDP of China increased at a CAGR of 13.5% from RMB26,581 billion in 2007 to RMB56,885 billion in 2013. The GDP per capita of China increased at a CAGR of 12.9% from RMB20,169 in 2007 to RMB41,804 in 2013 and the per capita disposable income increased at a CAGR of 11.8% from RMB13,786 in 2007 to RMB26,955 in 2013. In the first quarter of 2014, nominal GDP reached RMB12,821 billion, representing a 7.4% increase from the corresponding period in 2013.

INDUSTRY OVERVIEW

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

	As of December 31,							CAGR (%)
	2007	2008	2009	2010	2011	2012	2013	
Total population (million)	1,321.3	1,328.0	1,334.5	1,340.9	1,347.4	1,354.0	1,360.7	0.5
Nominal GDP (RMB billion) . . .	26,581	31,405	34,090	40,151	47,288	51,932	56,885	13.5
Real GDP growth (%)	14.2	9.6	9.2	10.4	9.3	7.8	7.7	—
GDP per capita (RMB)	20,169	23,708	25,608	30,015	35,181	38,355	41,804	12.9
Real estate investment⁽¹⁾ (RMB billion)	2,529.8	3,120.3	3,624.2	4,826.0	6,179.7	7,180.4	8,601.3	22.6
Per capita disposable income (RMB)	13,786	15,781	17,175	19,109	21,810	24,565	26,955	11.8
Fixed-asset investment (FAI) (RMB billion)	13,762	17,283	22,460	27,812	31,149	37,468	44,707	21.7
Retail sales (RMB billion)	8,921.0	11,483.0	13,267.8	15,699.8	18,391.9	21,030.7	23,781.0	17.8

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

Such rapid growth was primarily the result of expanding government expenditure and infrastructure investment as well as increasing domestic consumption. In line with the rapid growth in GDP, real estate investment also experienced rapid growth. Real estate investment increased at a CAGR of 22.6% from RMB2,529.8 billion in 2007 to RMB8,601.3 billion in 2013. Retail sales of consumer goods increased at a CAGR of 17.8% from RMB8,921.0 billion in 2007 to RMB23,781.0 billion in 2013.

Urbanization

Along with the economic growth, China experienced a rapid urbanization process. China's urbanization rate increased continuously from 45.9% in 2007 to 53.7% in 2013. The Chinese government expects urbanization to be an engine driving economic development and the real estate industry in the next decade. As projected by the China Centre for International Economic Exchanges (CCIEE), China's urbanization rate will reach 57% in 2020 and 70% by the end of 2030. The 12th Five Year Plan continues to support urbanization across the country. The table below shows selected information on urbanization for the periods indicated:

	As of December 31,							CAGR (%)
	2007	2008	2009	2010	2011	2012	2013	
Urban residents (million)	606.3	624.0	645.1	669.8	690.8	711.8	731.1	3.2
Total population (million)	1,321.3	1,328.0	1,334.5	1,340.9	1,347.4	1,354.0	1,360.7	0.5
Urbanization rate (%)	45.9	47.0	48.3	50.0	51.3	52.6	53.7	—

Source: National Bureau of Statistics of China

Per Capita Disposable Income

The wealth of urban residents is also growing rapidly along with the growth of the national economy. The per capita disposable income of urban residents in China increased at a CAGR of 11.8% from RMB13,786 in 2007 to RMB26,955 in 2013.

REGIONAL GROWTH IN THE CHINESE ECONOMY

Beijing

Beijing, the capital of China, is also its political, economic, transportation, cultural and educational center. It covers a land area of 16,410 sq.km. In 2013, Beijing's population reached 21.1 million.

INDUSTRY OVERVIEW

Beijing accommodates the headquarters of numerous large state-owned enterprises (SOEs), prestigious domestic private enterprises and multinational firms. With the fast-growing national economy, Beijing is becoming a world-class metropolis. The city's GDP increased at a CAGR of 12.1% from RMB985 billion in 2007 to RMB1,950 billion in 2013, and its per capita disposable income increased at a CAGR of 10.6% from RMB21,989 in 2007 to RMB40,321 in 2013. The table below shows selected economic indicators of Beijing for the years indicated:

	As of December 31,							CAGR (%)
	2007	2008	2009	2010	2011	2012	2013	
Population (million)	16.8	17.7	18.6	19.6	20.2	20.7	21.1	3.9
GDP (RMB billion)	985	1,112	1,215	1,411	1,625	1,780	1,950	12.1
GDP per capita (RMB)	60,096	64,491	66,940	73,856	81,658	87,091	93,213	7.6
FAI (RMB billion)	397	385	486	549	591	646	703	10.0
Per capita disposable income (RMB)	21,989	24,725	26,738	29,073	32,903	36,469	40,321	10.6
Retail sales (RMB billion)	384	465	531	623	690	770	838	13.9

Source: Bureau of Statistics of Beijing

Shenyang

Shenyang is the capital city of Liaoning Province. Situated in central northeast China, Shenyang covers a land area of 12,881 sq.km. with a population of 7.3 million in 2013. Shenyang's GDP increased at a CAGR of 15.2% from RMB307 billion in 2007 to RMB716 billion in 2013, and the per capita disposable income in Shenyang increased at a CAGR of 12.2% from RMB14,607 in 2007 to RMB29,074 in 2013. The table below shows selected economic indicators of Shenyang for the years indicated:

	As of December 31,							CAGR (%)
	2007	2008	2009	2010	2011	2012	2013	
Population (million)	7.1	7.1	7.2	7.2	7.2	7.2	7.3	0.5
GDP (RMB billion)	307	386	436	502	592	661	716	15.2
GDP per capita (RMB)	43,499	48,230	55,816	63,667	72,637	80,532	86,850	12.2
FAI (RMB billion)	236	301	368	501	456	563	638	18.0
Per capita disposable income (RMB)	14,607	17,013	18,475	20,541	23,326	26,431	29,074	12.2
Retail sales (RMB billion)	123	150	178	207	243	280	319	17.2

Source: Bureau of Statistics of Shenyang

Zhengzhou

Zhengzhou is the capital city of Henan Province. Zhengzhou covers a land area of 7,446 sq.km. with a population of 9.2 million in 2013. The GDP of Zhengzhou increased at a CAGR of 17.0% from RMB242 billion in 2007 to RMB620 billion in 2013, which is the highest among all major cities in central China. Meanwhile, the per capita disposable income increased at a CAGR of 11.7% from RMB13,692 in 2007 to RMB26,600 in 2013. The table below shows selected economic indicators of Zhengzhou for the years indicated:

	As of December 31,							CAGR (%)
	2007	2008	2009	2010	2011	2012	2013	
Population (million)	7.4	7.4	7.5	8.7	8.9	9.0	9.2	3.7
GDP (RMB billion)	242	300	330	400	491	555	620	17.0
GDP per capita (RMB)	33,169	40,617	44,000	49,000	56,086	63,328	68,070	12.7
FAI (RMB billion)	137	177	229	276	300	367	440	21.5
Per capita disposable income (RMB)	13,692	15,732	17,117	18,897	21,612	24,246	26,600	11.7
Retail sales (RMB billion)	98	121	143	168	199	229	259	17.6

Source: Bureau of Statistics of Zhengzhou

INDUSTRY OVERVIEW

Foshan and Shantou

Both Foshan and Shantou are located in Guangdong Province. Foshan is located on the Pearl River Delta (PRD), the most economically developed region in Guangdong Province, occupying a land area of 3,848 sq.km. with a population of 7.3 million in 2013. Shantou is located in the east of Guangdong Province, with a land area of 2,064 sq.km. and a population of 5.4 million in 2013.

Foshan has been strengthening its links with the rest of Guangdong Province by establishing a range of intercity transportation systems, including the Guangfo Metro and road networks. The integration of Guangzhou and Foshan is expected to be completed by 2020, with an urbanization rate of above 90%. The GDP of Foshan increased at a CAGR of 11.8% from RMB359 billion in 2007 to RMB701 billion in 2013 which is the third highest GDP in all PRD cities. In addition, the per capita disposable income of Foshan increased at a CAGR of 10.3% from RMB21,112 in 2007 to RMB38,038 in 2013.

Shantou is the economic and cultural center in east Guangdong Province. Shantou's GDP increased at a CAGR of 11.1% from RMB83 billion in 2007 to RMB156 billion in 2013. In addition, the per capita disposable income of Shantou increased at a CAGR of 11.2% from RMB11,716 in 2007 to RMB22,207 in 2013. The tables below show selected economic indicators of Foshan and Shantou for the years indicated:

Foshan

	As of December 31,							CAGR (%)
	2007	2008	2009	2010	2011	2012	2013	
Population (million)	6.3	6.6	6.9	7.2	7.2	7.3	7.3	2.5
GDP (RMB billion)	359	433	482	565	658	671	701	11.8
GDP per capita (RMB)	59,329	68,033	71,691	80,313	86,073	92,781	96,000	8.4
FAI (RMB billion)	99	126	147	172	194	213	238	15.7
Per capita disposable income (RMB)	21,112	22,494	24,578	27,245	30,718	34,580	38,038	10.3
Retail sales (RMB billion)	95	118	143	169	193	202	226	15.5

Source: Bureau of Statistics of Foshan

Shantou

	As of December 31,							CAGR (%)
	2007	2008	2009	2010	2011	2012	2013	
Population (million)	5.0	5.1	5.1	5.2	5.3	5.3	5.4	1.3
GDP (RMB billion)	83	95	104	121	128	142	156	11.1
GDP per capita (RMB)	16,563	18,789	20,283	23,067	24,095	26,252	28,661	9.6
FAI (RMB billion)	21	26	29	30	44	61	78	24.4
Per capita disposable income (RMB)	11,716	12,542	13,651	15,179	17,474	20,024	22,207	11.2
Retail sales (RMB billion)	48	57	66	83	97	103	116	15.8

Source: Bureau of Statistics of Shantou

Langfang

Langfang in Hebei Province is located between Tianjin and Beijing, with a land area of 6,429 sq.km. and a population of 4.4 million in 2013.

INDUSTRY OVERVIEW

Langfang is regarded as a corridor between Beijing and Tianjin, and the hinterland of the Bohai Economic Rim (BER). The central government is considering plans to upgrade regional cooperation between Beijing, Tianjin and Hebei province in order to build a trilateral economic sphere in the Bohai Bay area. The economy of Langfang is expected to benefit from this regional coordinated development plan and grow rapidly in the next few years. On April 3, 2014, Langfang Government and Beijing Xicheng District Government made an initial agreement to relocate Beijing Zoo Clothing Wholesale Market to Yongqing Taiwan New City. It is worth noting that Yongqing Glory City is about one kilometer away from Yongqing Taiwan New City. The relocation of the wholesale market will enhance the economic vitality of this region, and the affluent merchants of the wholesale market will be potential buyers of Yongqing Glory City. Langfang's GDP increased at a CAGR of 14.0% from RMB88 billion in 2007 to RMB194 billion in 2013 and the per capita disposable income in Langfang increased at a CAGR of 11.8% from RMB13,809 in 2007 to RMB26,985 in 2013. The table below shows selected economic indicators of Langfang for the years indicated:

	As of December 31,							CAGR (%)
	2007	2008	2009	2010	2011	2012	2013	
Population (million)	4.0	4.1	4.1	4.2	4.3	4.3	4.4	1.5
GDP (RMB billion)	88	106	116	133	161	179	194	14.0
GDP per capita (RMB)	25,248	29,120	28,097	31,843	36,790	37,391	43,268	9.4
FAI (RMB billion)	69	93	128	91	109	131	158	14.9
Per capita disposable income (RMB)	13,809	16,117	18,333	20,268	22,818	25,766	26,985	11.8
Retail sales (RMB billion)	24	30	35	44	49	57	64	17.3

Source: Bureau of Statistics of Langfang

Haikou and Wanning

Both Haikou and Wanning are located in Hainan Province, a popular tourist destination. Haikou is situated on the north coast of the Hainan Island, with a land area of 2,305 sq.km., and a population of 1.7 million in 2013. Wanning is in the southeast of Hainan Province, 139 kilometers south of Haikou and 112 kilometers north of Sanya. It has a land area of 4,444 sq.km. and a population of 554,500 in 2013.

Haikou, the capital city of Hainan Province, is the economic, cultural, business center and an essential transportation hub of Hainan Province. Haikou's GDP increased at a CAGR of 14.7% from RMB40 billion in 2007 to RMB91 billion in 2013, and the per capita disposable income in Haikou increased at a CAGR of 12.2% from RMB12,289 in 2007 to RMB24,461 in 2013.

Wanning is now upgrading its infrastructure, including roads, electricity networks and water provision, to improve prospects for coastal tourism. The city's 12th Five-year Plan mentions that further development will rely upon the advancement of the industrial and tourism sectors. Wanning's GDP increased at a CAGR of 17.6% from RMB6 billion in 2007 to RMB15 billion in 2013. The per capita disposable income in Wanning increased at a CAGR of 15.5% from RMB 9,303 in 2007 to RMB22,038 in 2013.

The tables below show selected economic indicators of Haikou and Wanning for the years indicated:

Haikou

	As of December 31,							CAGR (%)
	2007	2008	2009	2010	2011	2012	2013	
Population (million)	1.5	1.6	1.6	1.6	1.6	1.6	1.7	2.1
GDP (RMB billion)	40	44	49	59	71	82	91	14.7
GDP per capita (RMB)	22,109	24,420	26,366	30,329	35,669	38,719	41,955	11.3
FAI (RMB billion)	18	22	28	35	40	51	65	23.9
Per capita disposable income (RMB)	12,289	14,150	15,237	16,720	19,730	22,331	24,461	12.2
Retail sales (RMB billion)	19	23	28	33	39	44	49	17.1

Source: Bureau of Statistics of Haikou

INDUSTRY OVERVIEW

Wanning

	As of December 31,							CAGR (%)
	2007	2008	2009	2010	2011	2012	2013	
Population (million)	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0
GDP (RMB billion)	6	6	7	9	11	14	15	17.6
GDP per capita (RMB)	10,007	12,472	14,056	16,972	22,616	24,476	26,735	17.8
FAI (RMB billion)	2	4	6	7	10	11	14	40.3
Per capita disposable income (RMB)	9,303	10,941	12,566	14,830	17,470	19,980	22,038	15.5
Retail sales (RMB billion)	2	2	3	3	3	4	5	16.9

Source: Bureau of Statistics of Wanning

Xi'an

Xi'an is the capital city of Shaanxi Province. Situated in northwest China, Xi'an covers a land area of 10,108 sq.km. with a population of 8.1 million in 2013. Xi'an's GDP increased at a CAGR of 17.4% from RMB186 billion in 2007 to RMB488 billion in 2013, and the per capita disposable income in Xi'an increased at a CAGR of 17.4% from RMB12,662 in 2007 to RMB33,100 in 2013. The following table shows selected economic indicators of Xi'an for the years indicated:

	As of December 31,							CAGR (%)
	2007	2008	2009	2010	2011	2012	2013	
Population (million)	7.6	7.7	7.8	7.8	7.9	8.0	8.1	1.1
GDP (RMB billion)	186	232	272	324	386	437	488	17.4
GDP per capita (RMB)	22,463	27,794	32,411	38,343	45,475	54,892	56,871	16.7
FAI (RMB billion)	144	191	250	325	335	424	514	23.6
Per capita disposable income (RMB)	12,662	15,206	18,963	22,244	25,981	29,982	33,100	17.4
Retail sales (RMB billion)	94	118	138	164	197	224	255	18.1

Source: Bureau of Statistics of Xi'an

Metropolitan regions of China

According to the National Development and Reform Commission of China (NDRC), the Beijing-Tianjin Metropolis⁽¹⁾, the PRD⁽²⁾ and the Yangtze River Delta (YRD)⁽³⁾ are three major economic regions in China and will spearhead China's economic growth in the near future.

Beijing-Tianjin Metropolis

Beijing is the capital city of China. It is also China's political, cultural and educational center. Tianjin is one of the four directly controlled municipalities of China. Real estate investment in Beijing-Tianjin Metropolis increased at a CAGR of 12.1% from RMB250 billion in 2007 to RMB496 billion in 2013. GFA completed in Beijing-Tianjin Metropolis increased at a CAGR of 5.3% from 49 million sq.m. in 2007 to 66 million sq.m. in 2013.

PRD Economic Zone

The PRD is one of the most economically dynamic regions of China, and its GDP reached RMB5,306 billion in 2013, accounting for approximately 9.3% of China's total GDP. In December 2008, the NDRC published a proposed mid-term development plan 《珠江三角洲地區改革發展規劃綱要》 for the PRD.

(1) Beijing-Tianjin Metropolis is a metropolitan area in China, consisting of Beijing and Tianjin.

(2) PRD includes Guangzhou, Shenzhen, Foshan, Zhuhai, Zhongshan, Zhaoqing, Huizhou, Dongguan and Jiangmen.

(3) YRD includes Shanghai, Jiangsu Province and Zhejiang Province.

INDUSTRY OVERVIEW

According to the plan, by 2020, GDP per capita in the PRD will reach RMB135,000, the tertiary industry will account for 60% of total GDP of the PRD and the urbanization rate will reach 85%.

Among all the cities in the PRD, the combined GDP of Guangzhou and Shenzhen, the two major metropolises in this region, historically accounted for approximately 56% of the total GDP of the PRD in 2013. The economy of Guangzhou and Shenzhen is fast-growing. Guangzhou's GDP increased at a CAGR of 13.9% from RMB705.0 billion in 2007 to RMB1,542.0 billion in 2013, while Shenzhen's GDP increased at a CAGR of 13.6% from RMB676.5 billion in 2007 to RMB1,450.0 billion in 2013. According to the Bureau of Statistics of Guangdong Province, the per capita disposable income of Guangzhou increased at a CAGR of 14.2% from RMB18,951 in 2007 to RMB42,066 in 2013, and the per capita disposable income of Shenzhen increased at a CAGR of 10.2% from RMB24,870 in 2007 to RMB44,653 in 2013.

The real estate market in the PRD is highly developed, with real estate investment increasing at a CAGR of 15.8% from RMB224 billion in 2007 to RMB539 billion in 2013. Total GFA completed in the PRD increased by 5.3% from 33 million sq.m. in 2007 to 45 million sq.m. in 2013 and total GFA sold increased at a CAGR of 3.4% from 49 million sq.m. in 2007 to 58 million sq.m. in 2012. In the future, the growth of the tertiary industry and the rapid urbanization process will further boost the growth of the regional real estate market.

YRD Economic Zone

The YRD economic zone includes Shanghai and other important economic hubs in the region such as Nanjing, Suzhou, Hangzhou and Ningbo. The GDP of the YRD increased at a CAGR of 12.9% from RMB5,699 billion in 2007 to RMB11,833 billion in 2013. In 2013, the GDP of YRD accounted for approximately 20.8% of China's total GDP.

In June 2010, the NDRC released the regional development plan 《長江三角洲地區區域規劃》 for the YRD. According to the plan, the YRD will emerge as a world-class metropolitan area and become a hub of logistics, finance and international trade. By 2020, GDP per capita in YRD will reach RMB110,000, the tertiary industry will account for 53% of GDP and the urbanization rate will reach 72%.

Real estate investment in the YRD experienced rapid growth from 2007 to 2013, despite a series of housing purchasing restrictions (HPRs) released in 2011. According to the Bureau of Statistics of local governments, real estate investment in the YRD increased at a CAGR of 19.3% from RMB565 billion in 2007 to RMB1,628 billion in 2013. GFA completed in the YRD increased at a CAGR of 1.2% from 155 million sq.m. in 2007 to 167 million sq.m. in 2013.

INDUSTRY OVERVIEW

The table below lists selected economic indicators of the Beijing-Tianjin Metropolis, PRD and YRD.

		As of December 31,							CAGR (%)
		2007	2008	2009	2010	2011	2012	2013	
Beijing-Tianjin Metropolis⁽¹⁾	GDP (RMB billion)	1,510	1,783	1,967	2,334	2,756	3,069	3,387	14.4
	Real estate investment (RMB billion)	250	256	307	377	412	441	496	12.1
	GFA completed (million sq.m.)	49	51	55	46	48	51	66	5.3
	GFA sold (million sq.m.)	37	26	40	32	31	36	37	0.1
PRD⁽²⁾	GDP (RMB billion)	2,576	2,995	3,215	3,767	4,372	4,790	5,306	12.8
	Real estate investment (RMB billion)	224	256	258	312	402	448	539	15.8
	GFA completed (million sq.m.)	33	34	39	42	45	30	45	5.3
	GFA sold (million sq.m.)	49	38	55	56	55	58	N/A	N/A
YRD⁽³⁾	GDP (RMB billion)	5,699	6,585	7,249	8,631	10,062	10,877	11,833	12.9
	Real estate investment (RMB billion)	565	645	706	931	1,221	1,381	1,623	19.3
	GFA completed (million sq.m.)	155	150	153	148	152	164	167	1.2
	GFA sold (million sq.m.)	158	107	192	164	133	149	187	2.8

Source: Bureau of Statistics of local governments

Note:

(1) Beijing-Tianjin Metropolis includes Beijing and Tianjin.

(2) PRD includes Guangzhou, Shenzhen, Foshan, Zhuhai, Zhongshan, Zhaoqing, Huizhou, Dongguan and Jiangmen.

(3) YRD includes Shanghai, Jiangsu Province and Zhejiang Province.

THE REAL ESTATE MARKET IN CHINA

China's economic growth has fueled the development of the real estate industry. Total real estate investment in China increased at a CAGR of 22.6% from RMB2,529 billion in 2007 to RMB8,601 billion in 2013. In the meantime, both GFA under construction and GFA completed increased significantly. Demand for properties, driven by economic development, urbanization and increased disposable incomes, has played a key role in the growth of the real estate industry as well as housing prices. The total GFA sold increased at a CAGR of 9.1% from 774 million sq.m. in 2007 to 1,306 million sq.m. in 2013. The average selling price of properties increased at a CAGR of 8.3% from RMB3,864 per sq.m. in 2007 to RMB6,235 per sq.m. in 2013.

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

	As of December 31,							CAGR (%)
	2007	2008	2009	2010	2011	2012	2013	
Real estate investment (RMB billion)	2,529	3,120	3,624	4,826	6,180	7,180	8,601	22.6
Raw land transaction volume (million sq.m.)	402	394	319	400	443	357	388	-0.6
Properties under construction (million sq.m.)	2,363	2,833	3,204	4,055	5,068	5,734	6,656	18.8
Total GFA completed (million sq.m.)	606	665	727	787	926	994	1,014	9.0
Total GFA sold (million sq.m.)	774	660	948	1,048	1,094	1,113	1,306	9.1
Average selling price of properties (RMB per sq.m.)	3,864	3,800	4,681	5,032	5,357	5,791	6,235	8.3

Source: National Bureau of Statistics of China

INDUSTRY OVERVIEW

REGIONAL PROPERTY MARKET

Beijing Property Market

Real estate investment in Beijing increased at a CAGR of 9.7% from RMB199.6 billion in 2007 to RMB348.3 billion in 2013. The total GFA completed decreased by 1.3% from 28.9 million sq.m. in 2007 to 26.7 million sq.m. in 2013. The total GFA sold decreased by 2.3% from 21.8 million sq.m. in 2007 to 19.0 million sq.m. in 2013. The average selling price increased at a CAGR of 8.1% from RMB11,553 per sq.m. in 2007 to RMB17,022 per sq.m. in 2012.

Beijing Residential Market

The GFA of residential properties completed and sold in Beijing decreased by 6.0% and 12.2% respectively from 2010 to 2011 as a result of strict HPRs, but rebounded in 2012 and remained stable in 2013. The GFA completed in 2013 reached 16.9 million sq.m., representing an increase of 11.1% from 2012. The GFA sold in 2013 reached 13.6 million sq.m., representing a decrease of 8.1% from 2012. The average selling price reached RMB16,553 per sq.m. in 2012, representing a CAGR of 9.2% from 2007. The Beijing residential market features a wide variety of potential buyers and shrinking supply in urban areas, driving the appreciation of residential properties in urban areas and the demand for properties in neighboring areas.

Beijing Office Market

The GFA of office properties completed in Beijing decreased by 28.1% from 3.2 million sq.m. in 2007 to 2.3 million sq.m. in 2012. However, the average selling price of office properties in Beijing increased at a CAGR of 7.9% from RMB15,152 per sq.m. in 2007 to RMB22,114 per sq.m. in 2012.

Beijing Retail Market

The retail market in Beijing witnessed a boom in supply from 2007 to 2009, as developers tried to capture retail opportunities during the 2008 Olympics. In 2009, 3.2 million sq.m. of retail space was completed, the largest amount from 2007 to 2012. The GFA of retail properties completed then declined to 2.3 million sq.m. in 2011, but increased by 4.3% in 2012. The GFA of retail properties sold decreased by 21.4% from 2010 to 2011, but then increased by 4.6% from 2011 to 2012. The average selling price of retail properties increased at a CAGR of 3.1% from RMB17,585 per sq.m. in 2007 to RMB20,476 per sq.m. in 2012.

Beijing Land Market

The supply of raw land is limited in Beijing, especially within the Second Ring Road. In 2013, only 32,754 sq.m. of raw land was entered the transaction market, which accounts for 0.2% of total supply in the city. In addition, the Beijing population continued to increase between 2007 and 2013. The CAGR of population was 3.9% between 2007 and 2013, which is much higher than 0.5%, the average population growth rate of China in the same period. The limited supply of raw land combined with the strong population growth makes real properties valuable assets. It also promotes the demand for properties in neighboring area of Beijing as a result of the shortage of supply in Beijing's central area. For instance, the adjacent city such as Langfang is becoming a popular choice for many people working in Beijing. The following table shows raw land transactions within Beijing's Second Ring Road between 2007 and 2013.

	2007	2008	2009	2010	2011	2012	2013	CAGR (%)
Raw land supply within 2nd Ring Road								
(sq.m.)	12,698	nil	6,295	2,500	26,276	33,291	32,754	17.1
Total land supply in Beijing (million								
sq.m.)	6.0	10.1	13.7	20.6	13.9	9.9	20.8	23.0
Percent (%)	0.2	nil	nil	nil	0.2	0.3	0.2	—

Source: Savills Research & Consultancy

INDUSTRY OVERVIEW

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

	As of December 31,							CAGR
	2007	2008	2009	2010	2011	2012	2013	%
Real estate investment (RMB billion)	199.6	190.9	233.8	290.1	303.6	315.3	348.3	9.7
Residential	99.2	94.1	90.7	150.9	177.83	162.8	172.5	10.4
Office	24.2	17.1	16.7	25.9	36.4	38.5	N/A	9.7*
Retail	26.7	24.0	20.1	33.6	29.7	27.6	N/A	0.7*
Total GFA completed (million sq.m.)	28.9	25.6	26.8	23.9	22.5	23.9	26.7	-1.3
Residential	18.5	14.0	16.1	15.0	13.2	15.2	16.9	-1.5
Office	3.2	3.7	3.2	2.0	2.5	2.3	2.7	-2.8
Retail	3.2	3.1	3.2	2.7	2.3	2.4	N/A	N/A
Total GFA sold (million sq.m.)	21.8	13.4	23.6	16.4	14.4	19.4	19.0	-2.3
Residential	17.3	10.3	18.8	12.0	10.4	14.8	13.6	-3.9
Office	2.7	1.4	2.6	2.1	2.1	2.5	3.2	2.9
Retail	1.4	1.1	1.6	1.4	1.1	1.1	N/A	-4.7*
Average selling price (RMB per sq.m.)	11,553	12,418	13,799	17,782	16,852	17,022	N/A	8.1*
Residential	10,661	11,648	13,224	17,151	15,518	16,553	N/A	9.2*
Office	15,152	16,554	16,857	23,413	23,702	22,114	N/A	7.9*
Retail	17,585	17,148	19,091	22,452	24,920	20,476	N/A	3.1*

Source: Bureau of Statistics of Beijing

Note: * This data is calculated from 2007 to 2012.

The following chart shows monthly year on year the changes in the selling prices of the newly built residential properties in Beijing from January 2012 to the April 2014.



Source: National Bureau of Statistics of China

Note: The Beijing Newly Built Residential Property Selling Price Index is published by the National Bureau of Statistics of China, which publishes the residential property selling price index of 70 large and medium-sized cities every month. The base year is 2010.

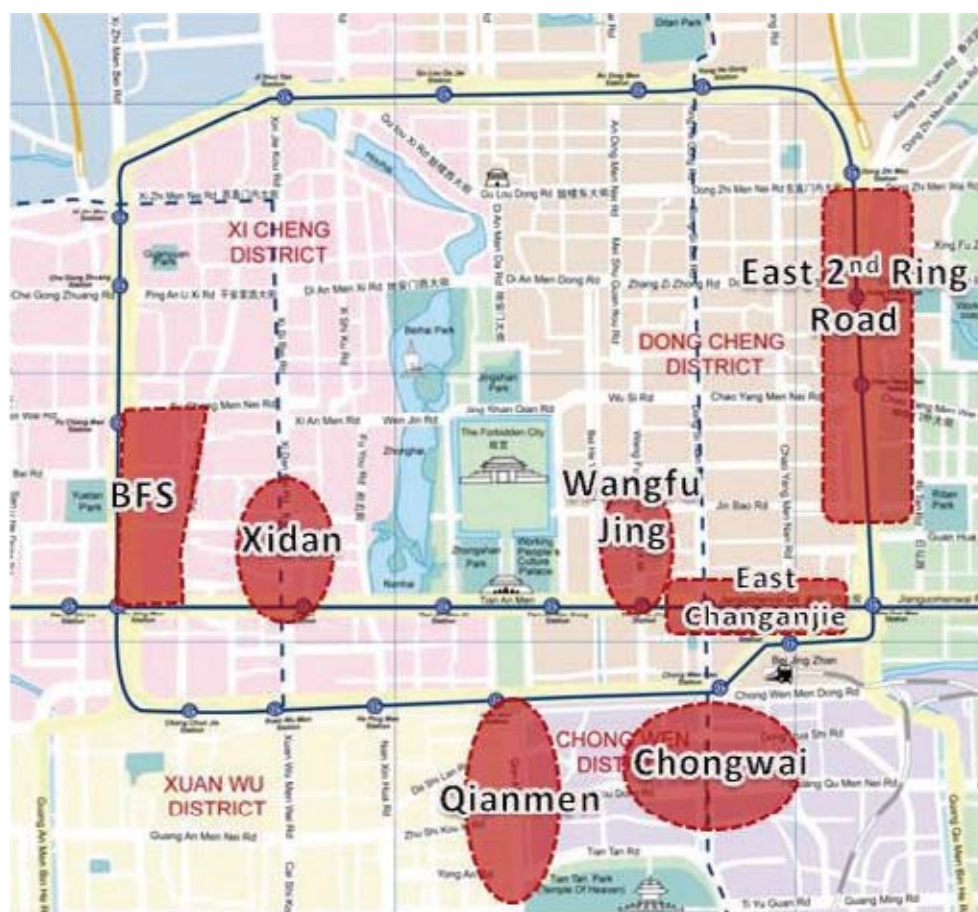
As of March 31, 2014, our projects in Beijing include Beijing Glory City, Fugui Garden and Eudemonia Palace. Considering the locations of these properties and preference of our target customers, our major competitors in Beijing include Financial Street Holding Co., Ltd. and New World China Land Ltd..

INDUSTRY OVERVIEW

Property Market within Beijing's Second Ring Road

Within Beijing's Second Ring Road, there are seven commercial districts including Beijing Financial Street (BFS), the Chongwai Avenue catchment, East Chang'an Avenue, East Second Ring Road, the Qianmen catchment, the Xidan catchment and the Wangfujing catchment. Among them, Qianmen, Xidan and Wangfujing are traditional commercial districts, while the Chongwai Avenue catchment is a fast-growing new commercial district. According to the Beijing Dongcheng District Overall Development Plan between 2011 and 2030 (北京市東城區總體發展戰略規劃 2011-2030), the Chongwai Avenue catchment will endeavor to develop modern commercial and business service industries, and will thus require high-quality office spaces to accommodate the headquarters of these corporations. In addition, retail space and hospitality facilities are expected to be developed to complement the office buildings. Demand for high-quality buildings is expected to promote the overall property market in the Chongwai Avenue catchment in the long term.

The following map shows the seven major commercial districts within Beijing's Second Ring Road.



Note: Commercial districts within Beijing's Second Ring Road are labeled in red. They are BFS, the Chongwai Avenue catchment (Chongwai catchment), East Chang'an Avenue, East Second Ring Road, the Qianmen catchment, the Wangfujing catchment and the Xidan catchment.

Chongwai Avenue property market

The area was transformed by a massive urban regeneration programme in the early 1990s. It diversified further with the development and launch of Glory City in the 2000s. By March 31, 2014, there

INDUSTRY OVERVIEW

were four retail projects, five office buildings, four hotels and a number of mid- to high-end and high-end apartments in the area.

Being a well-developed area, Chongwai Avenue will see less property development as the land supply is scarce. Future supply will mainly come from urban regeneration projects. Projects in the area to be developed in the next three years are the Beijing Glory Center Project and Chongcai Project, offering a total GFA of 179,125 sq.m. It is worth noting that the Beijing Glory Center Project will be the only mixed-use development project within the East Second Ring Road in Dongcheng District for the next three years.

Glory Real Estate is currently engaged in the primary land development project on the west side of Qinian Street with a planned GFA of 427,404 sq.m. According to information published by Beijing Municipal Commission of Development and Reform (北京市發展與改革委員會), Bureau of Land and Resources of Beijing (北京市土地局), Beijing Land Consolidation and Reserve Center (北京市土地整理儲備中心), this project currently is the largest primary land development project within one kilometer of Tiananmen Square.

The central location of Chongwai Avenue attracts buyers with strong purchasing power. Since it is about 3.8 kilometers to the CBD, 5.1 kilometers to BFS, 1.1 kilometers to East Chang'an Avenue and 2.1 kilometers to East Second Ring Road, businessmen, senior management executives and white-collar employees working in these business areas comprise the majority of residents and potential buyers at the mid- to high-end apartment projects. We expect that the central location and the scarcity of new residential supply will support the high housing prices.

The following table shows Chongwai Avenue submarket status as of March 31, 2014.

	<u>Retail</u>	<u>Office</u>	<u>Residence</u>	<u>50-year apartments</u>
Property level	Mid	Mid-high	Mid-high	Mid-high
Asking rent (RMB per sq.m. per month)	Shopping mall 200–700	180–210	—	—
Sales price (RMB per sq.m.)	—	30,000–40,000	45,000–60,000 (second hand)	65,000–70,000 (first hand)

Source: Savills Research & Consultancy

The following table shows Chongwai Avenue retail market status as of March 31, 2014.

	<u>Beijing New World</u>	<u>Glory Mall</u>	<u>So Show City</u>	<u>Fugui Garden Mall</u>
Positioning	Mid	Mid	Low-mid	Low-mid
Opening date	1998	2009	2004	2008
Type	Department store	Shopping mall	Market	Shopping mall
Retail area (sq.m.)	93,000	114,000	30,000	26,000
Anchor tenants	I do, Esprit	H&M, C&A	Max cinema	Carrefour, Gome

INDUSTRY OVERVIEW

Competition within Beijing's Second Ring Road Property Market

The table below shows the top 10 property developers in terms of total GFA within the Second Ring Road in Beijing as of March 31, 2014:

Ranking	Company	Total GFA (approximate sq.m.)
1	Financial Street Holdings Co., Ltd. 金融街控股股份有限公司	1,573,000
2	Glory Real Estate 國瑞地產	1,389,000
3	New World China Land Ltd. 新世界中國地產有限公司	1,319,000
4	Cheung Kong Holdings 香港長江實業公司	800,000
5	Tianhong Group 天鴻集團公司	622,000
6	SOHO China SOHO 中國有限公司	444,000
7	Beijing Xinglong Estate Co., Ltd. 北京興隆置業有限公司	422,000
8	China National Cereals, Oils and Foodstuffs Corporation 中糧集團	415,000
9	Henderson Land Development Co. Ltd. 恒基兆業地產有限公司	383,000
10	Jindi Land 北京金第房地產開發有限公司	370,000

Note: The ranking of property developers is based on the following assumptions and methodologies:

- (1) *the property developers are measured and ranked in terms of the total GFA of real property projects completed and under development as of March 31, 2014; and*
- (2) *data for Glory Real Estate is provided by the Company, and data for the rest of property developers are obtained and derived from: (i) property listings from China Real Estate Information Corporation (CRIC) and China Real Estate Index System (CREIS); (ii) company annual reports and announcements, and other public information available on the Internet; and (iii) Savills proprietary data on the property market.*

Langfang Property Market

Real estate investment in Langfang increased at a CAGR of 16.3%, from RMB12.3 billion in 2007 to RMB30.4 billion in 2013. The total GFA completed increased at a CAGR of 27.6% from 1.8 million sq.m. in 2007 to 6.1 million sq.m. in 2012. The total GFA sold increased at a CAGR of 14.5% from 3.6 million sq.m. in 2007 to 7.1 million sq.m. in 2012. The average selling price increased at a CAGR of 11.7% from RMB3,384 in 2007 to RMB5,877 per sq.m. in 2012.

Langfang Residential Market

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

INDUSTRY OVERVIEW

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

	As of December 31,							CAGR
	2007	2008	2009	2010	2011	2012	2013	%
Real estate investment (RMB billion)	12.3	22.0	24.8	24.9	29.4	24.3	30.4	16.3
Residential	11.3	18.8	23.0	20.8	22.6	19.5	N/A	11.5*
Total GFA completed (million sq.m.)	1.8	2.2	5.0	5.8	7.5	6.1	N/A	27.6*
Residential	1.5	2.1	4.6	5.2	6.5	5.1	N/A	27.7*
Total GFA sold (million sq.m.)	3.6	4.2	6.3	8.2	7.3	7.1	N/A	14.5*
Residential	3.5	4.1	6.1	7.6	6.8	6.5	N/A	13.2*
Average selling price (RMB per sq.m.)	3,384	3,931	4,157	4,877	5,345	5,877	N/A	11.7*
Residential	3,336	3,904	4,142	4,869	5,070	5,581	N/A	10.8*

Source: Bureau of Statistics of Langfang

Note: * This data is calculated from 2007 to 2012.

As of March 31, 2014, our project in Langfang is Yongqing Glory City. Considering the location of the property and the preference of our target customers, our major competitors in Langfang include Risesun Real Estate Development Co. Ltd. and Xianghe Rural Real Estate Development Co. Ltd.

Competition in Langfang's Property Market

The following chart sets forth the top 10 residential property developers in terms of total GFA within Langfang as of March 31, 2014:

Ranking	Company	Total GFA (approximate sq.m.)
1	華夏幸福基業 China Fortune Land Development Co., Ltd.	7,389,400
2	恒盛投資集團 Hengsheng Investment Group	5,400,000
3	K2 地產 K2 Real Estate	5,336,000
4	浙江新商博投資有限公司 Zhejiang Xinshangbo Investment Group	4,500,000
5	榮盛房地產發展股份有限公司 Risesun Real Estate Development Co. Ltd	3,022,200
6	香河縣城鎮房地產綜合開發有限公司 Xianghe Rural Real Estate Development Co. Ltd.	2,963,000
7	國瑞地產 Glory Real Estate Co. Ltd.	2,137,000
8	天洋置地 Skyocean Real Estate Development Co.	1,800,000
9	三河福成房地產開發有限公司 Sanhe Fucheng Real Estate Development Co. Ltd	1,250,000
10	天地控股集團 Universe Holdings Group	1,081,000

Note: The ranking of property developers is based on the following assumptions and methodologies:

- (1) the property developers are measured and ranked in terms of the total GFA of real property projects completed and under development as of March 31, 2014; and
- (2) data for Glory Real Estate is provided by the Company, and data for the rest of developers are obtained and derived from: (i) property listings from CRIC and CREIS; (ii) company annual reports and announcements, and other public information available on the Internet; and (iii) Savills proprietary data on the property market.

INDUSTRY OVERVIEW

Shenyang Property Market

Real estate investment in Shenyang increased at a CAGR of 20% from RMB73.0 billion in 2007 to RMB218.4 billion in 2013. The total GFA completed in Shenyang increased at a CAGR of 2.1% from 12.9 million sq.m. in 2007 to 14.6 million sq.m. in 2013. The total GFA sold in Shenyang increased at a CAGR of 7.6% from 14.6 million sq.m. in 2007 to 22.6 million sq.m. in 2013. The average selling price in Shenyang increased at a CAGR of 9.4% from RMB3,699 per sq.m. in 2007 to RMB6,348 per sq.m. in 2013.

Shenyang Residential Market

Shenyang's residential market has been stable since 2007. The GFA of residential properties completed increased at a CAGR of 2% from 10.9 million sq.m. in 2007 to 12.3 million sq.m. in 2013. The GFA of residential properties sold increased at a CAGR of 6.8% from 13.6 million sq.m. in 2007 to 20.2 million sq.m. in 2013. The average selling price of residential properties increased steadily at a CAGR of 9.4% from RMB3,536 per sq.m. in 2007 to RMB6,074 per sq.m. in 2012.

Shenyang Office Market

Office space is limited in Shenyang. The GFA of office properties completed in Shenyang increased at a CAGR of 8.4% from 0.4 million sq.m. in 2007 to 0.6 million sq.m. in 2012. The GFA of office properties sold in Shenyang increased at a CAGR of 14.9% from 0.1 million sq.m. in 2007 to 0.2 million sq.m. in 2012. The average selling price of office properties in Shenyang increased at a CAGR of 15.9% from RMB5,394 per sq.m. in 2007 to RMB11,288 per sq.m. in 2012.

Shenyang Retail Market

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

INDUSTRY OVERVIEW

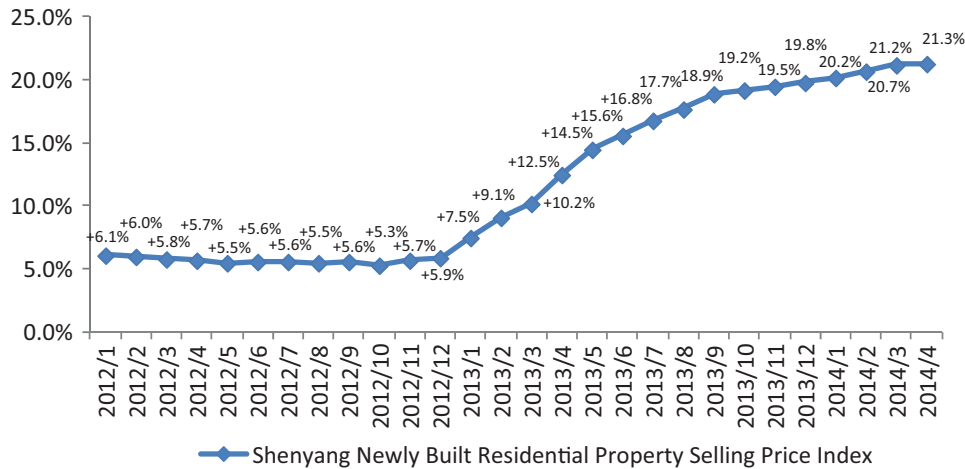
The table below shows selected property market indicators of Shenyang for the periods indicated:

	As of December 31,							CAGR (%)
	2007	2008	2009	2010	2011	2012	2013	
Real estate investment (RMB billion)	73.0	101.1	118.9	145.0	168.5	194.3	218.4	20.0
Residential	55.9	72.9	80.2	100.4	126.1	133.1	157.5	18.8
Office	2.5	4.6	6.1	6.4	5.1	10.1	N/A	32.2*
Retail	10.7	17.5	26.3	29.1	27.3	35.9	N/A	27.4*
Total GFA completed (million sq.m.)	12.9	12.9	12.9	13.9	19.8	20.7	14.6	2.1
Residential	10.9	10.8	10.8	11.1	16.1	16.4	12.3	2.0
Office	0.4	0.3	0.2	0.2	0.3	0.6	N/A	8.4*
Retail	1.1	1.3	1.6	2.0	2.6	2.5	N/A	17.8*
Total GFA sold (million sq.m.)	14.6	14.7	15.3	17.5	21.7	24.7	22.6	7.6
Residential	13.6	13.1	13.7	15.2	19.5	22.0	20.2	6.8
Office	0.1	0.2	0.2	0.3	0.1	0.2	N/A	14.9*
Retail	0.8	1.2	1.2	1.7	1.6	1.9	N/A	18.9*
Average selling price (RMB per sq.m.)	3,699	4,128	4,464	5,411	5,884	6,321	6,348	9.4
Residential	3,536	3,856	4,196	5,109	5,613	5,989	6,074	9.4
Office	5,394	6,622	7,639	6,939	7,175	11,288	N/A	15.9*
Retail	6,017	6,681	7,113	7,788	8,999	9,712	N/A	10.0*

Source: Bureau of Statistics of Shenyang

Note: * This data is calculated from 2007 to 2012.

The following chart shows the monthly year on year changes in the selling prices of the newly built residential properties in Shenyang from January 2012 to the April 2014.



Source: National Bureau of Statistics of China

Note: The Shenyang Newly Built Residential Property Selling Price Index is published by the National Bureau of Statistics of China, which publishes the residential property selling price index of 70 large and medium-sized cities every month. The base year is 2010.

As of March 31, 2014, our project in Shenyang is Shenyang Glory City. Considering the location of the property and the preference of our target customers, our major competitors in Shenyang include Shengyang Changfeng Real Estate Development Co. and Vanke Group.

INDUSTRY OVERVIEW

Competition in Shenyang's Property Market

The table below shows the top 10 property developers in terms of total GFA within the Second Ring Road of Shenyang as of March 31, 2014:

Ranking	Company	Total GFA (approximate sq.m.)
1	瀋陽長峰房地產開發公司 Shengyang Changfeng Real Estate Development Co.	3,300,000
2	國瑞地產 Glory Real Estate	1,714,000
3	萬科集團 Vanke Group	1,638,700
4	華潤置地 China Resources	1,650,000
5	世茂集團 Shimao Group	1,600,000
6	嘉里建設有限公司 Kerry Properties Limited	1,300,000
7	華府置地 Rich Real Estate	1,295,000
8	裕景地產集團 Eton Property Ltd.	1,250,000
9	寶能集團 Baoneng Group	1,000,000
10	樂天集團 Lotte Group	980,000

Note: The ranking of property developers is based on the following assumptions and methodologies:

- (1) *the property developers are measured and ranked in terms of the total GFA of real property projects completed and under development as of March 31, 2014; and*
- (2) *data for Glory Real Estate is provided by the Company, and data for the rest of property developers are obtained and derived from: (i) property listings from CRIC and CREIS; (ii) company annual reports and announcements, and other public information available on the Internet; and (iii) Savills proprietary data on the property market.*

Zhengzhou Property Market

Zhengzhou's economic growth has fueled the development of its real estate industry. The total real estate investment in Zhengzhou increased at a CAGR of 30.0% from RMB29.9 billion in 2007 to RMB144.5 billion in 2013. The total GFA completed in Zhengzhou increased at a CAGR of 9.3% from 6.7 million sq.m. in 2007 to 11.4 million sq.m. in 2013. The total GFA sold in Zhengzhou increased at a CAGR of 6.7% from 11.0 million sq.m. in 2007 to 16.2 million sq.m. in 2013. The average selling price in Zhengzhou increased at a CAGR of 10.5% from RMB3,926 per sq.m. in 2007 to RMB7,162 per sq.m. in 2012.

Zhengzhou Residential Market

The GFA of residential properties completed in Zhengzhou increased at a CAGR of 5.9% from 5.4 million sq.m. in 2007 to 7.6 million sq.m. in 2013. The GFA of residential properties sold in Zhengzhou increased at a CAGR of 4.4% from 10.1 million sq.m. in 2007 to 13.1 million sq.m. in 2013. The average selling price of residential properties in Zhengzhou increased at a CAGR of 12.1% from RMB3,328 per sq.m. in 2007 to 6,587 per sq.m. in 2013.

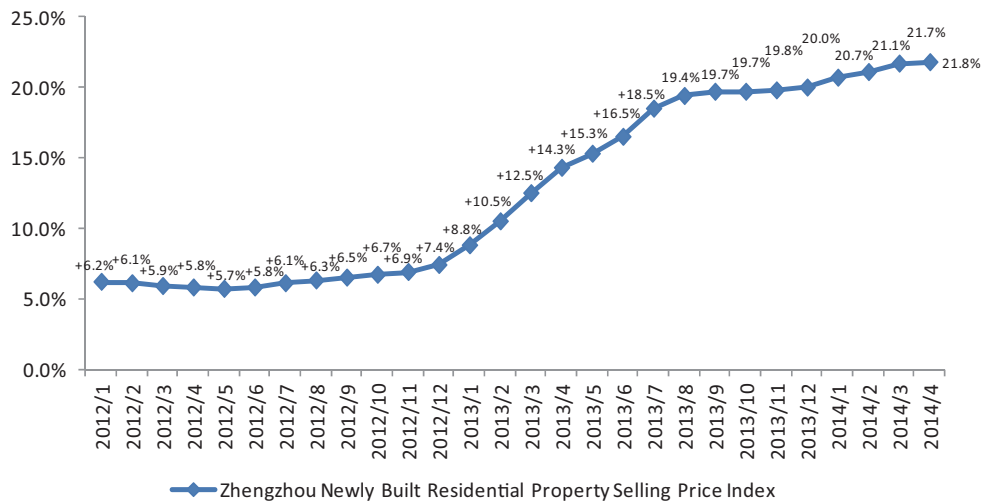
INDUSTRY OVERVIEW

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

	As of December 31,							CAGR
	2007	2008	2009	2010	2011	2012	2013	(%)
Real estate investment (RMB billion)	29.9	43.0	51.4	77.5	92.4	109.5	144.5	30.0
Residential	22.5	33.8	39.4	55.6	62.7	67.6	91.1	26.2
Total GFA completed (million sq.m.)	6.7	6.9	6.4	9.5	14.9	14.5	11.4	9.3
Residential	5.4	6.3	5.3	7.5	13.1	10.4	7.6	5.9
Total GFA sold (million sq.m.)	11.0	7.0	12.0	15.6	15.6	14.4	16.2	6.7
Residential	10.1	6.3	10.9	14.3	13.1	12.3	13.1	4.4
Average selling price (RMB per sq.m.)	3,926	4,467	4,910	4,957	5,704	6,253	7,162	10.5
Residential	3,328	3,648	4,054	4,595	4,692	5,643	6,587	12.1

Source: Bureau of Statistics of Zhengzhou

The following chart shows the monthly year on year changes in the selling prices of the newly built residential properties in Zhengzhou from January 2012 to the April 2014.



Source: National Bureau of Statistics of China

Note: The Zhengzhou Newly Built Residential Property Selling Price Index is published by the National Bureau of Statistics of China, which publishes the residential property selling price index of 70 large and medium-sized cities every month. The base year is 2010.

As of March 31, 2014, our project in Zhengzhou is Zhengzhou Glory City. Considering the location of the property and the preference of our target customers, our major competitors in Zhengzhou include Joyi Real Estate and Yuhong Real Estate.

INDUSTRY OVERVIEW

Competition in Zhengzhou's Property Market

The table below shows the top 10 residential property developers in terms of total GFA within Xinzheng County Level City as of March 31, 2014:

Ranking	Company	Total GFA (approximate sq.m.)
1	居易國際 Joyi Real Estate	1,540,000
2	新鄭市國瑞房地產開發有限公司 Glory Real Estate	854,000
3	河南裕鴻置業有限公司 Yuhong Real Estate	800,000
4	華和置業有限公司 Hehua Real Estate	700,000
5	鄭州綠都置業有限公司 Lvdu Real Estate	675,000
6	河南正商置業有限公司 Zensun Real Estate	500,000
7	鄭州恒基實業有限公司 Hengji Co. Ltd	450,000
8	河南昭元置業有限公司 Zhaoyuan Real Estate	320,000
9	河南保利置業有限公司 Poly Real Estate	201,000
10	鄭州正力置業有限公司 Zhengli Real Estate	180,000

Note: The ranking of property developers is based on the following assumptions and methodologies:

- (1) the property developers are measured and ranked in terms of the total GFA of real property projects completed and under development as of March 31, 2014; and*
- (2) data for Glory Real Estate is provided by the Company, and data for the rest of property developers are obtained and derived from: (i) property listings from CRIC and CREIS; (ii) company annual reports and announcements, and other public information available on the Internet; and (iii) Savills proprietary data on the property market.*

Shantou Property Market

Real estate investment in Shantou increased at a CAGR of 27.6% from RMB3.5 billion in 2007 to RMB15.1 billion in 2013. The total GFA completed in Shantou increased at a CAGR of 5.6% from 1.6 million sq.m. in 2007 to 2.1 million sq.m. in 2012. The total GFA sold in Shantou decreased at a CAGR of 0.7% from 1.8 million sq.m. in 2007 to 1.73 million sq.m. in 2013. The average selling price in Shantou increased at a CAGR of 14.5% from RMB3,249 per sq.m. in 2007 to RMB7,304 per sq.m. in 2013.

Shantou Residential Market

The GFA of residential properties completed in Shantou increased at a CAGR of 4.2% from 1.3 million sq.m. in 2007 to 1.6 million sq.m. in 2012. The GFA of residential properties sold in Shantou increased at a CAGR of 1.0% from 1.5 million sq.m. in 2007 to 1.59 million sq.m. in 2013. The average selling price of residential properties in Shantou increased at a CAGR of 14.8% from RMB3,061 per sq.m. in 2007 to RMB6,993 per sq.m. in 2013.

INDUSTRY OVERVIEW

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

	As of December 31,							CAGR (%)
	2007	2008	2009	2010	2011	2012	2013	
Real estate investment (RMB billion)	3.5	3.3	3.8	4.9	7.1	8.3	15.1	27.6
Residential	2.6	2.4	2.8	3.5	5.6	5.8	N/A	17.4*
Total GFA completed (million sq.m.)	1.6	1.3	1.6	1.1	1.9	2.1	1.9	2.9
Residential	1.3	1.0	1.2	0.9	1.5	1.6	N/A	4.2*
Total GFA sold (million sq.m.)	1.8	1.4	1.3	1.6	1.7	1.9	1.73	-0.7
Residential	1.5	1.2	1.1	1.5	1.4	1.7	1.59	1.0
Average selling price (RMB per sq.m.)	3,249	3,095	3,696	4,270	5,124	6,039	7,304	14.5
Residential	3,061	3,125	3,504	4,159	4,790	5,879	6,993	14.8

Source: Bureau of Statistics of Shantou

As of March 31, 2014, our project in Shantou is Shantou Glory Construction Materials & Home Furnishing Exhibition Center. Considering the location of our property and the preference of our target customers, our major competitors in Shantou include GoTop and Xiangjiang Furniture.

Foshan Property Market

Real estate investment in Foshan increased at a CAGR of 15.4% from RMB31.5 billion in 2007 to RMB74.5 billion in 2013. The total GFA completed in Foshan increased at a CAGR of 4.6% from 4.6 million sq.m. in 2007 to 6.0 million sq.m. in 2013. The total GFA sold in Foshan increased at a CAGR of 0.8% from 7.7 million sq.m. in 2007 to 8.0 million sq.m. in 2012. The average selling price in Foshan increased at a CAGR of 8.8% from RMB5,280 per sq.m. in 2007 to RMB8,046 per sq.m. in 2012.

Foshan Residential Market

As one of the fastest developing cities in the PRD, the residential market in Foshan has also seen rapid growth. The GFA of residential properties completed in Foshan increased at a CAGR of 5.0% from 4.0 million sq.m. in 2007 to 5.1 million sq.m. in 2012. The GFA of residential properties sold in Foshan increased at a CAGR of 0.6% from 6.9 million sq.m. in 2007 to 7.1 million sq.m. in 2012. The average selling price of residential properties in Foshan increased at a CAGR of 8.5% from RMB5,275 per sq.m. in 2007 to RMB7,944 per sq.m. in 2012.

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

	As of December 31,							CAGR (%)
	2007	2008	2009	2010	2011	2012	2013	
Real estate investment (RMB billion)	31.5	40.4	35.8	48.6	59.7	63.8	74.5	15.4
Residential	20.5	26.7	26.3	40.0	45.7	43.2	50.5	16.2
Total GFA completed (million sq.m.)	4.6	3.2	2.4	6.2	6.1	6.5	6.0	4.6
Residential	4.0	2.7	2.0	5.0	5.0	5.1	N/A	5.0*
Total GFA sold (million sq.m.)	7.7	5.4	7.8	8.9	8.7	8.0	N/A	0.8*
Residential	6.9	4.8	7.1	7.8	7.5	7.1	N/A	0.6*
Average selling price (RMB per sq.m.)	5,280	5,384	6,256	7,545	8,039	8,046	N/A	8.8*
Residential	5,275	5,366	6,204	7,648	8,207	7,944	N/A	8.5*

Source: Bureau of Statistics of Foshan

Note: * This data is calculated from 2007 to 2012.

INDUSTRY OVERVIEW

Haikou Property Market

Real estate investment in Haikou increased at a CAGR of 27.0% from RMB6.1 billion in 2007 to RMB25.6 billion in 2013. The total GFA completed in Haikou increased at a CAGR of 7.4% from 1.3 million sq.m. in 2007 to 2.0 million sq.m. in 2013. The total GFA sold in Haikou increased at a CAGR of 12.2% from 1.7 million sq.m. in 2007 to 3.4 million sq.m. in 2013. The average selling price in Haikou increased at a CAGR of 14.2% from RMB3,516 per sq.m. in 2007 to RMB6,825 per sq.m. in 2012.

Haikou Residential Market

The total GFA of residential properties completed in Haikou increased at a CAGR of 15.9% from 1.1 million sq.m. in 2007 to 2.3 million sq.m. in 2012. The total GFA of residential properties sold in Haikou increased at a CAGR of 9.3% from 1.6 million sq.m. in 2007 to 2.5 million sq.m. in 2012. The average selling price of residential properties in Haikou increased at a CAGR of 13.9% from RMB3,403 per sq.m. in 2007 to RMB6,512 per sq.m. in 2012.

Haikou Office Market

Compared with cities on the mainland, Haikou's office market emerged much later and developed less rapidly, due to the local economic conditions. The GFA of office properties completed in Haikou increased at a CAGR of 0.0% from 0.04 million sq.m. in 2007 to 0.04 million sq.m. in 2012. The GFA of office properties sold in Haikou decreased from 0.03 million sq.m. in 2007 to 2,000 sq.m. in 2012. The average selling price of office properties in Haikou increased at a CAGR of 44.5% from RMB4,814 per sq.m. in 2007 to RMB30,294 per sq.m. in 2012. Before 2011, the quality of office properties in Haikou was relatively low, which resulted in a low average selling price. Since 2011, the quality of office properties has significantly improved as a number of Grade A office projects have entered the Haikou's office market, which has led to a dramatic growth of the average selling price of office properties.

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

	As of December 31,							CAGR (%)
	2007	2008	2009	2010	2011	2012	2013	
Real estate investment (RMB billion)	6.1	7.5	7.8	10.4	14.5	17.6	25.6	27.0
Residential	4.0	5.5	6.8	8.3	11.7	13.0	20.6	31.4
Office	0.2	0.3	0.1	0.6	1.1	1.1	N/A	40.6*
Total GFA completed (million sq.m.)	1.3	1.1	1.2	1.3	0.3	3.1	2.0	7.4
Residential	1.1	0.9	1.1	0.8	0.3	2.3	N/A	15.9*
Office	0.04	0.03	N/A ⁽¹⁾	0.18	N/A ⁽¹⁾	0.04	N/A	N/A ⁽¹⁾
Total GFA sold (million sq.m.)	1.7	1.7	1.9	2.1	2.3	2.7	3.4	12.2
Residential	1.6	1.6	1.8	2.0	2.0	2.5	N/A	9.3*
Office	0.03	0.01	0.03	0.05	0.02	nil ⁽²⁾	N/A	-41.8*
Average selling price (RMB per sq.m.)	3,516	4,594	5,368	8,015	6,654	6,825	N/A	14.2*
Residential	3,403	4,496	5,317	8,069	6,664	6,512	N/A	13.9*
Office	4,814	5,831	4,963	6,463	27,729	30,294	N/A	44.5*

Source: Bureau of Statistics of Haikou; CRIC

Note:

(1) Bureau of Statistics of Haikou does not release GFA completed of office properties in 2009 and 2011.

(2) According to Bureau of Statistics of Haikou, 2,000 sq.m. of office properties was sold in Haikou in 2012. The average selling price of office properties in 2012 represents the selling price of these office properties.

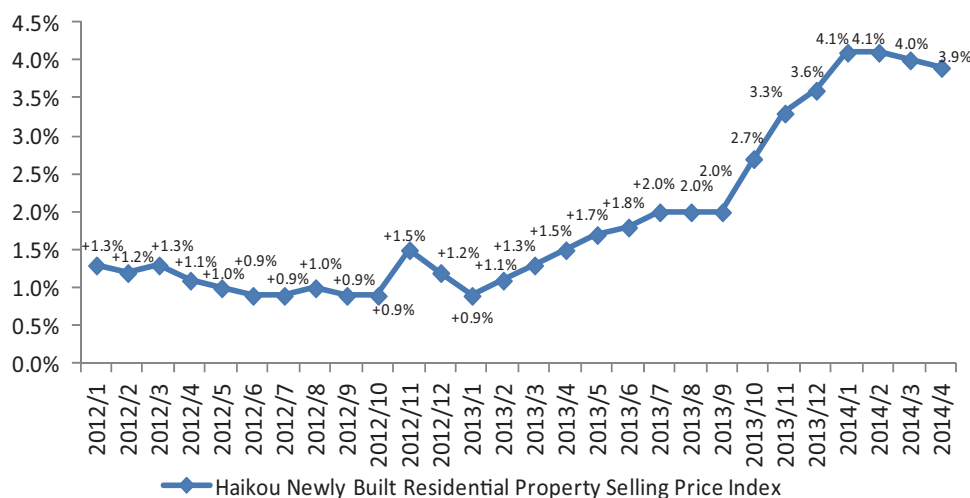
* This data is calculated from 2007 to 2012.

INDUSTRY OVERVIEW

The following table shows the future supply of Grade A offices in Haikou between 2014 and 2018.

Project (EN)	Project (CN)	Estimated completion	Office GFA (sq.m.)	Location
Zhonghua Plaza	中環廣場	2014	33,346	Binhai Avenue
Glory Mansion	國瑞大廈	2014/2015	267,981	Dayingshan
International Financial Center	國際金融中心	2016/2017	194,386	Dayingshan
Haikou Tower	海口塔	2018	N/A	Dayingshan
Anzhong Yusha Plaza	安中玉沙廣場	N/A	N/A	Binhai Avenue

The following chart shows the monthly year on year changes in the selling prices of the newly built residential properties in Haikou from January 2012 to the April 2014.



Source: National Bureau of Statistics of China

Note: The Haikou Newly Built Residential Property Selling Price Index is published by the National Bureau of Statistics of China, which publishes the residential property selling price index of 70 large and medium-sized cities every month. The base year is 2010.

As of March 31, 2014, our projects in Haikou are Haikou Glory City and Glory Garden. Considering the location of our properties and the preference of our target customers, our major competitors in Haikou include Hainan Wenxin Real Estate Co, Ltd and HNA Real Estate.

INDUSTRY OVERVIEW

Competition in Haikou's Property Market

The table below shows the top 10 property developers in terms of total GFA within Haikou City as of March 31, 2014:

Ranking	Company	Total GFA (approximate sq.m.)
1	海南翔裕投资有限公司 Hainan Xiangyu Investment Co. Ltd	12,000,000
2	新世界中國地產 New World China	2,788,000
3	上置集團 SRE Group Ltd	1,200,000
4	海南鑫生置業有限公司 Hainan Xinsheng Real Estate Co, Ltd	1,108,000
5	海南安中置業有限公司 Hainan Anzhong Real Estate Co, Ltd	1,094,000
6	盛高置地 Shenggao Real Estate	1,001,000
7	海南信偉實業有限公司 Hainan Xinwei Investment Co, Ltd	1,000,000
8	海南文新房地產開發有限公司 Hainan Wenxin Real Estate Co, Ltd	1,000,000
9	海航地產 HNA Real Estate	990,000
10	國瑞地產 Glory Real Estate	911,086

Note: The ranking of property developers is based on the following assumptions and methodologies:

- (1) the property developers are measured and ranked in terms of the total GFA of real property projects completed and under development as of March 31, 2014; and
- (2) data for Glory Real Estate is provided by the Company, and data for the rest of property developers are obtained and derived from: (i) property listings from CRIC and CREIS; (ii) company annual reports and announcements, and other public information available on the Internet; and (iii) Savills proprietary data on the property market.

Wanning Property Market

Real estate investment in Wanning increased at a CAGR of 153.2% from RMB0.1 billion in 2008 to RMB10.4 billion in 2013, driven by several large-scale developments such as Shenzhou Peninsula (神州半島).

Wanning Residential Market

The GFA of residential properties completed in Wanning increased at a CAGR of 38.5% from 25,000 sq.m. in 2008 to 92,000 sq.m in 2012. The GFA of residential properties sold in Wanning increased at a CAGR of 64.6% from 62,000 sq.m. in 2008 to 455,000 sq.m. in 2012. The average selling price in Wanning increased at a CAGR of 38.4% from RMB3,375 per sq.m. in 2009 to RMB8,943 per sq.m. in 2012.

INDUSTRY OVERVIEW

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

	As of December 31,						CAGR (%)
	2008	2009	2010	2011	2012	2013	
Real estate investment (RMB billion)	0.1	1.5	2.0	4.3	5.9	10.4	153.2
Total GFA completed (thousand sq.m.)	25	215	N/A	183	92	N/A	38.5*
Residential	25	215	N/A	183	92	N/A	38.5*
Total GFA sold (thousand sq.m.)	62	160	382	420	455	62.9	64.6
Residential	62	160	382	420	455	N/A	64.6*
Average selling price (RMB per sq.m.)	N/A	3,375	4,560	8,222	8,943	11,508	N/A
Residential	N/A	3,375	4,560	8,222	8,943	N/A	N/A

Source: Bureau of Statistics of Wanning

Note: Bureau of Statistics of Wanning does not release total GFA completed, GFA completed of residential properties, total GFA sold of residential properties in 2007. Bureau of Statistics of Wanning does not release the average selling price of real properties and average selling price of residential properties in 2008.

* This data is calculated from 2007 to 2012.

As of March 31, 2014, our project in Wanning is Wanning Glory City. Considering the location of our property and the preference of our target customers, our major competitors in Haikou include Baoan Real Estate and Hainan Haocheng Investment Co.

Competition in Wanning's Property Market

The following chart states the top 10 residential property developers in terms of total GFA within Wancheng District, Wanning as of March 31, 2014:

Ranking	Company	Total GFA (approximate sq.m.)
1	國瑞地產 Glory Real Estate Co, Ltd	361,000
2	寶安地產 Baoan Real Estate	231,000
3	海南豪城實業有限公司 Hainan Haocheng Investment Co	228,000
4	萬寧凱德投資有限公司 Wanning Kaide Investment Co, Ltd	198,000
5	萬寧富通房地產有限公司 Futong Real Estate Co. Ltd	180,000
6	海南金利實業有限公司 Hainan Jingli Co. Ltd	150,000
7	海南中匯宏基時代廣場投資有限公司 Zhonghui Group	55,000
8	海南萬寧市興海實業有限公司 Xinghai Investment Co, Ltd	54,000
9	萬寧國興房地產開發有限公司 Wanning Guoxing Real Estate Development Co. Ltd	52,000
10	萬寧儒生置業有限公司 Wanning Rusheng Real Estate Co. Ltd	51,767

Note: The ranking of property developers is based on the following assumptions and methodologies:

- (1) the property developers are measured and ranked in terms of the total GFA of real property projects completed and under development as of March 31, 2014; and
- (2) data for Glory Real Estate is provided by the Company, and data for the rest of property developers are obtained and derived from: (i) property listings from CRIC and CREIS; (ii) company annual reports and announcements, and other public information available on the Internet; and (iii) Savills proprietary data on the property market.

INDUSTRY OVERVIEW

Xi'an Property Market

Real estate investment in Xi'an increased at a CAGR of 26.6% from RMB38.7 billion in 2007 to RMB159.6 billion in 2013. The total GFA completed in Xi'an increased at a CAGR of 8.7% from 4.8 million sq.m. in 2007 to 7.9 million sq.m. in 2013. The total GFA sold in Xi'an increased at a CAGR of 13.2% from 8.3 million sq.m. in 2007 to 15.4 million sq.m. in 2012. The average selling price in Xi'an increased at a CAGR of 24.1% from RMB3,395 per sq.m. in 2007 to RMB9,993 per sq.m. in 2012.

The following table shows selected property market indicators of Xi'an for the periods indicated:

	As of December 31,							CAGR (%)
	2007	2008	2009	2010	2011	2012	2013	
Real estate investment (RMB billion)	38.7	54	69.6	84.2	99.7	128.2	159.6	26.6
Total GFA completed (million sq.m.)	4.8	4.4	5.4	4.6	6.3	10.6	7.9	8.7
Total GFA sold (million sq.m.)	8.3	7.6	12.6	15.9	17.8	15.4	N/A	13.2*
Average selling price (RMB per sq.m.)	3,395	3,901	3,877	4,447	6,131	9,993	N/A	24.1*

Source: Bureau of Statistics of Xi'an

*Note: * This data is calculated from 2007 to 2012.*

HISTORY AND REORGANIZATION

OVERVIEW

Our Group was founded by Chairman Zhang in 1994 in Shantou, Guangdong province. Our founder, Chairman Zhang, has more than 10 years of experience in the PRC real estate industry. In 2000, we entered the property development market in Beijing and commenced our businesses in the development of residential and commercial properties in Beijing. Leveraging our success in the property development businesses in Beijing, we subsequently expanded our operations into other PRC major cities of strategic importance in our development plan such as Shenyang, Haikou, Wanning, Langfang, Zhengzhou, Shantou, Foshan and Xi'an. Since our commencement of operations in the late 1990s, we have completed eight projects and certain phases of five projects, with an aggregate completed GFA of 2.5 million sq.m. as of March 31, 2014. As of March 31, 2014, we had six property projects, certain phases of five projects with a total GFA of 1.4 million sq.m. under development and a total GFA of 5.0 million sq.m. held for future development. Our Company was incorporated as an exempted company with limited liability in the Cayman Islands on July 16, 2012. It became the holding company of our Group's operation for the purpose of Listing in June 2013.

OUR CORPORATE HISTORY AND DEVELOPMENT

Key milestone events of our Group

The table below is an overview of material developments and milestone events of our Group:

Period	Event	Major Property Development Projects	Project Type
		(commencement year)	
1994	Establishment of Garden Group	Shantou Glory City (2007) (汕頭國瑞城)	Mixed-use
Since 2000	Acquisition of Glory Industrial and our entry into the real estate market in Beijing	Beijing Fugui Garden (2001) (北京富貴園)	Mixed-use
	Establishment of Original Beijing Glory and expansion of our operations in Beijing	Beijing Glory City (2004) (北京國瑞城)	Mixed-use
		Eudemonia Palace (2011) (京禧閣)	Residential
		Beijing Glory Center (2014) (北京國瑞中心)	Mixed-use
Since 2006	Acquisition of Shengyang Dadongfang and our entry into the real estate market in Shenyang	Shenyang Glory City (2007) (瀋陽國瑞城)	Mixed-use
Since 2008	Acquisition of Haikou Hangrui and our entry into the real estate market in Hainan province	Haikuotiankong Glory City (2010) (海闊天空國瑞城)	Mixed-use
		Wanning Glory City (2011) (萬寧國瑞城)	Residential
Since 2009	Establishment of Xinzheng Glory and our entry into the real estate market in Zhengzhou	Zhengzhou Glory City (2010) (鄭州國瑞城)	Mixed-use
	Establishment of Langfang Glory and our entry into the real estate market in Langfang	Yongqing Glory City (2012) (永清國瑞城)	Residential
Since 2010	Establishment of Foshan Glory and our entry into the real estate market in Foshan	Foshan Guohua New Capital (2014) (佛山國華新都)	Residential
Since 2013	Acquisition of Shaanxi Huawei and our entry into the real estate market in Xi'an	Xi'an Glory International Financial Center (expected in 2015) (西安國瑞國際金融中心)	Mixed-use

HISTORY AND REORGANIZATION

Establishment of Garden Group

In April 1994, Chairman Zhang founded Garden Group using his own funds in Shantou, Guangdong province, together with Mr. Zhang Yingyue, Chairman Zhang's father. At the time of its establishment, Garden Group was owned as to 75% by Chairman Zhang and 25% by Mr. Zhang Yingyue, and it was then primarily engaged in metal tools and materials businesses. In 1999, Chairman Zhang and Mr. Zhang Yingyue, the then existing shareholders of Garden Group, together with Mr. Zhang Zhangde, Chairman Zhang's brother and a new shareholder of Garden Group, completed a capital increase of Garden Group, following which Garden Group was owned as to 79% by Chairman Zhang, 12.7% by Mr. Zhang Yingyue and 8.3% by Mr. Zhang Zhangde. In the same year, Garden Group expanded its business scope to include real estate investment business. Following a series of equity transfers, Garden Group was owned as to 90% by Chairman Zhang and 10% by Mr. Zhang Zhangde immediately before the Reorganization and Chairman Zhang has at all material times been in control of 75% or more of interest in Garden Group since its incorporation.

After we commenced real estate development in Beijing in 2000, Garden Group had developed a number of property projects in Shantou during the period from 2003 to 2011, including the Glory Garden (國瑞園), Yu Garden (裕園), Star Lake Residence (星湖雅居) and Yashi Garden (雅仕園) projects, with a total GFA of 119,748 sq.m. As of the date of the prospectus, Garden Group became one of the onshore holding companies of our operating subsidiaries in the PRC.

Entering the real estate market in Beijing

We first entered the property development market in Beijing in 2000. In May 2000, Garden Group acquired from Shantou Shengping Construction (Group) Company* (汕頭市升平建設(集團)公司), an independent third party, 55% equity interest in Glory Industrial, then known as Beijing Jingdu Real Estate Development Co., Ltd.* (北京京都房地產開發有限公司). Glory Industrial undertook the development of our Beijing Fugui Garden project in 2001, which was our first mixed-use complex project in Beijing. Glory Industrial was owned as to 91% by Garden Group and 9% by Longhu Huamu as of the Latest Practicable Date. For more details on the acquisitions and the shareholding changes of Glory Industrial, please refer to the sub-section headed “— Acquisitions of our major subsidiaries” in this section. For more details on Longhu Huamu, please refer to the sub-section headed “— Longhu Huamu — the other third party shareholder of our major subsidiaries” in this section.

Original Beijing Glory, the key subsidiary which undertook most of our major property development projects in Beijing, was incorporated on March 12, 2002 and was owned as to 80% by Garden Group and 20% by Longhu Huamu at the time of its establishment. Commencing in 2004, Original Beijing Glory undertook the development of the Beijing Glory City project, which was completed in 2012 with a total GFA of 881,590 sq.m. As a large building complex within the Second Ring Road of Beijing, the Beijing Glory City project contributed an improved cash flow and a considerable portion of profit to our Group, through which our Group accumulated rich real estate development experience, enjoyed strong reputation in the market and set up our own brand of “Glory City.” Original Beijing Glory also undertook the development of our Eudemonia Palace project in Beijing in 2011, which was under development as of March 31, 2014 with a total GFA of 33,101 sq.m. In addition, as of March 31, 2014, Beijing Glory Center was being developed by Beijing Glory, which inherited the property development business and projects undertaken by Original Beijing Glory upon completion of the Split, with a planned GFA of 140,021 sq.m.

Original Beijing Glory also acted as the investment holding vehicle in the establishment and acquisition of our other operating subsidiaries. Before the Reorganization and the Split, Original Beijing Glory was the onshore holding company of all our operating subsidiaries other than Glory Industrial and Shantou Construction Materials.

HISTORY AND REORGANIZATION

Expansion into other property markets across the PRC

Shenyang

We entered the property development market in Shenyang in 2006 through equity acquisition in Shenyang Dadongfang. For more details on the acquisition and the shareholding changes of Shenyang Dadongfang, please refer to the sub-section headed “— Acquisitions of our major subsidiaries” in this section.

We see Shenyang of Liaoning province as a city that has favorable market potential for further development. Shenyang Dadongfang undertook the Shenyang Glory City project in 2007, which was under development as of the Latest Practicable Date. Shenyang Glory City project is a mixed-use project with a total GFA of 1,714,024 sq.m.

Hainan

We entered the property development market in Hainan Province in 2008. In December 2008, we acquired 55% equity interest in Haikou Hangrui from Hainan HNA Real Estate Holding Co., Ltd.* (海南海航地產控股有限公司), an independent third party at the time of the transfer. In April 2009, we established Hainan Glory as an investment holding vehicle for the establishment and holding of our operating subsidiaries in Hainan, namely, Wanning Glory, Hainan Tongcheng, Hainan Nanduijiang, Hainan HNA and Haikou Hangrui. For more details on the acquisitions and the shareholding changes of the operating subsidiaries in Hainan, please refer to the sub-section headed “— Acquisitions of our major subsidiaries” in this section.

As of the Latest Practicable Date, the Hainan subsidiaries had completed the Haidian Island Glory Garden project in Haikou with a total GFA of 71,863 sq.m. We had four projects which were under development or held for future development as of March 31, 2014 in Haikou and Wanning with a total GFA of 1,200,620 sq.m.

Zhengzhou

In October 2009, Original Beijing Glory established Xinzheng Glory for the purpose of entering the property development market in Zhengzhou. Xinzheng Glory undertook the Zhengzhou Glory City project in 2010, which was still under development as of the Latest Practicable Date. Zhengzhou Glory City project is a mixed-use project with a total GFA of 858,982 sq.m.

Langfang

We entered the property development market in Langfang in 2009. In November 2009, Original Beijing Glory established Langfang Glory as an investment holding vehicle to set up our operating subsidiaries in Langfang, namely, Langfang Guosheng, Langfang Real Estate and Langfang Guoxing. Such operating subsidiaries together undertook the development of our Yongqing Glory City in 2012, which was still under development as of the Latest Practicable Date. Yongqing Glory City project is a residential project with a total GFA of 2,136,694 sq.m.

Shantou

Apart from the development of a number of medium-to-small scale property development projects including the Glory Garden (國瑞園), Yu Garden (裕園), Star Lake Residence (星湖雅居) and Yashi Garden (雅仕園) projects in Shantou by Garden Group, Garden Group established Shantou Construction Materials in 2004 together with Mr. Lin Yaoquan and Ms. Zhang Youxi, both of who are associates of Chairman Zhang and connected persons of our Group. For more details on the acquisitions and the shareholding changes of

HISTORY AND REORGANIZATION

Shantou Construction Materials, please refer to the sub-section headed “— Our Corporate History and Development — Acquisitions of our major subsidiaries” in this section. Shantou Construction Materials completed our Phase I of Shantou Glory City project in the third quarter of 2009 with a total GFA of 62,398 sq.m. as home furnishing and decoration materials retail centers which we held as investment properties. Phase II of this project will be developed by Shantou Glory and is expected to have a total GFA of 302,093 sq.m. upon completion including 122,470 sq.m. of residential units, 71,078 sq.m. of SOHO apartments, 25,000 sq.m. of a hotel, 40,000 sq.m. of a shopping mall and 43,545 sq.m. of car parking spaces. Its residential units are expected to comprise high-rise apartments. As of March 31, 2014, we had not commenced the construction of Phase II.

Foshan

In June 2010, Original Beijing Glory established Foshan Glory for the purpose of entering the property development market in Foshan. In December 2012, Foshan Glory established Foshan Guohua together with Shantou Liyi Real Estate Investment Co., Ltd* (汕頭市利溢房地產投資有限公司), the then independent third party. We, through Foshan Glory, held 55% equity interest in Foshan Guohua as of the Latest Practicable Date. Foshan Guohua held Foshan Guohua New Capital for future development, a residential project with a total GFA of 456,375 sq.m.

Xi'an

We entered the property development market in Xi'an in 2013. In September 2013, we entered into a purchase agreement to acquire 100% equity interest in Shaanxi Huawei from Shaanxi Like Investment Group Ltd. (陝西利科投資集團有限公司), an independent third party, in order to acquire the land use rights to certain land parcels in Xi'an for future development of Xi'an Glory International Financial Center project. Xi'an Glory International Financial Center project is a mixed-use project with a total GFA of 285,717 sq.m. As of the Latest Practicable Date, we have completed the transfer of 65% equity interest in Shaanxi Huawei.

Acquisitions of our major subsidiaries

We have acquired the following major subsidiaries in the course of the Group's development. Save as disclosed below, the acquisitions have been properly and legally completed and settled. Jingtian & Gongcheng, our PRC legal advisers, has advised that, save as disclosed below, all necessary approvals in relation to the below acquisitions from the relevant authorities and the relevant SAIC registrations have been obtained and completed.

Beijing

On May 15, 2000, through Garden Group, we acquired 55% equity interest in Glory Industrial from Shantou Shengping Construction (Group) Company* (汕頭市升平建設(集團)公司), an independent third party, for a consideration of RMB16.50 million, which was determined based on the registered capital of Glory Industrial. On January 20, 2006, through Original Beijing Glory, we further acquired the remaining 45% equity interest in Glory Industrial from Beijing Huacheng Real Estate Development Co., Ltd.* (北京市華城房地產開發公司), an independent third party, for a consideration of RMB72.27 million, which was determined based on the appraised value of the net asset of Glory Industrial, being approximately RMB160.59 million, pursuant to the valuation report of Glory Industrial prepared by Beijing Zhongrun Jingshi Assets Valuation Co., Ltd.* (北京中潤京實資產評估有限公司), an independent valuer. On September 20, 2006, Original Beijing Glory transferred 36% equity interest in Glory Industrial to Garden Group and the remaining 9% equity interest to Longhu Huamu. Upon completion of the above equity transfers, Glory Industrial became a subsidiary of our Company, which was owned as to 91% by Garden Group and 9% by Longhu Huamu as of the Latest Practicable Date. Glory Industrial has developed our Beijing Fugui Garden project (北京富貴園項目) in Beijing.

HISTORY AND REORGANIZATION

Hainan

On December 11, 2008, through Glory Industrial, we acquired 55% equity interest in Haikou Hangrui from Hainan HNA Real Estate Holding Co., Ltd.* (海南海航地產控股有限公司), an independent third party at the time of the transfer, for a consideration of RMB100 million, which was determined based on arm's length negotiation between both parties. A total of RMB85 million of such consideration has been settled in October 2010. The settlement of the remaining RMB15 million is pending satisfaction of certain payment conditions set out in the relevant share transfer agreement. On January 14, 2010, Glory Industrial transferred 55% equity interest in Haikou Hangrui to Hainan Glory. On December 2, 2013, Glory Industrial entered into a supplemental agreement with Hainan HNA Real Estate Holding Co., Ltd., pursuant to which Hainan HNA Real Estate Holding Co., Ltd. agreed to transfer the remaining 45% equity interest in Haikou Hangrui to our Group for a total consideration of approximately RMB45 million (inclusive of the aforementioned RMB15 million outstanding amount), which was determined based on arm's length negotiation between the parties. Such consideration has been settled in full in April 2014. On April 5, 2014, all the internal corporate documentation of Haikou Hangrui (including the articles of association and the register of members) has been updated to reflect the transfer of the 45% equity interest, pending completion of the SAIC registration procedure, which is expected to be completed as soon as possible after Listing. Jingtian & Gongcheng, our PRC legal advisers, has advised that Haikou Hangrui became a wholly-owned subsidiary of Hainan Glory on April 5, 2014. Haikou Hangrui will develop our Haikou West Coast Glory project (海口西海岸國瑞項目) in Hainan province.

On July 21, 2009, through Glory Industrial, we acquired equity interest in Hainan Tongcheng from Ms. Yan Min (閔敏) and Mr. Wang Shuxin (王樹新), both independent third parties, for a total consideration of RMB65 million. The consideration was determined based on the market price through arm's length negotiation as agreed by the parties. On January 14, 2010, Glory Industrial transferred the entire 65% equity interest in Hainan Tongcheng to Hainan Glory. On February 3, 2010, through Hainan Glory, we further acquired the remaining 35% equity interest in Hainan Tongcheng from Tianjin Ningfa Group Co., Ltd.* (天津市寧發集團有限公司), an independent third party, for a consideration of RMB60 million, which was determined based on the market price through arm's length negotiation as agreed by both parties. Upon completion of the above equity transfers, Hainan Tongcheng became a subsidiary of our Company, which was wholly owned by Hainan Glory as of the Latest Practicable Date. Hainan Tongcheng has developed our Haidian Island Glory Garden project (海甸島國瑞花園項目) in Hainan province.

On March 24, 2010, through Hainan Glory, we acquired the entire equity interest in Hainan HNA from Haikou Xincheng District Construction & Development Co., Ltd.* (海口新城區建設開發有限公司), an associate of Hainan HNA Real Estate Holding Co., Ltd.* (海南海航地產控股有限公司), for a consideration of RMB466.87 million, which was determined based on the entire registered capital of Hainan HNA, being RMB466.87 million. The consideration will be settled in full in 2015. Hainan HNA is developing our Haikuotiankong Glory City project (海闊天空國瑞城項目) in Hainan province.

On June 30, 2010, through Hainan Glory, we acquired 25% and 75% equity interest in Hainan Nanduijiang from Mr. Zhou Zhou (周周) and Hainan Rongjiang Industrial Co., Ltd.* (海南榮江實業有限公司), respectively, both independent third parties, for a consideration of RMB100 million and RMB97.51 million, respectively. The considerations were determined through arm's length negotiation among the parties respectively. Upon completion of the acquisitions, Hainan Nanduijiang became a subsidiary of our Company, which was wholly owned by Hainan Glory as of the Latest Practicable Date. Hainan Nanduijiang will develop our Glory Riverview Garden project (國瑞•江畔花園項目) in Hainan province.

Shenyang

On July 22, 2006, through Original Beijing Glory, we acquired 29% equity interest in Shenyang Dadongfang from Beijing Xinhongji Shengcheng Properties Co., Ltd. (北京新鴻基盛城置業有限公司), an independent third party, for a consideration of RMB76.57 million, which was determined through arm's length negotiation among the parties. In February 2007, Original Beijing Glory further injected US\$20.75 million to the registered capital of Shenyang Dadongfang. Upon completion of such capital injection,

HISTORY AND REORGANIZATION

Original Beijing Glory held 70% equity interest in Shenyang Dadongfang. On October 27, 2012, Original Beijing Glory further acquired the remaining 30% equity interest in Shenyang Dadongfang from Tongyu International Investment Limited* (通裕國際投資有限公司), the other shareholder of Shenyang Dadongfang, for a consideration of RMB68 million, which was determined through arm's length negotiation by both parties. Upon completion of the above capital injection and acquisitions, Shenyang Dadongfang became a subsidiary of our Company, which was wholly owned by New Beijing Glory as of the Latest Practicable Date. Shenyang Dadongfang is developing our Shenyang Glory City project (瀋陽國瑞城項目) in Shenyang.

Shantou

On August 6, 2004, through Garden Group, we established Shantou Construction Materials together with Mr. Lin Yaoquan and Ms. Zhang Youxi, both being associates of Chairman Zhang and connected persons of the Group. At the time of its incorporation, Shantou Construction Materials was owned as to 85% by Garden Group, 5% by Mr. Lin Yaoquan and 10% by Ms. Zhang Youxi. In order to obtain the entire equity interest in Shantou Construction Materials, on August 25, 2008, Garden Group further acquired 5% and 10% equity interest from Mr. Lin Yaoquan and Ms. Zhang Youxi, for a consideration of RMB1.4 million and RMB2.8 million respectively. The considerations were determined based on the then registered capital of Shantou Construction Materials through arm's length negotiation as agreed by the parties. On March 21, 2012, Garden Group disposed of 10% equity interest in Shantou Construction Materials to Mr. Lin Yaoquan for a consideration of RMB20 million, which was determined based on the then registered capital of Shantou Construction Materials. Upon completion of the above shareholding changes, Shantou Construction Materials was owned as to 90% by Garden Group and 10% by Mr. Lin Yaoquan as of the Latest Practicable Date. Shantou Construction Materials holds the properties of Phase I of our Shantou Glory City project (汕頭國瑞城項目) in Shantou.

In order to consolidate full control over Shantou Construction Materials and to increase management efficiency, Garden Group and Mr. Lin Yaoquan entered into a shareholders agreement on June 30, 2013, pursuant to which Mr. Lin Yaoquan agreed to vest irrevocably and perpetually his entire voting power at any general meeting of Shantou Construction Materials to Garden Group such that Garden Group may exercise such voting power in its absolute discretion. Mr. Lin Yaoquan had also undertaken not to transfer his equity interest in Shantou Construction Materials to a third person without first obtaining the prior approval of Garden Group unless such transferee has executed in writing an undertaking that it will be subject to all terms and conditions of the aforementioned shareholders agreement whilst assume with all obligations of Mr. Lin Yaoquan thereunder.

Xi'an

On September 29, 2013, through Original Beijing Glory, we entered into a purchase agreement to acquire 100% equity interest in Shaanxi Huawei from Shaanxi Like Investment Group Ltd.* (陝西利科投資集團有限公司), an independent third party, for a consideration of RMB450 million, which was determined on arm's length negotiation between the parties. The consideration will be settled in full within 15 business days upon obtaining construction work commencement permit pursuant the equity transfer agreement. As of the Latest Practicable Date, we have completed the transfer of 65% equity interest in Shaanxi Huawei. Upon completion of the acquisition, we, through Shaanxi Huawei, held land use rights of the land parcel in Xi'an for future development, namely, Xi'an Glory International Financial Center project. As of the Latest Practicable Date, apart from holding the aforementioned land use rights, Shaanxi Huawei did not carry out any substantial actual business.

Incorporation of Glory Management

Glory Management was incorporated as a sino-foreign joint venture with a registered capital of RMB40 million in December 1996 by Shantou Jinming Wujin Materials Co., Ltd.* (汕頭市金明五金材料有限公司) ("**Jinming Wujin**"), a company controlled by Chairman Zhang, and Tsang

HISTORY AND REORGANIZATION

Hour Investment Limited, a Hong Kong investment company and an independent third party. At the time of its establishment, Glory Management was owned as to 55% by Jinming Wujin and 45% by Tsang Hour Investment Limited. Glory Management was established to be primarily engaged in the tourism and hotel businesses. On November 8, 2007, Tsang Hour Investment Limited transferred its entire 45% equity interest in Glory Management to Glory Real Estate Development Limited, a company incorporated in Hong Kong and ultimately owned by Chairman Zhang, for a consideration of RMB15 million, which was determined based on arm's length negotiation between the parties. On March 10, 2013, Jinming Wujin transferred its entire 55% equity interest in Glory Management to Glory Real Estate Development Limited for a consideration of RMB22 million, which was determined based on 55% registered capital of Glory Management, following which Glory Management became a wholly-foreign owned enterprise held by Glory Real Estate Development Limited. On May 7, 2013, Glory Real Estate Development Limited transferred its entire equity interest in Glory Management to Glory Real Estate (HK), our offshore holding vehicle incorporated in Hong Kong, for a consideration of RMB40 million, which was equivalent to the entire registered capital of Glory Management and settled on June 7, 2013. Jingtian & Gongcheng, our PRC legal advisers, has advised that all necessary approvals in relation to the above transfer and the relevant SAIC registration have been obtained and completed.

As of the Latest Practicable Date, Glory Management had no actual business and acted as one of our onshore holding companies of our Group.

Incorporation of our Company and Glory Real Estate (HK)

In preparation for the Listing, we incorporated certain offshore companies including our Company which is the holding company and listing vehicle of our Group. We took the following steps:

- On July 16, 2012, our Company was incorporated as an exempted company with limited liability in the Cayman Islands, with an authorized share capital of US\$50,000 divided into 50,000 shares of a nominal value of US\$1.00 each (“US\$ Share”). Upon our Company’s incorporation, one US\$ Share was allotted and issued to Offshore Incorporations (Cayman) Limited as the initial subscriber, credited as fully paid. The US\$ Share was transferred to Alltogether for a consideration of US\$1.00 on the same day and our Company became wholly owned by Alltogether. On November 25, 2013, the authorized share capital of our Company was increased by HK\$10,000,000 divided into 10,000,000,000 shares of a nominal value of HK\$0.001 each. The Company allotted and issued and Alltogether subscribed for an additional 3,750,000,000 Shares for a consideration of HK\$3,750,000, credited as fully paid. The existing single share of nominal value of US\$1.00 was then repurchased by our Company, and the unissued authorized share capital of US\$50,000 was cancelled by our Company. Alltogether was wholly owned by Chairman Zhang at all material times since its incorporation and as of the Latest Practicable Date.
- On April 29, 2013, Glory Real Estate (HK) was incorporated in Hong Kong, with an authorized share capital of HK\$10,000 divided into 10,000 shares of a nominal value of HK\$1.00 each. Upon Glory Real Estate (HK)’s incorporation, 10,000 shares were allotted and issued to our Company as the initial subscriber, credited as fully paid. Glory Real Estate (HK) was wholly owned by our Company at all material times since its incorporation and as of the Latest Practicable Date.

Longhu Huamu — the other third party shareholder of our major subsidiaries

Longhu Huamu was incorporated on January 29, 1999 as a limited liability company in Shantou, Guangdong province. At the time of its establishment, Longhu Huamu was owned as to 90% by Mr. Zhang Zhangde, Chairman Zhang’s brother, and 10% by Shantou City Flower Bonsai Art Association* (汕頭市花卉盆景藝術協會), an independent third party. Longhu Huamu was primarily engaged in non-real estate related businesses, such as sale of flowers, birds, fishes and feedstuff. In October 2005, Chairman

HISTORY AND REORGANIZATION

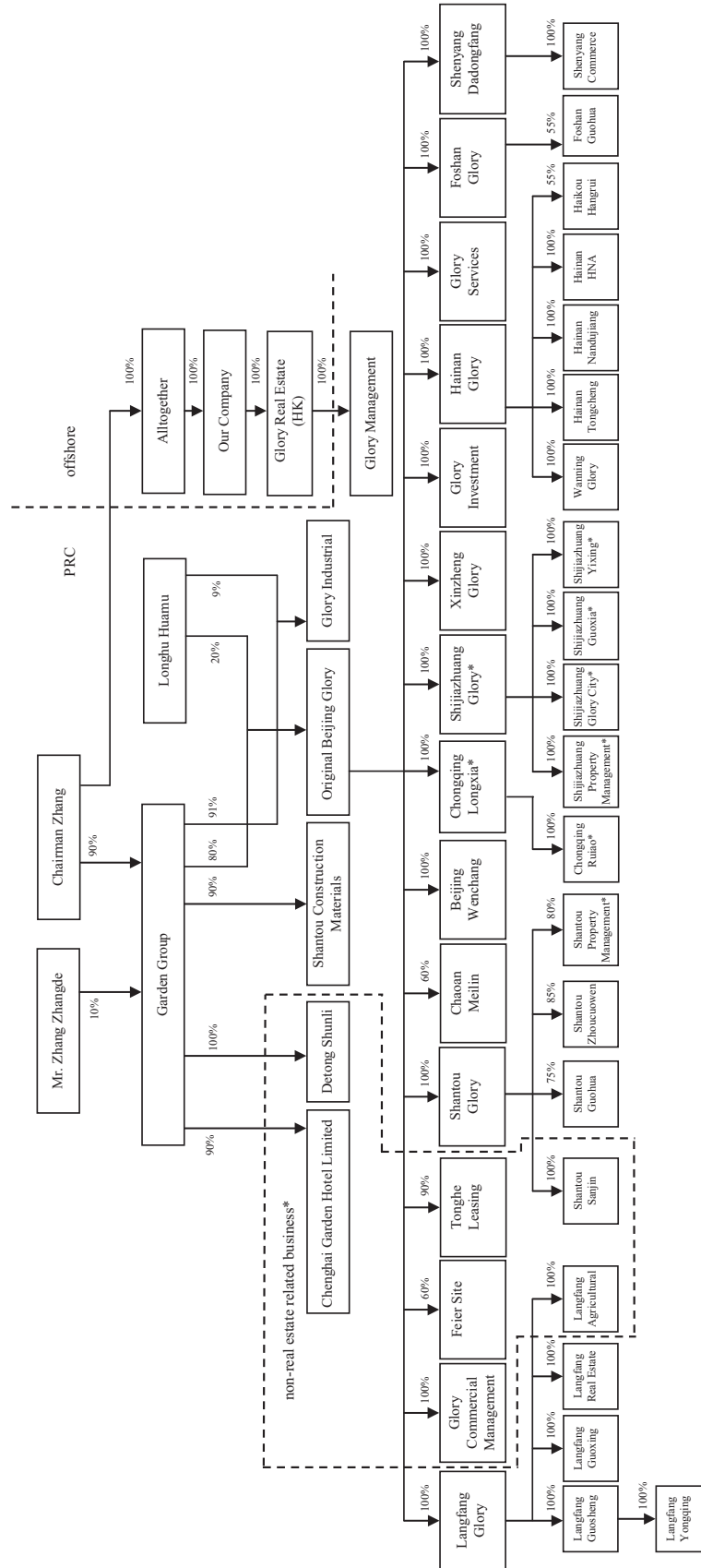
Zhang acquired the 10% equity interest in Longhu Huamu from Shantou City Flower Bonsai Art Association. In July 2006, Chairman Zhang further acquired 80% equity interest from Mr. Zhang Zhangde to obtain majority control over Longhu Huamu. In May 2008, Chairman Zhang transferred his entire 90% equity interest in Longhu Huamu to Mr. Zhang Zhangqiao, Chairman Zhang's another brother. In April 2013, Mr. Zhang Zhangqiao and Mr. Zhang Zhangde transferred their respective equity interest in Longhu Huamu to Ms. Zhang Youxi, Chairman Zhang's sister. As of the Latest Practicable Date, Longhu Huamu was wholly owned by Ms. Zhang Youxi, Chairman Zhang's sister and a connected person of the Group.

Immediately before the Reorganization, Longhu Huamu held 20% of the equity interest in Original Beijing Glory and 9% of the equity interest in Glory Industrial, respectively. As of the Latest Practicable Date, Longhu Huamu held 20% of the equity interest in each of Beijing Glory and New Beijing Glory, and 9% of the equity interest in Glory Industrial, respectively. The remaining equity interest in Beijing Glory, New Beijing Glory and Glory Industrial were held by Garden Group, an indirect wholly-owned subsidiary of our Company.

In order to consolidate full control over our major operating subsidiaries and to increase management efficiency, we, through Garden Group, have entered into a shareholders agreement with Longhu Huamu and Ms. Zhang Youxi on June 30, 2013, pursuant to which Longhu Huamu shall and Ms. Zhang Youxi shall procure Longhu Huamu to, irrevocably and perpetually, vest its entire voting power at any general meeting of Original Beijing Glory (Beijing Glory and New Beijing Glory after completion of the Split) and Glory Industrial to Garden Group such that Garden Group may exercise such voting power in its absolute discretion. Longhu Huamu had also undertaken not to, and Ms. Zhang Youxi shall procure Longhu Huamu not to, transfer its equity interest in each of these companies to a third person without first obtaining the prior approval of Garden Group unless such transferee has executed in writing an undertaking that it will be subject to all terms and conditions of the aforementioned shareholders agreement whilst assume with all obligations of Longhu Huamu thereunder.

OUR REORGANIZATION

The following chart sets forth the corporate structure of our Group prior to the commencement of the Reorganization:



HISTORY AND REORGANIZATION

In preparation for the Listing, we underwent the Reorganization which primarily involves the following steps:

- Disposal of interests in certain real estate related subsidiaries by our Group
- Exclusion of non-real estate related businesses
- Split of Original Beijing Glory
- Transfer of equity interests in Garden Group by Glory Management

Disposal of interests in certain real estate related subsidiaries by our Group

On December 31, 2012, Original Beijing Glory entered into an equity transfer agreement with Mr. Zhang Zhangqiao, Chairman Zhang's brother, pursuant to which Original Beijing Glory transferred 100% equity interest in Chongqing Longxia (together with its wholly-owned subsidiary, Chongqing Ruiao) to Shantou Guoxia Real Estate Limited* (汕頭市國廈地產有限公司), a company owned as to 90% by Mr. Zhang Zhangqiao, for a consideration of RMB149.55 million. The consideration was determined based on the net asset value of Chongqing Longxia as shown in its consolidated accounts as of December 31, 2012 and was settled on even date. The SAIC registration of such transfer was completed on July 1, 2013. Following the disposal, we ceased to have any equity interest in Chongqing Longxia.

On December 31, 2012, Original Beijing Glory entered into an equity transfer agreement with Mr. Zhang Zhangqiao pursuant to which Original Beijing Glory transferred 100% equity interest in Shijiazhuang Glory (together with its four wholly-owned subsidiaries, namely, Shijiazhuang Property Management, Shijiazhuang Glory City, Shijiazhuang Guoxia and Shijiazhuang Yixing) to Shantou Guoxia Real Estate Limited for a consideration of RMB166.59 million. The consideration was determined based on the net asset value of Shijiazhuang Glory as shown in its consolidated accounts as of December 31, 2012 and was settled on even date. The SAIC registration of such transfer was completed on June 26, 2013. Following the disposal, we ceased to have any equity interest in Shijiazhuang Glory.

On April 28, 2013, Shantou Glory entered into an equity transfer agreement with Shantou Guoxia Real Estate Limited, pursuant to which Shantou Glory transferred its entire 80% equity interest in Shantou Property Management to Shantou Guoxia Real Estate Limited for a consideration of RMB2.4 million. The consideration was determined based on 80% of the registered capital of Shantou Property Management through arm's length negotiations with the transferee and was settled on May 31, 2013. The SAIC registration of such transfer was completed on May 14, 2013. Following the disposal, we ceased to have any equity interest in Shantou Property Management.

For the financial impact on the above disposals, please refer to the sub-section headed "Risk Factors — Risks relating to our Business — Our performance during 2011 and 2012 may not be comparable with that in 2013" in this prospectus.

Save as disclosed above, the disposals have been properly and legally completed and settled. Jingtian & Gongcheng, our PRC legal counsel, has advised that all necessary approvals in relation to the above disposals from the relevant authorities and the relevant SAIC registrations have been obtained and completed.

Chongqing Longxia was incorporated on June 25, 2004 and was owned as to 80% by Mr. Zhang Zhangqiao and 20% by Garden Group as of the time of its establishment. Chongqing Longxia was primarily engaged in the development of the Chongqing Glory City project, which commenced in 2004. Shijiazhuang Glory was incorporated on April 26, 2006 and was owned as to 30% by Mr. Zhang Zhangqiao and 70%

HISTORY AND REORGANIZATION

by Garden Group at the time of its establishment. Shijiazhuang Glory was primarily engaged in the developments of the Shijiazhuang Glory City project and the Shijiazhuang Glory Garden project in Shijiazhuang. Mr. Zhang Zhangqiao was in charge of the daily business operation of Chongqing Longxia and Shijiazhuang Glory after their respective incorporations. Following a series of equity transfers and capital increase, Original Beijing Glory acquired the entire equity interest in Chongqing Longxia and Shijiazhuang Glory in December 2009 for a total consideration of RMB200 million which was determined based on their registered capitals, following which Mr. Zhang Zhangqiao was appointed as a director of Original Beijing Glory in December 2010. Since Original Beijing Glory's acquisition of Chongqing Longxia and Shijiazhuang Glory, Mr. Zhang Zhangqiao continued to be responsible for the daily operation of these two companies and has not been involved in the business operation of Original Beijing Glory or its major subsidiaries other than Chongqing Longxia and Shijiazhuang Glory. Shantou Property Management was incorporated on April 14, 1999 and was owned as to 80% by Chairman Zhang and 20% by Ms. Zhang Miaoxiang, Chairman Zhang's sister and a connected person of our Group, at the time of its establishment. Shantou Property Management was mainly engaged in the provision of property management services to Chongqing Glory. So far as the Directors are aware of, save as disclosed in the section headed "Business — Regulatory Compliance — Historical Non-compliance Incidents" of this prospectus, there was no material non-compliance incident or breach of material contract in relation to Chongqing Longxia, Shijiazhuang Glory and Shantou Property Management before the disposal of these companies by our Group. Further, our PRC legal advisers, Jingtian & Gongcheng, advised us that the post-listing Group will not be subject to any contingent liabilities as a result of non-compliance of Chongqing Longxia, Shijiazhuang Glory and Shantou Property Management prior to the abovementioned disposal, if any. The table below sets forth a summary of information on the projects owned, intended to be developed and under development by Mr. Zhang Zhangqiao as of the Latest Practicable Date:

Project	Project Type	Geographical Location	Development Status	Actual Commencement Date	Actual/Estimated Completion Date	Completed GFA (sq.m.)	Saleable or Rentable GFA (sq.m.)	GFA Sold (sq.m.)	GFA Available for Sale (sq.m.)
Chongqing Glory City (重慶國瑞城)						658,098.33	658,098.33	487,600.70	128,157.76
Phase I	Mixed-use	Dadukou District, Chongqing	Completed	April 2005	October 2007	238,167.86	238,167.86	203,862.09	12,818.10
Phase II	Mixed-use	Dadukou District, Chongqing	Completed	May 2007	August 2009	153,868.15	153,868.15	121,510.07	31,879.32
Phase III	Mixed-use	Dadukou District, Chongqing	Completed	April 2010	November 2012	266,062.32	266,062.32	162,228.54	83,460.34
Shijiazhuang Glory Garden (石家莊國瑞園)	Residential	Qiaodong District, Shijiazhuang	Completed	February 2007	June 2012	432,894.77	432,779.21	419,440.54	13,338.67
Shijiazhuang Glory City (石家莊國瑞城)	Mixed-use	Chang'an District, Shijiazhuang	Under development	April 2009	August 2015	the total 1,406,239.14 GFA is 1,406,239.14	1,406,239.14	the Pre-sale GFA is 606,210.00	N/A
Tianjin Tuanbo (天津團泊)	Residential	Jinghai District, Tianjin	Under development	2014	2018	N/A	N/A	N/A	N/A

Chairman Zhang and Mr. Zhang Zhangqiao had different understanding on the future development strategies of the Group. Such differences mainly include: (1) with respect to product positioning, Chairman Zhang was determined to offer a wide range of residential properties targeting the specific preferences and needs of middle-to-upper class customers, where Mr. Zhang Zhangqiao was rather determined to focus on

HISTORY AND REORGANIZATION

property development projects targeted at the mass market; (2) with respect to future expansion plan of our Group, Chairman Zhang was determined to adopt and promote a strategic nationwide coverage which is centered around Beijing and the Pearl River Delta region and covers a number of selected major economic growth areas in China, where Mr. Zhang Zhangqiao was, at that time, rather determined to focus specifically on and enhance investment in the property development businesses in Shijiazhuang and Chongqing; and (3) with respect to corporate governance structure of our Group, Chairman Zhang was determined to promote modern corporate governance system within our Group so as to ensure that the management of our Group would be able to meet the corporate governance requirements applicable to a listed company, where Mr. Zhang Zhangqiao would rather propose to manage our Group as a private company so as to retain the flexibility in the centralized management of our Group. Due to the aforementioned divergence, in preparation for the Listing, Chairman Zhang and Mr. Zhang Zhangqiao had, upon arm's length negotiations, agreed that Mr. Zhang Zhangqiao would depart the Group and would not be involved in the management of the Group after the Listing. As Chongqing Longxia and Shijiazhuang Glory were previously managed by Mr. Zhang Zhangqiao, they were to be transferred to Mr. Zhang Zhangqiao as part of the Reorganization. Further, as Shantou Property Management has been providing property management services to Chongqing Longxia, it was also to be transferred to Mr. Zhang Zhangqiao as part of the Reorganization. Apart from the aforementioned divergence with respect to the future development strategies of our Group, there was no material dispute between Chairman Zhang, Mr. Zhang Zhangqiao and/or members of the management during the Track Record Period that would have an impact on the operation of our Group.

Following our disposal of Chongqing Longxia, Shijiazhuang Glory and Shantou Property Management, Mr. Zhang Zhangqiao resigned as a director of Original Beijing Glory in June 2013 and ceased to hold any position in any member of our Group and did not hold any interest in any member of our Group as of the Latest Practicable Date. Apart from Mr. Zhang Zhangqiao and those existing employees of Chongqing Longxia, Shijiazhuang Glory and Shantou Property Management, there was no departure of any member of the senior management of our Group as a result of the aforementioned disposal which had material impact on the operation and decision-making process of our Group. Subsequent to the abovementioned equity transfers, Chairman Zhang did not hold any position in any company controlled by Mr. Zhang Zhangqiao, nor did he hold any interest in any such company as of the Latest Practicable Date. Before the disposal of Chongqing Longxia, Shijiazhuang Glory and Shantou Property Management, these companies were subsidiaries of our Group and had used the Group's branding in their past property development projects and business operations. There also had been sharing of resources and financing between them and other members of our Group. However, following such disposal, our Group terminated the sharing of resources between members of our Group on the one hand and Chongqing Longxia, Shijiazhuang Glory, Shantou Property Management and other companies controlled by Mr. Zhang Zhangqiao on the other hand. We will also release and settle in full all amounts of outstanding financing among them before Listing. Further, as the Group is the owner of all trademarks which are material in relation to our business operations, following such disposal, none of Chongqing Longxia, Shijiazhuang Glory, Shantou Property Management and other companies controlled by Mr. Zhang Zhangqiao is permitted to use our branding without prior consent of our Group. Our Group did not have plan of carrying out property development projects in Chongqing and Shijiazhuang as of the Latest Practicable Date, however, our Group is not subject to any agreement or arrangement which restricts or limits our future expansion into the property markets in these cities. Chairman Zhang and Mr. Zhang Zhangqiao had since operated and will operate their respective businesses independently.

For the impact on our operating and financial data due to the disposal of Chongqing Longxia and Shijiazhuang Glory, please refer to the sub-section headed "Summary — Overview" in this prospectus.

Our Directors are of the view that our business operations, financial performance and prospects will not be materially affected due to the disposal of Chongqing Longxia and Shijiazhuang Glory after having taken into account the following factors:

1. All property projects owned, intended to be developed and under development by Mr. Zhang Zhangqiao, as set out in tabular format in this section, are currently located in the Chongqing,

HISTORY AND REORGANIZATION

Shijiazhuang and Tianjin region in which we do not have any current property development project or land reserve;

2. We did not have any plans on carrying out property development projects in Chongqing, Shijiazhuang as of the Latest Practicable Date and therefore will not expect to face material competition from Mr. Zhang Zhangqiao in the foreseeable future;
3. Our senior management team remains largely intact following the disposal of Chongqing Longxia and Shijiazhuang Glory and it will continue to contribute to our future expansion and long-term growth; and
4. We are not subject to any agreement or arrangement which restricts or limits our future expansion into Chongqing, Shijiazhuang and Tianjin should we choose to expand into the property markets in these cities in the future, at which stage our Directors will then properly evaluate the extent of competition from Mr. Zhang Zhangqiao based on an arm's length market relationship between Mr. Zhang Zhangqiao and our Group.

Exclusion of non-real estate development related businesses

Immediately before the commencement of the Reorganization, Chairman Zhang controlled and managed a number of companies engaging in non-real estate development related businesses within the corporate structure of our Group. These companies include Shantou Chenghai Garden Hotel Limited, Detong Shunli, Shantou Sanjin, Tonghe Leasing, Langfang Agricultural, Feier Site and Glory Commercial Management (collectively the “**Excluded Businesses**”).

In order to focus on our core business as a property developer, we have disposed of the Excluded Businesses namely, (i) Chenghai Garden Hotel Limited, Detong Shunli, Shantou Sanjin, Langfang Agricultural to Jinming Wujin, a company controlled by Chairman Zhang; (ii) Feier Site to Beijing Feier Site Agricultural Development Co., Ltd.* (北京菲爾斯特農業發展有限責任公司), the other existing shareholder of Feier Site; and (iii) Tonghe Leasing to Shantou Huitong Investment Co., Ltd.* (汕頭市惠通投資有限公司), a company controlled by Ms. Zhang Youxi. The total consideration for the disposal of the above named excluded businesses was RMB255.2 million which was determined based on our original investment costs in such excluded businesses (i.e., the registered capitals of these excluded companies). The SAIC registration for the disposal of such excluded businesses was completed on November 14, 2013.

HISTORY AND REORGANIZATION

In addition, Original Beijing Glory disposed of 100% equity interest in Glory Commercial Management and its subsidiary in December 2012 to Ms. Zhang Jin, Chairman Zhang's daughter. Glory Commercial Management is primarily engaged in the provision of commercial property management services business and educational and social welfare business such as kindergarten, which are unrelated to our core business as property development. In order to focus on the Group's core business as a property developer, the Company determined to exclude Glory Commercial Management from the Group. The net liabilities of Glory Commercial Management as of the time of disposal was RMB7.2 million, and the consideration for the disposal was nil. The table below sets forth details of the key financial data of Glory Commercial Management for the year ended December 31, 2011 and the eleven months ended November 30, 2012:

	Year Ended December 31, 2011	Eleven Months Ended November 30, 2012
	(RMB million)	(RMB million)
Revenue	71.83	70.36
Gross Profit	14.07	21.05
Net Profit	-4.50	4.14
	As of December 31, 2011	As of November 30, 2012
	(RMB million)	(RMB million)
Total Asset	23.95	34.88
Net Asset	-11.24	-7.20

The SAIC registration for the disposal of Glory Commercial Management was completed on December 13, 2012. Glory Commercial Management will continue to provide commercial property management services to our certain properties after completion of the Listing. For details relating to such commercial property management services to be provided by Glory Commercial Management, please refer to the section headed "Connected Transactions — Non-exempt continuing connected transactions" in this prospectus.

The table below sets forth details of our financial data during the two years ended December 31, 2012 that reflects the historical contribution of the Excluded Businesses to our financial results:

	Year Ended December 31,					
	2011			2012*		
	Contribution from Excluded Businesses	Contribution from Excluded Businesses in Terms of Percentage in Total	Excluding Contribution from Excluded Businesses	Contribution from Excluded Businesses	Contribution from Excluded Businesses in Terms of Percentage in Total	Excluding Contribution from Excluded Businesses
	(RMB million)	(%)	(RMB million)	(RMB million)	(%)	(RMB million)
Revenue	102.27	5.83	1,651.13	98.08	2.29	4,177.92
Gross Profit	34.39	4.31	763.85	39.36	2.50	1,536.19
Net Profit	-10.49	N/A	754.91	-7.94	N/A	1,281.12
	As of December 31,					
	2011			2012**		
	Contribution from Excluded Businesses	Contribution from Excluded Businesses in Terms of Percentage in Total	Excluding Contribution from Excluded Businesses	Contribution from Excluded Businesses	Contribution from Excluded Businesses in Terms of Percentage in Total	Excluding Contribution from Excluded Businesses
	(RMB million)	(%)	(RMB million)	(RMB million)	(%)	(RMB million)
Total Assets	249.57	1.23	20,035.23	483.41	2.57	18,309.20
Net Assets	4.20	0.09	4,590.57	204.61	3.60	5,480.89

HISTORY AND REORGANIZATION

Note:

- * *Glory Commercial Management was disposed by our Group in December 2012. As such, the revenue and profit figures for the year 2012 only reflect the contribution from Glory Commercial Management for the eleven months ended November 30, 2012.*
- ** *Glory Commercial Management was disposed by our Group in December 2012. As such, the total assets and net assets figures as of December 31, 2012 do not include the contribution from Glory Commercial Management.*

To the best knowledge of our Director, the disposal of the Excluded Businesses has not had nor will have any material impact on the operation and financial position of our Group.

For details relating to the Excluded Businesses, please refer to the section headed “Relationship with Our Controlling Shareholders” in this prospectus.

Split of Original Beijing Glory

Immediately before the Reorganization and the Split, Original Beijing Glory, on the one hand, was the onshore holding company of all our operating subsidiaries other than Glory Industrial and Shantou Construction Materials and assumed the role as the headquarters of our Group. On the other hand, Original Beijing Glory carried out actual property development businesses and undertook the development of our projects in Beijing.

In order to streamline the management structure of our Group and to separate the managerial function of our Group from Original Beijing Glory’s actual property development businesses, we approved the Split of Original Beijing Glory on April 21, 2013 by way of a shareholders’ resolution. Following a company split agreement entered into on April 21, 2013 between Garden Group and Longhu Huamu, the shareholders of Original Beijing Glory, Original Beijing Glory was split into two companies, namely, New Beijing Glory, the new entity that was established following the Split, and Beijing Glory, the surviving entity. The shareholding structure of New Beijing Glory and Beijing Glory was the same as the shareholding structure of Original Beijing Glory immediately before the Split, i.e., they were each owned as to 80% by Garden Group and 20% by Longhu Huamu.

Following the Split, New Beijing Glory became the onshore holding company of substantially all our operating subsidiaries (other than Beijing Glory (together with its subsidiaries), Glory Industrial, Shenzhen Glory and Shantou Construction Materials). It is proposed that New Beijing Glory will assume the managerial functions of our Group. Beijing Glory, on the other hand, became one of our operating subsidiaries and inherited the property development business and projects undertaken by Original Beijing Glory in Beijing, including our Beijing Glory Center, Beijing Glory City and Eudemonia Palace.

No consideration was paid in connection with the Split and all necessary approvals from the relevant authorities in relation to the Split have been obtained as of the Latest Practicable Date.

Transfer of equity interest in Garden Group to Glory Management

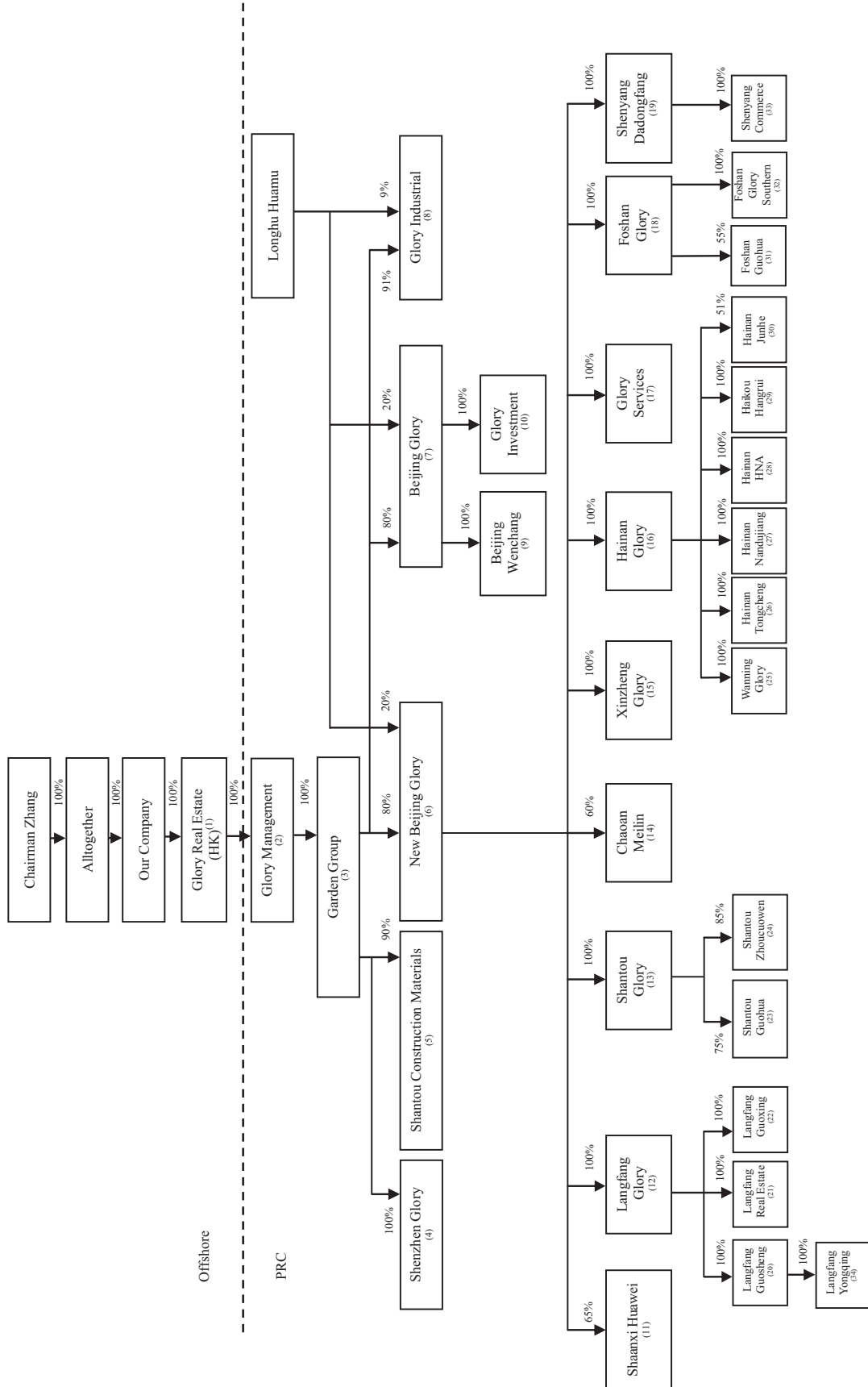
Prior to the Reorganization, Garden Group was held as to 90% by Chairman Zhang and 10% by Mr. Zhang Zhangde, Chairman Zhang’s brother. On March 21, 2013, Chairman Zhang and Mr. Zhang Zhangde entered into a share transfer agreement with Jinming Wujin pursuant to which Chairman Zhang and Mr. Zhang Zhangde transferred their respective entire equity interest in Garden Group to Jinming Wujin, for a consideration of RMB43.2 million and RMB4.8 million, respectively. Such considerations were determined based on the investment costs of Chairman Zhang and Mr. Zhang Zhangde in Garden Group respectively, which were calculated by reference to the registered capital of Garden Group at the time of the transfer. The SAIC registration of such transfer was completed on March 22, 2013. On June 29, 2013, Jinming Wujin subsequently entered into a share transfer agreement with Glory Management pursuant to which Jinming Wujin transferred the entire equity interest in Garden Group to Glory

HISTORY AND REORGANIZATION

Management for a consideration of RMB48 million which was determined based on the registered capital of Garden Group at the time of the transfer. The SAIC registration of such transfer was completed on July 1, 2013.

HISTORY AND REORGANIZATION

The following chart sets forth the corporate structure of our Group upon completion of the Reorganization and before completion of the Global Offering:



HISTORY AND REORGANIZATION

Notes:

- (1) *Glory Real Estate (HK) Investment Limited, was established on April 29, 2013 in Hong Kong. As of the Latest Practicable Date, its total issued share capital was HK\$10,000 and its core businesses was investment holding. It is a wholly-owned subsidiary of our Company.*
- (2) *Shantou Glory Management Co., Ltd.* (汕頭國瑞企業管理有限公司), formerly known as Shantou Garden Hotel Co., Ltd.* (汕頭花園賓館有限公司) was established on December 24, 1996 in Guangdong, the PRC. As of the Latest Practicable Date, it had a registered capital of RMB40 million and its core businesses included enterprise management consulting. It is an indirect subsidiary of our Company, which is owned as to 100% by Glory Real Estate (HK).*
- (3) *Shantou Garden Group Co., Ltd.* (汕頭花園集團有限公司), was established on April 1, 1994 in Guangdong, the PRC. As of the Latest Practicable Date, it had a registered capital of RMB48 million and its core businesses included real estate management. It is an indirect subsidiary of our Company, which is owned as to 100% by Glory Management.*
- (4) *Shenzhen Glory Xingye Real Estate Co., Ltd.* (深圳國瑞興業房地產有限公司), was established on August 21, 2013 in Guangdong, the PRC. As of the Latest Practicable Date, it had a registered capital of RMB100 million and its core business included real estate development. It is an indirect subsidiary of our Company, which is owned as to 100% by Garden Group.*
- (5) *Shantou Glory Construction Materials & Home Furnishing Exhibition Center Co., Ltd.* (汕頭國瑞建材家居博覽中心有限公司), was incorporated on August 6, 2004 in Guangdong, the PRC. As of the Latest Practicable Date, it had a registered capital of RMB200 million and its core businesses included property leasing and sale of construction materials and home furnishing. It is an indirect subsidiary of our Company, which is owned as to 90% by Garden Group and 10% by Mr. Lin Yaoquan, an associate of Chairman Zhang and a connected person of our Group.*
- (6) *Beijing Glory Xingye Real Estate Holding Limited* (北京國瑞興業房地產控股有限公司) was established on November 5, 2013 in the PRC. As of the Latest Practicable Date, it had a registered capital of RMB52 million and its core businesses included investment holding. It is an indirect subsidiary of our Company, which is owned as to 80% by Garden Group and 20% by Longhu Huamu.*
- (7) *Beijing Glory Xingye Real Estate Co., Ltd.* (北京國瑞興業地產股份有限公司) was established on March 12, 2002 in Beijing, the PRC. As of the Latest Practicable Date, it had a registered capital of RMB1.166 billion and its core businesses included real estate development; sale of commercial houses; leasing buildings for commercial use and building decoration. It is an indirect subsidiary of our Company, which is owned as to 80% by Garden Group and 20% by Longhu Huamu.*
- (8) *Glory Xingye (Beijing) Industrial Co., Ltd.* (國瑞興業(北京)實業股份有限公司) was established on August 17, 1999 in Beijing, the PRC. As of the Latest Practicable Date, it had a registered capital of approximately RMB458.22 million and its core businesses included investment and assets management; urban landscaping; sale of mechanical equipment; subcontracting; leasing office buildings and privately owned buildings. It is an indirect subsidiary of our Company, which is owned as to 91% by Garden Group and 9% by Longhu Huamu.*
- (9) *Beijing Wenchang Real Estate Development Co., Ltd.* (北京文昌房地產開發有限公司) was established on May 27, 2002 in Beijing, the PRC. As of the Latest Practicable Date, it had a registered capital of RMB10 million and its core businesses included real estate development and sale of building material and commercial houses. It is an indirect subsidiary of our Company, which is owned as to 100% by Beijing Glory.*
- (10) *Glory Xingye (Beijing) Investment Co., Ltd.* (國瑞興業(北京)投資公司) was established on February 13, 2012 in Beijing, the PRC. As of the Latest Practicable Date, it had a registered capital of RMB10 million and its core businesses included investment. It is an indirect subsidiary of our Company, which is owned as to 100% by Beijing Glory.*
- (11) *Shaanxi Huawei Shida Industrial Co., Ltd.* (陝西華威世達實業有限公司) was established on December 28, 2011 in Shaanxi, the PRC. As of the Latest Practicable Date, it had a registered capital of RMB200 million and it did not carry any actual substantial business other than holding of land use rights. It is an indirect subsidiary of our Company, which is owned as to 65% by New Beijing Glory and 35% by Shaanxi Like Investment Group Ltd.* (陝西利科投資集團有限公司), a connected person by virtue of its holding of interest of more than 10% in this company as of the Latest Practicable Date.*
- (12) *Langfang Glory Investment Co., Ltd.* (廊坊國瑞投資有限公司) was established on November 25, 2009 in Hebei, the PRC. As of the Latest Practicable Date, it had a registered capital of RMB100 million and its core businesses included investment. It is an indirect subsidiary of our Company, which is owned as to 100% by New Beijing Glory.*
- (13) *Shantou Glory Real Estate Development Co., Ltd.* (汕頭國瑞房地產開發有限公司) was established on December 3, 2009 in Beijing, the PRC. As of the Latest Practicable Date, it had a registered capital of RMB198 million and its core businesses included real estate development; sale of mechanical equipment. It is an indirect subsidiary of our Company, which is owned as to 100% by New Beijing Glory.*
- (14) *Chaoan County Meilin Lake Development & Construction Co., Ltd.* (潮安縣梅林湖開發建設有限公司) was established on March 19, 2013 in Guangdong, the PRC. As of the Latest Practicable Date, it had a registered capital of RMB10 million and its core businesses included project investment and development and sale of building material. It is an indirect subsidiary of our Company, which is owned as to 60% by New Beijing Glory and 40% by Chaoan County Baoshan Investment & Development Co., Ltd.* (潮安縣寶山投資開發有限公司), a connected person by virtue of its holding of interest of more than 10% in this company.*
- (15) *Xinzheng Glory Real Estate Development Co., Ltd.* (新鄭市國瑞房地產開發公司) was established on October 26, 2009 in Henan, the PRC. As of the Latest Practicable Date, it had a registered capital of RMB100 million and its core businesses included real estate development. It is an indirect subsidiary of our Company, which is owned as to 100% by New Beijing Glory.*

HISTORY AND REORGANIZATION

- (16) Hainan Glory Real Estate Development Co., Ltd.* (海南國瑞房地產開發有限公司) was established on April 21, 2009 in Hainan, the PRC. As of the Latest Practicable Date, it had a registered capital of RMB10 million and its core businesses included real estate investment. It is an indirect subsidiary of our Company, which is owned as to 100% by New Beijing Glory.
- (17) Beijing Glory Property Services Co., Ltd.* (北京國瑞物業服務有限公司) was established on April 12, 2002 in Beijing, the PRC. As of the Latest Practicable Date, it had a registered capital of RMB5 million and its core businesses included property management. It is an indirect subsidiary of our Company, which is owned as to 100% by New Beijing Glory.
- (18) Foshan Glory Xingye Real Estate Co., Ltd.* (佛山市國瑞興業地產有限公司) was established on June 2, 2010 in Guangdong, the PRC. As of the Latest Practicable Date, it had a registered capital of RMB10 million and its core businesses included real estate development. It is an indirect subsidiary of our Company, which is owned as to 100% by New Beijing Glory.
- (19) Shenyang Dadongfang Properties Co., Ltd.* (瀋陽大東方置業有限公司) was established on March 19, 2004 in Liaoning, the PRC. As of the Latest Practicable Date, it had a registered capital of approximately RMB286.36 million and its core businesses included real estate development and property management. It is an indirect subsidiary of our Company, which is owned as to 100% by New Beijing Glory.
- (20) Langfang Guosheng Investment Co., Ltd.* (廊坊國盛投資有限公司) was established on November 12, 2010 in Hebei, the PRC. As of the Latest Practicable Date, it had a registered capital of RMB30 million and its core businesses included investment in hotels, real estates, infrastructure, etc. It is an indirect subsidiary of our Company, which is owned as to 100% by Langfang Glory.
- (21) Langfang Glory Real Estate Development Co., Ltd.* (廊坊國瑞房地產開發有限公司) was established on April 15, 2010 in Hebei, the PRC. As of the Latest Practicable Date, it had a registered capital of RMB150 million and its core businesses included real estate development; sales and leasing of real estates. It is an indirect subsidiary of our Company, which is owned as to 100% by Langfang Glory.
- (22) Langfang Guoxing Real Estate Development Co., Ltd.* (廊坊國興房地產開發有限公司) was established on November 12, 2010 in Hebei, the PRC. As of the Latest Practicable Date, it had a registered capital of RMB10 million and its core businesses included real estate development and operations. It is an indirect subsidiary of our Company, which is owned as to 100% by Langfang Glory.
- (23) Shantou Guohua Properties Real Estate Development Co., Ltd.* (汕頭市國華置業地產開發有限公司) was established on May 31, 2011 in Guangdong, the PRC. As of the Latest Practicable Date, it had a registered capital of RMB 20 million and its core businesses included real estate development and operation. It is an indirect subsidiary of our Company, which is owned as to 75% by Shantou Glory and 25% by Mr. Xie Maolin (謝茂林), a connected person by virtue of his holding of interest of more than 10% in this company.
- (24) Shantou Glory Zhoucuowen Real Estate Development Co., Ltd.* (汕頭市國瑞周厝塢房地產開發有限公司) was established on March 2, 2011 in Guangdong, the PRC. As of the Latest Practicable Date, it had a registered capital of RMB20 million and its core businesses included real estate development and operation. It is an indirect subsidiary of our Company, which is owned as to 85% by Shantou Glory and 15% by Mr. Ji Yongcai (紀永財), a connected person by virtue of his holding of interest of more than 10% in this company.
- (25) Wanning Glory Real Estate Development Co., Ltd.* (萬甯國瑞房地產開發有限公司) was established on July 13, 2009 in Hainan, the PRC. As of the Latest Practicable Date, it had a registered capital of RMB30 million and its core businesses included real estate development and operation. It is an indirect subsidiary of our Company, which is owned as to 100% by Hainan Glory.
- (26) Hainan Tongcheng Industrial Co., Ltd.* (海南同城實業有限公司) was established on August 11, 2003 in Hainan, the PRC. As of the Latest Practicable Date, it had a registered capital of RMB74.27 million and its core businesses included real estate development and operations. It is an indirect subsidiary of our Company, which is owned as to 100% by Hainan Glory.
- (27) Hainan Nanduijiang Industrial Development Co., Ltd.* (海南南渡江實業發展有限公司) was established on January 3, 2003 in Hainan, the PRC. As of the Latest Practicable Date, it had a registered capital of RMB20.03 million and its core businesses included real estate development and operation, hotel management and building decoration. It is an indirect subsidiary of our Company, which is owned as to 100% by Hainan Glory.
- (28) Hainan HNA Glory Investment & Development Co., Ltd.* (海南海航國瑞投資開發有限公司) was established on July 6, 2009 in Hainan, the PRC. As of the Latest Practicable Date, it had a registered capital of approximately RMB466.87 million and its core businesses included real estate development and operation. It is an indirect subsidiary of our Company, which is owned as to 100% by Hainan Glory.
- (29) Haikou Hangrui Industrial Development Co., Ltd.* (海口航瑞實業發展有限公司) was established on June 6, 2008 in Hainan, the PRC. As of the Latest Practicable Date, it had a registered capital of approximately RMB110.10 million and its core businesses included resort project development. It is an indirect subsidiary of our Company, which is owned as to 100% by Hainan Glory.
- (30) Hainan Junhe Industrial Co., Ltd.* (海南駿和實業有限公司) was established on June 7, 2010 in Hainan, the PRC. As of the Latest Practicable Date, it had a registered capital of RMB50 million and its core business included real estate development. On April 2, 2014, we entered into an equity interest transfer and cooperation agreement with an independent third party to acquire 100% of the equity interest in Hainan Junhe in order to acquire the land use rights of certain land parcels in Haikou. As of the Latest Practicable Date, we completed the transfer of 51% of the equity interest in Hainan Junhe and the transferor must transfer the remaining 49% of the equity interest within six months after the execution of the equity interest transfer and cooperation agreement. As of the Latest Practicable Date, the remaining 49% equity interest in Hainan Junhe was held as to 48.2% by Dongguan Junhao Real Estate Development Co., Ltd (東莞駿豪房地產開發有限公司), 0.64% by Qiu Xuecai (丘學才) and 0.16% by Ye Dehong (葉德宏).

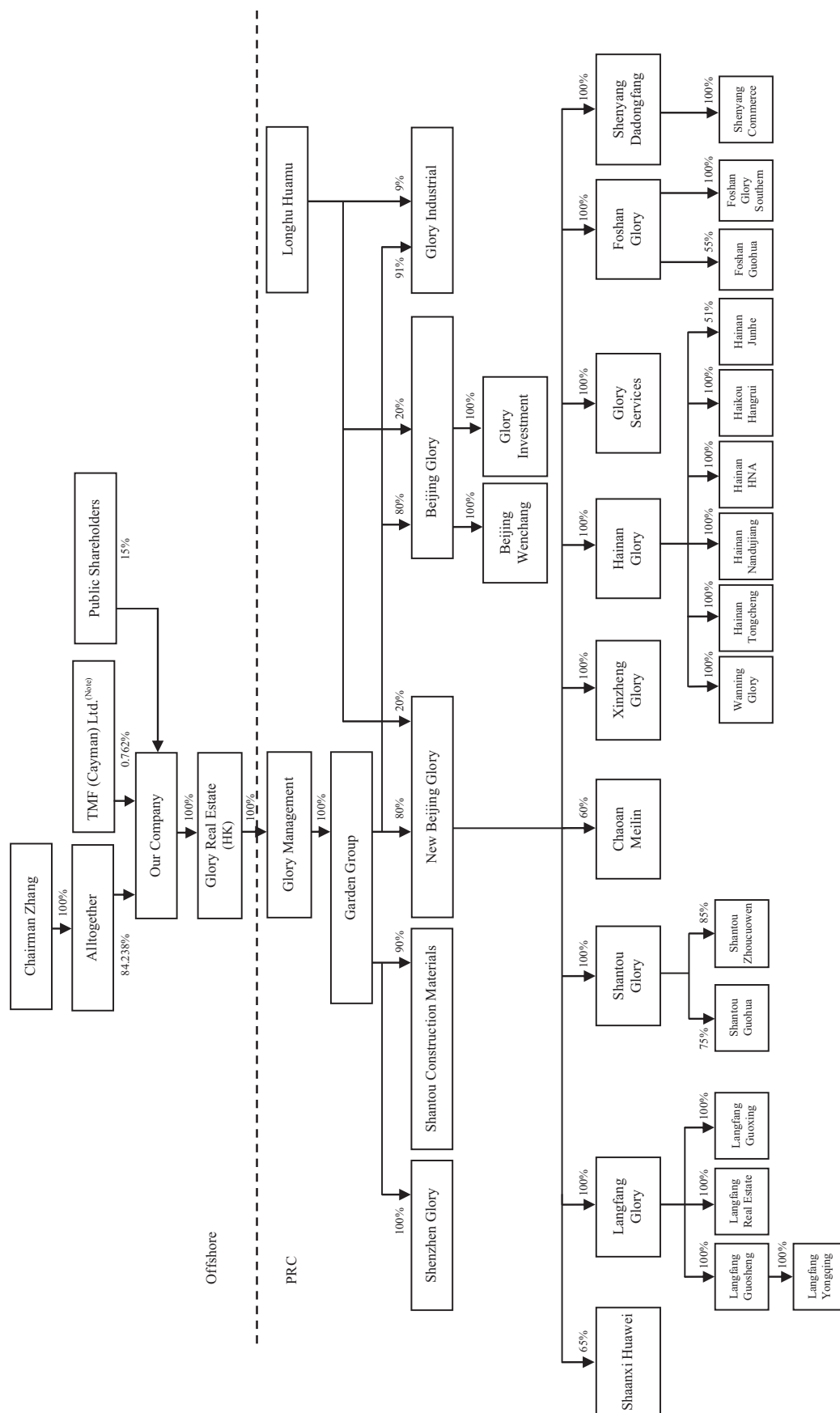
HISTORY AND REORGANIZATION

- (31) *Foshan Guohua Properties Co., Ltd.* (佛山市國華置業有限公司)* was established on December 19, 2012 in Guangdong, the PRC. As of the Latest Practicable Date, it had a registered capital of RMB100 million and its core businesses included real estate development, sales and investment. It is an indirect subsidiary of our Company, which is owned as to 55% by Foshan Glory and 45% by Shantou Liyi Real Estate Investment Co., Ltd.* (汕頭市利溢房地產投資有限公司), a connected person by virtue of its holding of interest of more than 10% in this company.
- (32) *Foshan Glory Southern Real Estate Development Co., Ltd.* (佛山市國瑞南方地產開發有限公司)* was established on April 25, 2014 in Foshan, the PRC, whose core business included real estate development. On May 27, 2014, its total registered capital of RMB10 million was fully paid up. It is an indirect subsidiary of our Company, which is wholly-owned by Foshan Glory. As at the Latest Practicable Date, Foshan Glory Southern has not commenced any actual business.
- (33) *Shenyang Glory Industrial Commerce Co., Ltd.* (瀋陽國瑞興業商務有限公司)* was established on November 30, 2007 in Liaoning, the PRC. As of the Latest Practicable Date, it had a registered capital of RMB1 million and its core businesses included management and advisory services for enterprises. It is an indirect subsidiary of our Company, which is owned as to 100% by Shenyang Dadongfang.
- (34) *Yongqing County Orchard Sport Services Co., Ltd.* (永清縣果園體育服務有限公司)* was established on February 15, 2011 in Hebei, the PRC. As of the Latest Practicable Date, it had a registered capital of RMB1 million and its core businesses included sales of sports facilities. It is an indirect subsidiary of our Company, which is owned as to 100% by Langfang Guosheng.

Approval

The Company has obtained all our shareholders' approval for the proposed listing. Please refer to "Statutory and General Information — A. Further Information about Our Company — 4 Written resolutions of the Shareholder passed on June 5, 2014" in Appendix VIII to this prospectus. In addition, Jingtian & Gongcheng, our PRC legal advisers have confirmed that the Reorganization has complied with all applicable laws and regulations in the PRC and we have obtained all necessary approvals from the relevant PRC government authorities in relation to the Reorganization. Immediately following the completion of the Global Offering (assuming no exercise of the Over-allotment Option and without taking into account the exercise of the options granted under the Pre-IPO Share Option Scheme and the exercise of the options may be granted under Post-IPO Share Option Scheme), the structure of our Group will be as follows:

HISTORY AND REORGANIZATION



Note: TMF (Cayman) Ltd. held a total of 33,617,700 Shares under the Share Award Scheme, which represented approximately 0.762% of the total issued share capital upon completion of the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account any options granted under the Pre-IPO Share Option Scheme or may be granted under the Post-IPO Share Option Scheme). On June 10, 2014, such Shares were transferred from Altogether to TMF (Cayman) Ltd. for the benefit of four selected persons under the Share Award Scheme, namely, Mr. Lin Yaoquan (林耀泉), Mr. Wu Yilong (吳義隆), Ms. Zhang Miaoxiang (張妙香) and Ms. Zhang Chanyuan (張蟬娟). Apart from Ms. Zhang Chanyuan, the other selected persons disclosed above are connected persons of our Group as defined in the Listing Rules. For details, please refer to the paragraph headed "Statutory and General Information — D. Other Information — I Share Award Scheme" in Appendix VIII to this prospectus.

HISTORY AND REORGANIZATION

LEGAL COMPLIANCE

Registration Process under the No.75 Notice

According to the Notice on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents to Engage in Financing and Inbound Investment via Overseas Special Purpose Vehicles (國家外匯管理局關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知) (“**No. 75 Notice**”) promulgated on October 21, 2005 by SAFE, domestic resident natural persons or domestic resident legal persons are required to register with the competent local branch of SAFE before they establish or control any offshore special purpose vehicles (“**SPV**”) for capital raising with the assets or equity interest of PRC domestic companies owned by them. Pursuant to the No.75 Notice, the domestic resident natural persons include those individuals who hold PRC citizenship and those individuals who have no PRC identity but reside habitually in the PRC for the purpose of economic interests.

No. 75 Notice applies to Chairman Zhang, who is the ultimate controller of our Group and a PRC resident. Chairman Zhang completed necessary foreign exchange registration with the SAFE branch as required under No. 75 Notice on June 19, 2013. Subsequent to the completion of the Global Offering, Chairman Zhang will be required to update his registration with SAFE.

Application of the M&A Rules

The Provisions Regarding Mergers with and Acquisitions of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》) (“**M&A Rules**”) govern, amongst other things, the purchase by foreign investors of equity interests in domestic enterprises, the subscription of equity interests in domestic enterprises, and the purchase and operation by foreign investors of the assets and business of a domestic enterprise. In addition, the M&A Rules contain provisions which purport to require an offshore special purpose vehicle (“**SPV**”) formed for listing purposes and controlled by PRC companies or individuals, to obtain CSRC’s approval prior to the listing and trading of the SPV’s securities on an overseas stock exchange.

Our PRC legal advisers, Jingtian & Gongcheng, advised us that our Listing does not require CSRC’s approval as Glory Management was established as a sino-foreign joint venture in 1996.

Application of the Catalog

In November 2007, MOFCOM and NDRC promulgated the revised Industrial Guidance Catalog for Foreign Investment (《外商投資產業指導目錄》) (“**Catalog**”). It classified certain businesses of foreign invested enterprises into certain categories, namely, “encouraged”, “restricted” and “prohibited.” The construction and operation of high-end hotels, villas, high-end office buildings and international exhibition centers fall into the foreign-investment-restricted category. In December 2011, the Catalog was further amended, pursuant to which the construction and operation of villas fall into the foreign-investment-prohibited category.

Our PRC legal advisers, Jingtian & Gongcheng, advised us that according to the approval documents issued by competent authorities, none of our current property development projects comprises high-end hotel, high-end office building or villa, which falls into the foreign-investment-restricted or foreign-investment-prohibited categories under the Catalog. Our PRC legal advisers also advised us that there is no required certificate or approval in connection with the Catalog for our projects or project phases completed or under development. Our subsidiaries in the PRC are duly authorized to operate within their approved scopes of business.

As advised by our PRC legal advisers, Jingtian & Gongcheng, there is no clear definition of high-end hotel, high-end office building or villa under the relevant PRC laws and regulations. We may, in the future, develop hotels or office buildings that are considered as high-end hotels or high-end office buildings under

HISTORY AND REORGANIZATION

the Catalog. In the event that our future property development projects fall into the foreign-investment-restricted categories, we are allowed to develop such property development projects as long as appropriate government approvals can be obtained pursuant to the Catalog. According to the relevant regulations, a project invested in a restricted industry with a total investment of US\$50 million or more shall be subject to the examination and approval of MOFCOM and/or NDRC, while a project invested in a restricted industry with a total investment of less than US\$50 million shall be subject to the examination and approval of the provincial counterpart of MOFCOM and/or NDRC. Our PRC legal advisers, Jingtian & Gongcheng, advised us that there is no foreseeable material legal impediment for us to obtain such approval provided that we fulfill all necessary formalities and submit all required filings.

Land Acquisition

In accordance with the Provisional Regulations of the PRC Concerning the Grant and Assignment of the Right to use State-owned Land in Urban Area (《中華人民共和國城鎮國有土地使用權出讓和轉讓暫行條例》), the grant of land use rights may be by way of agreement, invitation to bid or auction.

In accordance with the Provisions on Bidding, Auction and Sale of the Land Use Rights (《招標拍賣掛牌出讓國有土地使用權規定》), with effect from July 1, 2002, all lands for commercial uses must be granted through tenders, auctions or listings-for-bidding in an open manner.

In accordance with the Notice on Continuing the Review of the Implementation of the Grant of Land Use Rights for Commercial Uses by Invitation of Bids, Auction or Listing (《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》) issued by the Ministry of Land and Resources and the Ministry of Supervision (國土資源部和監察部), all inherited problems in relation to acquisition of land use rights must be defined and resolved across the country before August 31, 2004, and all lands for commercial uses should be granted by tenders, auctions or listings-for-bidding thereafter.

Our PRC legal advisers are of the opinion that our project companies have not violated the applicable laws and regulations when acquiring the relevant land use rights.

OVERVIEW

We are a fast growing residential property developer with commercial property operations. We focus on developing residential projects and large-scale mixed-use complex projects in the PRC. We also selectively retain the ownership of a substantial amount of self-developed commercial properties with strategic value to generate stable and recurring rental income. In addition, we undertake primary land development projects in order to access potentially available land reserves for property development. During the Track Record Period, we achieved rapid and profitable growth. From 2011 to 2013, our revenue grew at a CAGR of 97.4% and our profit and total comprehensive income grew at a CAGR of 92.9%. According to the Savills Report, as of March 31, 2014, in terms of completed GFA and GFA under development, we were the second largest property developer within the Second Ring Road of Beijing with a market share of 4.1% and the 45th largest property developer in Beijing with a market shares of 0.34%. In addition, according to the Savills Report, in terms of completed GFA, Beijing Glory Mall (北京國瑞購物中心), which we hold as investment property, was the second largest shopping mall within the Second Ring Road of Beijing as of March 31, 2014. All of our completed projects in Beijing are located in commercial centers within one kilometer to five kilometers from Tiananmen Square (天安門廣場), the center of Beijing. As of March 31, 2014, we had land reserves with a total GFA of 6.8 million sq.m.

Founded in Guangdong Province, we commenced our property development operations in the late 1990s and since then have significantly grown our business in Beijing and successfully expanded into other selected cities with rapid growth in China, including Haikou and Wanning in Hainan Province, Shantou and Foshan in the Pearl River Delta region, Shenyang in Liaoning Province, Zhengzhou in Henan Province, Langfang in Hebei Province and Xi'an in Shaanxi Province. As a result, we have established a strategic nationwide coverage which is centered around Beijing and the Pearl River Delta region and covers a number of selected major areas with rapid economic growth in China. We plan to focus on Beijing, the Pearl River Delta region and the Yangtze River Delta region for our further expansion in the next five to 10 years and we believe we are well-positioned to capitalize on the expected continuous economic growth in these regions.

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

- **Property development:** We focus on developing residential projects and large-scale mixed-use complex projects which typically consist of a combination of residential properties with a variety of commercial properties. All of our large-scale mixed-use complex projects are located at commercial centers in their respective cities. These projects tend to substantially improve the local living and commercial environment, which in turn increases the value and marketability of our properties. As of March 31, 2014, we had seven large-scale mixed-use complex projects with the brand “Glory City” completed, under development or held for future development, including five of such projects, each with a GFA of over 800,000 sq.m., located in Beijing, Haikou, Shenyang, Zhengzhou and Langfang. These projects have established “Glory City” as a nationwide recognized brand. We offer a wide range of residential properties to meet the demand of middle-to-upper class customers. In addition, we also develop commercial properties for sale or lease. We plan to develop Grade A office buildings in central business districts of first-tier cities and second-tier cities that are provincial capitals in the PRC, as we expect demand for such types of properties will grow significantly. As of March 31, 2014, we had completed eight projects and certain phases of five projects with a total GFA of 2.5 million sq.m.
- **Primary land construction and development services:** We undertake primary land development projects in order to access potentially available land reserves for property development. We completed one primary land development project during the Track Record Period, namely, Beijing Hademen project, and we are currently undertaking a primary land development project

in Beijing, namely, West Qinian Street project, with a planned GFA of 427,404 sq.m. According to the Savills Report, in terms of planned GFA, West Qinian Street project was the largest primary land development project within one kilometer from Tiananmen Square as of March 31, 2014. We are also undertaking a primary land development project in Chaozhou, Guangdong Province, with a planned GFA of 2.9 million sq.m., namely, Meilin Lake project. In addition, we have entered into cooperation agreements with local self-governing organizations and enterprises under the “Urban Redevelopment Opinion” to develop certain land parcels, comprising four projects in Shantou with a total planned GFA of 4.3 million sq.m.

- **Property investment:** We selectively retain the ownership of a substantial amount of self-developed commercial properties with strategic value to generate stable and recurring rental income. As of March 31, 2014, our investment properties were located at commercial centers in Beijing, Shenyang and Shantou, with a total GFA of 296,768 sq.m., comprising primarily shopping malls, offices, specialized markets, retail outlets, siheyuan (四合院) and car parking spaces, including a total GFA of 183,529 sq.m. of investment properties in Beijing.
- **Property management and related services:** We provide property management and related services to owners of the properties developed by us as an ancillary business to improve our brand recognition and reputation.

We have acquired substantial and strategically located land reserves at low costs to support our property development operations. As of March 31, 2014, we had land reserves with a total GFA of 6.8 million sq.m. in Beijing, Haikou, Wanning, Shantou, Foshan, Shenyang, Zhengzhou, Langfang and Xi'an, comprising a total GFA of 501,748 sq.m. completed but remaining unsold, a total GFA of 1.4 million sq.m. under development and a total GFA of 5.0 million sq.m. held for future development. The average cost of land acquisition for our GFA completed but remaining unsold, under development and held for future development was RMB1,473 per sq.m., RMB1,427 per sq.m. and RMB1,428 per sq.m., respectively. We believe that our large-scale, low-cost and strategically located land reserves will provide us with sufficient project development pipeline for the next four to five years. In addition, we are undertaking six primary land development projects with a total planned GFA of 7.7 million sq.m. in Beijing, Shantou and Chaozhou, Guangdong Province in order to access potentially available land reserves. For details relating to our projects under various stages of development and our primary land development operations, please see “— Our Property Development Projects” and “— Primary Land Development.”

We implement a standardized and streamlined process for developing property projects, supported by a comprehensive information technology system and a proprietary bank of product designs, which, together with our two-tier management structure and centralized procurement practice, enables us to enhance our operational efficiency while effectively managing our risks.

We achieved rapid and profitable growth during the Track Record Period. For the years ended December 31, 2011, 2012 and 2013, our contracted sales were RMB1,946.8 million, RMB3,283.4 million and RMB5,057.1 million, respectively, representing a CAGR of 61.2%. Our revenue for the same periods was RMB1,753.4 million, RMB4,276.0 million and RMB6,835.4 million, respectively, representing a CAGR of 97.4%, and our profit and total comprehensive income for the same periods was RMB744.4 million, RMB1,273.2 million and RMB2,770.2 million, respectively, representing a CAGR of 92.9%. We believe that our strategic nationwide coverage and large-scale, low-cost and strategically located land reserves have laid a solid foundation for, and will continue to support, our sustainable and profitable growth.

We believe economic growth, urbanization and industrialization, availability of residential mortgages and increasing disposable income are key drivers of our business. In particular, we believe as disposable income of Chinese residents increases, demand for residential properties in general and high-quality residential properties with convenient and well-developed infrastructure in particular will increase.

BUSINESS

As part of our Reorganization, we disposed of the Chongqing and Shijiazhuang Business on December 31, 2012. For details, please see “History and Reorganization — Our Reorganization — Disposal of Interests in Certain Real Estate Related Subsidiaries by Our Group.” Accordingly, the operating results of the Chongqing and Shijiazhuang Business ceased to be included in our comprehensive operating results from January 1, 2013. We did not have any property development project or land reserves in Chongqing and Shijiazhuang as of the Latest Practicable Date. The table below sets forth the key operating data of the Business other than Chongqing and Shijiazhuang Business and the Chongqing and Shijiazhuang Business during the two years ended December 31, 2011 and 2012:

	Year Ended December 31,			
	2011		2012	
	(RMB million)	(%)	(RMB million)	(%)
Revenue				
Business other than Chongqing and Shijiazhuang Business	1,152.3	65.7	1,921.1	44.9
Chongqing and Shijiazhuang Business	601.1	34.3	2,354.9	55.1
Total	1,753.4	100.0	4,276.0	100.0
Business other than Chongqing and Shijiazhuang Business*				
Gross Profit	604.1	75.7	546.0	34.7
Net Profit	698.9	93.9	738.3	58.0
Contracted Sales	931.3	47.8	2,443.3	74.4
Chongqing and Shijiazhuang Business (Combined)				
Gross Profit	194.1	24.3	1,029.5	65.3
Net Profit	45.5	6.1	534.9	42.0
Contracted Sales	1,015.4	52.2	840.1	25.6

* The calculation of the Business other than Chongqing and Shijiazhuang Business is based on the consolidated financial information of our Group deducted by the combined financial information of the Chongqing and Shijiazhuang Business as stated above.

BUSINESS

OUR COMPETITIVE STRENGTHS

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

We have acquired substantial and strategically located land reserves at low costs

We have acquired a substantial amount of low-cost land reserves in strategic locations with high growth potential. As of March 31, 2014, we had land reserves comprising a total GFA of 501,748 sq.m. completed but remaining unsold, a total GFA of 1.4 million sq.m. under development and a total planned GFA of 5.0 million sq.m. held for future development. As of March 31, 2014, the average cost of land acquisition for our land reserves was RMB1,431 per sq.m. and the average cost of land acquisition for our GFA completed but remaining unsold, under development and held for future development was RMB1,473 per sq.m., RMB1,427 per sq.m. and RMB1,428 per sq.m., respectively. The table below sets forth details of our land reserves as of March 31, 2014:

City	Total GFA (sq.m.)	Location	Average Land Acquisition Cost (RMB per sq.m.)
Beijing	390,523	Within or bordering the Second Ring Road	8,378
Langfang	2,136,379	In close proximity to Beijing's second international airport which is currently under construction and expected to have an annual handling capacity of 45 million passengers after completion, creating enormous demand for residential and commercial properties in the neighborhood	359
Shenyang	1,550,229	Located in the commercial center of Shenyang, between the first ring rim and second ring rim	1,122
Zhengzhou	657,027	Longhu County, Xinzheng City (新鄭市龍湖鎮), which has been positioned as the "Liveable Education City" (宜居教育城) according to the 12th Five-year Plan of Zhengzhou.	394
Haikou	612,354	87.0% of the total GFA is located in the commercial center of Haikou and the rest is located across Haikou	2,977
Foshan	456,375	Located in the commercial center of Foshan and adjacent to Guangzhou	1,370
Shantou	367,224	Located in the commercial center of Shantou	1,889
Wanning	361,398	Located in the commercial center of Wanning under planning	356
Xi'an	285,717	Located in Xi'an Hi-tech Industries Development Zone (西安高新技術產業開發區)	1,575

We believe the following factors have contributed to our ability to acquire strategically located land reserves at relatively low costs to support our sustainable and profitable growth:

- We have substantial experience and expertise in the real estate industry in China through over 10 years of operations which enable us to identify land parcels with significant development potential for property development and acquire land parcels at early development stages of their respective areas;

BUSINESS

- We have substantial experience in developing large-scale mixed-use complex projects combining residential properties with various commercial properties which tend to substantially improve the local living and commercial environment. As a result, such projects are normally well-received by the local communities, which enables us to have relatively easy access to land reserves from the local government authorities;
- We have established a strong brand in the cities where we have property development projects and our brand name “Glory City” is well recognized in the market;
- We have substantial experience in primary land development and our projects are well-received by the local communities. We undertook the primary land development of the sites of Beijing Fugui Garden in 2001 and Beijing Glory City in 2003, both of which were listed by the Beijing Municipal People’s Government (北京市人民政府) as key renovation projects of dangerous old houses (重點危舊房改造項目). Our performance significantly contributed to the urbanization in the former Chongwen District of Beijing and improved the local living environment, which was well-received by the local communities. We also completed Beijing Hademen project in 2012 and subsequently successfully obtained the land use rights of the relevant sites. In addition, we successfully acquired the land use rights of Foshan Guohua New Capital through participating in the “Urban Redevelopment” policy. We are currently undertaking six primary land development projects with a total planned GFA of 7.7 million sq.m. in Beijing, Shantou and Chaozhou in order to access potentially available land reserves; and
- We have stable and substantial cash flows generated from our investment properties to support our land acquisitions.

Our investment properties located at commercial centers provide us with a stable and recurring revenue source

We selectively retain the ownership of a substantial amount of self-developed commercial properties with strategic value to generate stable and recurring rental income. As of March 31, 2014, we had investment properties located in Beijing, Shenyang and Shantou, with a total GFA of 296,768 sq.m., comprising primarily shopping malls, offices, specialized markets, retail outlets and siheyuan (四合院). In particular, we had investment properties in Beijing with a total GFA of 183,529 sq.m. as of March 31, 2014. All of our investment properties are located at commercial centers in their respective cities. For example, our Beijing Glory Mall (北京國瑞購物中心), with a completed GFA of 114,032 sq.m., is located in the Chongwai Avenue catchment (崇文商圈). According to the Savills Report, as of March 31, 2014, it was the second largest shopping mall within the Second Ring Road of Beijing in terms of completed GFA. Beijing Glory Mall is well-received among young, fashion-oriented consumers by its distinctive design and commercial value.

We maintain a diversified tenant portfolio for our investment properties. Our tenants include well-known overseas and domestic brand owners. We have entered into strategic cooperation agreements with various tenants, including catering and entertainment operators, apparel and home furnishing manufacturers and retail chains for our investment properties, which enables us to rapidly expand our investment property portfolio into selected regional markets. For the years ended December 31, 2011, 2012 and 2013 and the three months ended March 31, 2014, our investment properties generated rental income of RMB204.0 million, RMB220.5 million, RMB232.0 million and RMB63.3 million, respectively.

In addition to generating stable and recurring rental income, our substantial amount of investment properties also provides us with significant flexibility in business planning and operations and enhances our ability to manage financial risks. For example, we are able to leverage our substantial amount of investment properties to obtain funding from financial institutions to support our property development. In addition, as all of our investment properties are located at commercial centers in their respective cities, we expect to enjoy significant capital appreciation over the long term.

We have established a strategic nationwide coverage

Founded in Guangdong Province, we commenced our property development operations in the late 1990s and since then have significantly grown our business in Beijing. Leveraging our strong brand and execution capabilities as well as substantial expertise and experience in property development, we have successfully expanded into other selected cities with rapid growth in China, including Haikou and Wanning in Hainan Province, Shantou and Foshan in the Pearl River Delta region, Shenyang in Liaoning Province, Zhengzhou in Henan Province, Langfang in Hebei Province and Xi'an in Shaanxi Province. As a result, we have established a strategic nationwide coverage which is centered around Beijing and the Pearl River Delta region and covers a number of selected major areas with rapid economic growth in China. All these cities are either located in or in close proximity to national or regional economic centers and have easy access to transportation networks:

- Beijing is the capital as well as political, economic, transportation, cultural and educational center of China. Beijing accommodates the headquarters of numerous large-scale State-owned enterprises, reputable domestic private enterprises and multinational enterprises. According to the “Report on Economic Development of Beijing (2012 – 2013)” (《北京經濟發展報告(2012—2013)》) (2012 – 2013) issued in June 2013, one of the blue book series of Beijing Academy of Social Sciences (北京市社會科學院), Beijing has stepped into the early stage of a developed economy. According to the Savills Report, Beijing ranked second among all the cities in China in terms of average selling price and total transaction volume of residential properties in 2013;
- Hainan Province is a popular tourist destination and attracts millions of overseas and domestic tourists each year. In line with the development plan of Hainan International Tourism Island of the PRC government, the economy and property market of Haikou and Wanning are expected to continue to grow rapidly;
- Shantou is one of the five special economic zones established by the PRC government in the 1980s, the economic and cultural center of East Guangdong Province and one of the most densely populated cities in China;
- Foshan is located in the central Pearl River Delta region and is in close proximity to the three major transportation hubs in Guangzhou, namely, Guangzhou New Baiyun International Airport, Guangzhou Nansha Port and Guangzhou Railway Station. According to the Savills Report, Foshan is the third largest city in the Pearl River Delta region in terms of GDP in 2013, following Guangzhou and Shenzhen. According to the Savills Report, Foshan ranked fourth among the cities in Guangdong Province in terms of average selling price of residential properties in 2013;
- Shenyang is the capital of Liaoning Province and the economic, cultural, transportation and trading center of Northeast China. According to the Savills Report, Shenyang is the second largest city in Northeast China in terms of GDP in 2013. According to the Savills Report, Shenyang ranked second among the cities in Liaoning Province in terms of average selling price of residential properties in 2013;
- Zhengzhou is the capital of Henan Province and a major transportation hub in central China. According to the Savills Report, Zhengzhou is the largest city in central China in terms of GDP in 2013. According to the Savills Report, Zhengzhou ranked first among the cities in Henan Province in terms of average selling price of residential properties in 2013;
- Langfang is located in the Bohai Economic Rim. It is a satellite city of Beijing and is regarded as the corridor connecting Beijing and Tianjin. According to the Savills Report, Langfang ranked first in among the cities in Hebei Province in terms of average selling price of residential properties in 2013 due to its geographic advantage of being close to Beijing; and

- Xi'an is the capital of Shaanxi Province and the economic and cultural center of Shaanxi Province. According to the Savills Report, Xi'an ranked first among the cities in Shaanxi Province in terms of average selling price of residential properties in 2013.

According to the Savills Report, from 2008 to 2012, the total GFA sold in Beijing, Haikou, Wanning, Shantou, Foshan, Shenyang, Zhengzhou, Langfang and Xi'an increased at a CAGR of 9.7%, 12.3%, 64.6%, 7.9%, 10.0%, 13.9%, 19.8%, 14.0% and 19.3%, respectively. As the total GFA sold reflects the demand for properties in the respective cities, we expect that the strong demand for properties in these cities will continue. We believe that our strategic nationwide coverage has laid a solid foundation for our sustainable and profitable growth and we are well-positioned to capitalize on the opportunities in the property market in China.

We have established track record in developing large-scale mixed-use complex projects

We develop large-scale mixed-use complex projects which typically consist of a combination of residential properties with a variety of commercial properties with the following features:

- All of our large-scale mixed-use complex projects are located at commercial centers in their respective cities. Therefore, we expect our customers will enjoy significant capital appreciation over the long term.
- In developing large-scale mixed-use complex projects, we aim to satisfy the one-stop living and consumption needs of our target customer groups. We therefore include a mix of commercial properties, including retail outlets, shopping malls, offices, hotels, specialized markets and SOHO apartments with urban-life functionalities, to complement residential properties in such complexes. These projects tend to substantially improve the local living and commercial environment, which in turn increases the value and marketability of our properties. According to the Savills Report, in 2013, Beijing Glory City ranked second within the Second Ring Road of Beijing in terms of average selling price of residential properties; Zhengzhou Glory City ranked the first in Xinzheng City in terms of average selling price of townhouses; Yongqing Glory City ranked first in Yongqing County in terms of average selling price of residential properties; Haikuotiankong Glory City ranked third in Haikou in terms of average selling price of residential properties.

We expect increasing demand for such large-scale mixed-use complex projects to continue as the urbanization process in China continues and the population of the middle-to-upper class and their demand for high-quality life continue to increase.

We have diverse sales channels and an effective sales and marketing team

We have established a professional sales and marketing team and we provide competitive compensation to our sales and marketing team, which is linked to the sales prices and the terms of payment collection, in order to increase our sales and accelerate cash flow. Our marketing and planning management center is responsible for the overall sales and marketing of all our projects and participates in the entire property development process, including site selection, product positioning, project design and budget planning. Such involvement by our marketing and planning management center throughout the property development process enables us to deliver products catered to market demand.

We also engage international and domestic third-party real estate sales agencies, including Centaline, Syswin, Union-lucky and Hopefluent, to form collective sales force and compete with our in-house sales and marketing team, which not only incentivizes our staff, but also enables us to benefit from the quality customer bases of such third-party agencies and enhance our brand recognition in the market.

We have established a strong brand

We were recognized as an “Excellent Enterprise of Chinese Urban Construction” (中國城市建設優秀企業) by Organization Committee of Chinese Urban Construction Summit (中國城市建設峰會暨建設行業公益年會組委會) consecutively in 2011 and 2012. Our Shenyang Glory City was awarded “Project with Most Consumers’ Attention for the Year 2012” (2012年度最受消費者關注樓盤) and “Project with Best Investment Value for the Year 2011” (2011年度最具投資價值樓盤) by a panel of agencies and organizations including United Nations Human Settlements Programme World Best Practices China Specialist Committee (聯合國人居署全球最佳範例中國區專家委員會)/United Nations Human Settlements Programme World Best Practices Magazine (聯合國人居署全球最佳範例雜誌). For more information about our awards and recognitions, please see “— Awards and Recognitions.” We have established a strong brand in the cities where we have property development projects. As a result of our strong brand, we are able to sell our products at prices higher than the average market prices for some of our property projects, such as the residential properties of Haikuotiankong Glory City and Zhengzhou Glory City. In addition, we have been undertaking primary land development activities and developing large-scale mixed-use complex projects, both of which tend to significantly improve the local living and commercial environment, thus enhancing our corporate image and reputation.

We are able to constantly improve our product design to meet the evolving market demand

We have a dedicated in-house design team with more than 30 members at our headquarters responsible for the overall planning and design of our projects. Our in-house design team comprises specialists in various areas in our project development, including planning, construction, structure, mechanics, gardening and decoration. Members of our in-house design team hold various qualifications, including national certified architects, certified structural engineers and certified urban planners. Our in-house design team enables us to provide designs tailored to the specific needs of our targeted customer base and market. In addition, our in-house design capability enables us to effectively manage our costs by optimizing project design, such as the structure and materials to be used, at the early stage of the property development process.

Over the years, we have developed a proprietary bank of product designs featuring neoclassical architectural style and encompassing various structural layouts such as high-rise apartments and garden houses. These product designs can be quickly fine-tuned and applied to suit the tastes of customers in a broad range of markets. In addition, during our years of operations in the property development industry in China, we have established a strategic nationwide coverage and have been able to offer a wide range of products that capture the specific preferences and needs of targeted customer base, which offers us an in-depth understanding of the demand in different markets. As a result, we are able to constantly improve our product design to meet the evolving market demand in a flexible and efficient manner without compromising quality.

Leveraging our in-depth understanding of the property market, we have been able to establish long-term cooperation relationships with a number of selected third-party design firms to supplement our in-house design capability. For example, we normally engage international design firms such as WY Design International Limited to provide conceptual design for our projects to meet the market trends. For construction drawing design, we normally engage domestic design firms with Grade A qualifications that work closely with those international conceptual design firms. We also engage international and domestic design firms including Belt Collins International (HK) Limited and Ricky Wong Designers Ltd. for the landscape and interior design of some of our projects. We have entered into strategic cooperation agreements with Belt Collins International (HK) Limited and the Ninth Design Institute of China Building Technique Group Co., Ltd., the latter of which was founded and is controlled by China Academy of Building Research, to provide technical support and services. China Academy of Building Research is a large-scale State-owned enterprise under the direct supervision of the SASAC and the only national scientific research institution in the architectural industry in China. Our in-house design team works closely with these design firms to translate designs into detailed development proposals and actively monitors the

progress and quality of the appointed design firms to ensure that their work meets our specifications. In addition, we have adopted strict criteria in our selection of construction contractors for the construction of our projects to ensure that the construction workmanship complies with both of our product design and quality standards. Our construction contractors include Long Yuan Construction Group Co., Ltd. (龍元建設集團股份有限公司), subsidiaries of China State Construction Engineering Corporation Limited (中國建築工程股份有限公司) and a subsidiary of Beijing Construction Engineering Group Co., Ltd. (北京建工集團有限責任公司). Both Long Yuan Construction Group Co., Ltd. and China State Construction Engineering Corporation are PRC listed companies.

We have an effective management structure with a standardized and streamlined process

We implement a two-tier management structure, with our headquarters as the first tier and the regional project companies as the second tier, to balance operational efficiency with risk management. Our headquarters is responsible for making strategic decisions including product positioning as well as overall planning for acquiring land reserves and developing projects, while the regional project companies are responsible for the day-to-day operations of their respective property development projects. This management structure ensures that our overall strategies are effectively implemented throughout our organization. In addition, our management structure also provides our regional project companies with appropriate autonomy to adapt to local situations.

Our management structure is supported by a comprehensive information technology system, which comprises various components covering operations planning, financial and capital management, tendering and procurement, real-time construction progress monitoring, cost management, sales and property management and our office automation platform. Through our information technology system, our management and employees can, among other things, access the latest sales and collection information, approve contracts, make payment instructions and review the cost status within their authorization level on a real-time basis. Our use of information technology allows us to maintain a high degree of intra-group transparency, enables us to streamline the allocation of responsibility and authority and facilitates our decision-making process.

In addition, based on our substantial experience in developing property projects in China, we have developed a standardized and streamlined property development process. We apply our standardized property development process across our entire value chain of business operations, including site selection, project positioning, product design, brand promotion, procurement, construction, quality control, sales and marketing and customer services. We implement centralized procurement for procuring construction materials and equipment to take advantage of economies of scale. We also apply standardized designs with necessary adjustments tailored for the local markets, which enables us to provide product designs to suit local tastes in a timely manner. In addition, our standardized processes of selecting construction contractors and procuring construction materials and equipment enable us to ensure the quality of our properties and effectively control costs. We believe our standardized and streamlined property development process is a key factor for rapidly replicating our products and delivering properties to meet the demand of various types of customers.

As a result, through our integrated management structure and our standardized and streamlined property development process, we are committed to maximizing our investment return by shortening the development cycle, which in turn improves our operating cash flow.

We have a highly experienced and motivated senior management team

The key members of our senior management team have substantial expertise and experience in property development and corporate management. Chairman Zhang has more than 10 years of experience in the PRC real estate industry. Other members of our senior management team have an average of over 11 years of relevant experience in the real estate industry. In particular, our founder, Chairman Zhang, has

BUSINESS

served us for nearly 20 years and five other members of our senior management team have served us for over 10 years. There was no major change in the composition of our senior management team during the Track Record Period. Despite the significant fluctuations in the property market in China in recent years, under the leadership of our management, we have been rapidly growing our business in a sustainable and profitable manner. From 2011 to 2013, our revenue and profit and total comprehensive income grew at a CAGR of 97.4% and 92.9%, respectively, despite adverse market conditions. We believe our experienced senior management team has contributed to our success and will continue to be a critical factor for our expansion and long-term growth.

In addition, we have a team of qualified and dedicated employees with substantial experience and expertise in property development, planning, design, finance, financing and other relevant areas. We provide our employees with continuing vocational training by external and internal experts to enhance their competency. We have adopted a staff remuneration policy that offers competitive compensation to our employees. Our remuneration structure generally consists of a base salary, quarterly performance-based bonus and a long-term share option scheme. We currently have in place the Pre-IPO Share Option Scheme, the Post-IPO Share Option Scheme and the Share Award Scheme. We believe our staff remuneration policy offers competitive compensation and enables us to attract and retain talents.

OUR STRATEGIES

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

Focus on Beijing, the Pearl River Delta region and the Yangtze River Delta region

We plan to focus on Beijing, the Pearl River Delta region and the Yangtze River Delta region for our further expansion in the next five to 10 years and we believe we are well-positioned to leverage our competitive strengths to capitalize on expected continuous economic growth in these regions.

We intend to continue to devote substantial resources to expanding our business in Beijing and its neighboring areas. We believe that the property market in Beijing and its neighboring areas has enormous growth potential. According to the Savills Report, the limited supply of raw land in Beijing, especially within the Second Ring Road, combined with the strong population growth in Beijing during the past years, will continue to increase demand for properties in Beijing and its neighboring areas, such as Langfang, which are becoming popular choices for people working in Beijing. We have a mixed-use complex project under development with a planned GFA of 140,021 sq.m. located within the Second Ring Road, namely, Beijing Glory Center. Beijing Glory Center will comprise primarily a shopping mall and a high-rise Grade A office building, all of which we intend to hold as investment properties. Construction commenced in the first quarter of 2014 and is expected to be completed in the third quarter of 2016. We are currently undertaking one primary land development project on the west side of Qian Street within the Second Ring Road in Beijing with a planned GFA of 427,404 sq.m. We believe our existing projects will enable us to maintain our leading position in the property market within the Second Ring Road of Beijing. In addition, our sizeable land reserves in Langfang enable us to benefit from the rapid growth in the regional economy centered around Beijing. We are developing a large-scale residential project in Langfang, comprising high-rise apartments, stand-alone houses, townhouses, retail outlets and a hotel. We expect to complete the construction of all five phases of this project between 2014 and 2018. This project will be in close proximity to Beijing's second international airport, which is currently under construction and expected to commence operations in 2017 to facilitate rapid regional economic growth. Therefore, we believe our land reserves in Langfang will be able to enjoy significant capital appreciation. We will actively explore additional opportunities in Beijing and its neighboring areas to develop projects with a view to becoming a leader in this market.

In the Pearl River Delta region, based on our existing operations in Shantou and Foshan, we plan to implement our expansion plan with a focus on Guangzhou and Shenzhen to rapidly increase our market share in this region. We expect the property market in the Pearl River Delta region, especially in Guangzhou and Shenzhen, to continue to grow. According to the Savills Report, between 2007 and 2012, the total GFA sold in Guangzhou and Shenzhen exceeded the total GFA completed in Guangzhou and Shenzhen by 14.9 million sq.m. and 3.9 million sq.m., respectively. As the total GFA sold and total GFA completed reflect the demand for and supply of properties in the respective cities, we expect that demand for properties in Guangzhou and Shenzhen will continue to grow during the next three years. Accordingly, we plan to devote significant resources to developing and expanding our business in these two cities.

In addition, we plan to develop properties in the Yangtze River Delta region. We plan to increase our research efforts on the property market in the Yangtze River Delta region and focus on key cities in the region such as Shanghai, Hangzhou, Nanjing, Wuxi and Suzhou, and enter this market when appropriate opportunities arise to develop high-end residential projects and mixed-use complex projects. As of the Latest Practicable Date, we had not identified any acquisition target.

We believe our in-depth knowledge of the regional property markets developed over our years of operations will be instrumental to implementing our expansion strategy. In addition, our strong execution capabilities, effective management structure combined with standardized and streamlined property development process have formed a solid foundation for rapid expansion and penetration into the selected new markets and successful acquisition and development of additional projects. We plan to continue to adopt a prudent and disciplined approach when selecting target cities for expansion, taking into account timing and market conditions to ensure our financial performance and liquidity.

Continue to maintain an optimal mix of properties for sale and for investment, while further strengthening our well-recognized brand name

We intend to strategically increase the proportion of investment properties in our property portfolio. According to the Savills Report, rental rates in the areas where our investment properties are located are expected to increase during the next three years. We believe that the strategic retention of the long-term ownership of selected commercial properties will generate stable and recurring rental income, thereby enhancing the sustainability of our revenue streams, diversifying the policy and operating risks we face in the residential property market and supporting our long-term growth. Furthermore, we plan to continue to regularly conduct property owner satisfaction surveys in respect of quality of properties delivered, property management services and community maintenance. We will continue to improve the quality of our products and services based on customer feedback in order to further enhance our brand name. In addition, we plan to leverage our strong brand name and good relationships with large institutional customers to increase bulk sales of residential properties and sales of entire office buildings. We believe such bulk sales will enable us to accelerate payment collection and reduce marketing expenses and capital costs.

Develop Grade A office buildings in central business districts of first-tier cities and second-tier cities that are provincial capitals in the PRC

Leveraging our substantial experience in the real estate industry in the PRC and our expertise in developing large-scale mixed-use complex projects, we plan to develop Grade A office buildings in central business districts of first-tier cities and second-tier cities that are provincial capitals in the PRC. We believe the market of such types of office buildings has high growth potential. We have completed two high-rise Grade A office buildings with a total GFA of 119,575 sq.m. in our Beijing Glory City located within the Second Ring Road of Beijing. We are currently developing a high-rise Grade A office building with a total planned GFA of 140,021 sq.m. in our Beijing Glory Center located within the Second Ring Road of Beijing, as well as three high-rise Grade A office buildings with a total planned GFA of 104,314 sq.m. and two ultra high-rise Grade A office buildings with a total planned GFA of 163,667 sq.m. in our Haikuotiankong Glory

BUSINESS

City located in the commercial center of Haikou. We plan to implement this strategy in the following three steps:

- We plan to construct an ultra high-rise Grade A office building with a total planned GFA of 285,717 sq.m. in Xi'an Glory International Financial Center;
- We plan to develop Grade A office buildings in Beijing, Shenzhen and Guangzhou and are currently conducting feasibility study for our proposed projects in these cities; and
- We plan to develop Grade A office buildings in selected second-tier cities that are also provincial capitals.

We plan to sell a portion of such properties and hold the remainder as investment properties to generate stable and recurring rental income. We believe our successful implementation of this strategy will enable us to become a market leader in developing Grade A office buildings in China. To implement such strategy, we have established specialized sales and marketing, design and management teams. In addition, we plan to fund the implementation of such strategy through a flexible combination of internal resources and debt and equity financings, including proceeds from the Global Offering.

Continue to improve our operational efficiency

We believe improving our operational efficiency is key to increasing our profitability. We plan to improve our operational efficiency by continuing to refine our management structure and property development process. In particular, we plan to:

- engage additional third-party real estate sales agencies to increase efficiency of our sales and marketing efforts, while continue to maintain strict cost control on construction costs;
- continue to real-time monitor the progress of each of our property development projects and increase the amount of performance-based bonus to our employees; and
- continue to develop standardized product lines to shorten our project development cycle.

Attract, retain and motivate talented personnel through systematic training programs and competitive remuneration packages

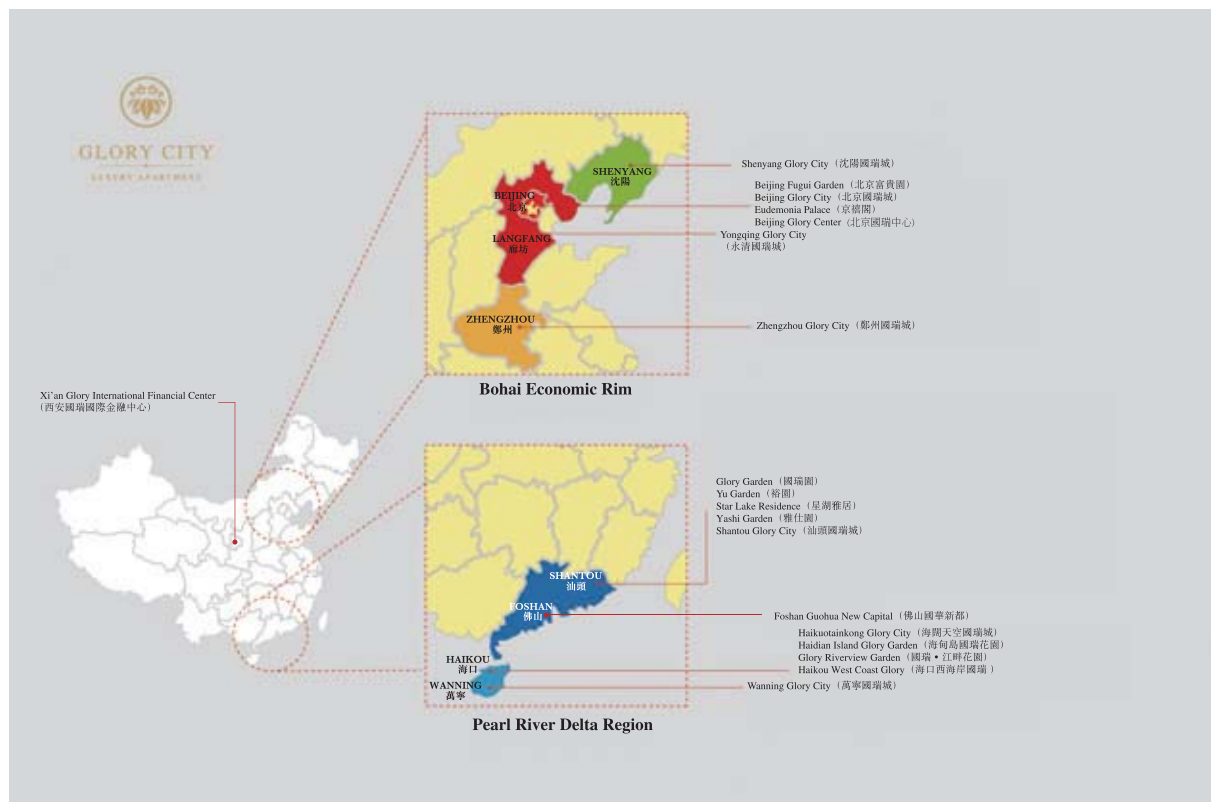
We are committed to building a highly professional and specialized team with strong execution capabilities that shares and approves of our values, vision and corporate culture. We believe our future success and growth strategies depend on our ability to attract and retain talented professionals.

We plan to continue to strategically increase the percentage of specialized talents in our employees, including those focusing on research and design of standardized products, refined cost management and quality control and engineering management. To attract and retain talented professionals, we offer systematic and comprehensive training programs to our employees, providing various external and internal trainings for our employees at different seniority levels and specialized fields of work. We also plan to continue to implement our mentoring program by assigning a mentor for each of our new joiners for career guidance and support. In addition, we plan to refine our rotation system for our employees among different departments at our headquarters or different regional project companies to develop a qualified and versatile mid-level management team. We also plan to continue to offer competitive remuneration packages to attract and retain talented professionals, to better align our employees' interests and to foster a higher level of recognition and appreciation of our corporate value and culture.

OUR BUSINESS

Overview of Our Property Projects

We develop and sell a variety of residential properties and commercial properties. Our residential properties include high-rise and mid-rise apartments, multi-layer garden houses, townhouses, stand-alone houses and siheyuan (四合院). Our commercial properties primarily include retail outlets, shopping malls, offices, hotels, specialized markets and SOHO apartments. Our property development projects comprise residential projects and large-scale mixed-use complex projects which typically consist of a combination of residential properties with various commercial properties. We selectively retain the ownership of a substantial amount of self-developed commercial properties with strategic value to generate stable and recurring rental income. As of the Latest Practicable Date, our property portfolio consisted of 20 projects completed or under various stages of development located in Beijing, Haikou, Wanning, Shantou, Foshan, Shenyang, Zhengzhou, Langfang and Xi'an. Since our commencement of operations in the late 1990s, we have completed eight projects and certain phases of five projects, with a total completed GFA of 2.5 million sq.m. as of March 31, 2014. As of March 31, 2014, we had six property projects and certain phases of five projects with a total GFA of 1.4 million sq.m. under development and a total GFA of 5.0 million sq.m. held for future development. The following map shows the geographical locations and key information of our property development projects as of March 31, 2014:



BUSINESS

The table below sets forth the geographic breakdown of our contracted sales during the three years ended December 31, 2013 and the three months ended March 31, 2013 and 2014:

	For the Year Ended December 31,						For the Three Months Ended March 31,			
	2011		2012		2013		2013		2014	
	% of Total		% of Total		% of Total		% of Total		% of Total	
	Contracted Sales ⁽¹⁾	Contracted Sales	Contracted Sales ⁽¹⁾	Contracted Sales	Contracted Sales ⁽¹⁾	Contracted Sales	Contracted Sales ⁽¹⁾	Contracted Sales	Contracted Sales ⁽¹⁾	Contracted Sales
	(RMB million)	(%)	(RMB million)	(%)	(RMB million)	(%)	(RMB million)	(%)	(RMB million)	(%)
Beijing	44.2	2.3	510.5	15.5	1,783.2	35.3	299.6	40.4	268.6	23.6
Haikou	550.6	28.3	836.6	25.5	1,669.6	33.0	279.5	37.6	390.9	34.4
Wanning	—	—	—	—	69.4	1.4	—	—	54.4	4.8
Shantou	80.8	4.2	120.9	3.7	45.9	0.9	11.9	1.6	—	—
Shenyang	67.7	3.5	322.6	9.8	244.2	4.8	76.6	10.3	177.9	15.7
Zhengzhou	188.0	9.7	652.7	19.9	965.3	19.1	74.8	10.1	29.9	2.6
Langfang	—	—	—	—	279.4	5.5	—	—	214.9	18.9
Chongqing ⁽²⁾	289.4	14.9	171.1	5.2	—	—	—	—	—	—
Shijiazhuang ⁽²⁾ ...	726.0	37.3	669.0	20.4	—	—	—	—	—	—
Total	1,946.8	100.0	3,283.4	100.0	5,057.1	100.0	742.4	100.0	1,136.6	100.0

Note:

(1) Contracted sales shown in the table include sales of car parking spaces.

(2) We disposed of the Chongqing and Shijiazhuang Business on December 31, 2012. Accordingly, the contracted sales from the Chongqing and Shijiazhuang Business ceased to be included in our total contracted sales from January 1, 2013.

We develop both residential and commercial properties. We classify a property development project as:

- a mixed-use complex project if the project comprises office building(s), shopping mall(s) and/or specialized markets and other commercial properties, and in most cases, residential properties; or
- a residential project if the project comprises residential properties and does not include any office building, shopping mall or specialized market, but in some cases, includes other commercial properties such as retail outlets, SOHO apartments or hotels.

Residential Properties

We focus on developing residential units with comfortable living environment and easy access to public transportation. We primarily develop the following types of residential properties:

- high-rise and mid-rise apartments (高層及中層住宅) — typically buildings higher than seven stories with the GFA per unit ranging from 60 sq.m. to 150 sq.m.;
- multi-layer garden houses (多層花園洋房) — typically low-rise buildings of four to six stories with the GFA per unit ranging from 90 sq.m. to 190 sq.m.;
- townhouses (聯排住宅) — typically connected houses of two to six units;
- stand-alone houses (獨棟住宅) — typically independent houses of one to four stories; and
- siheyuan (四合院) — a historical type of residence in China, also referred to as the Chinese quadrangles, namely, a courtyard surrounded by four buildings.

BUSINESS

Some of our residential projects comprise street-level retail outlets and ancillary clubhouses, kindergartens and schools. We normally sell the street-level retail outlets but retain the ownership of the ancillary clubhouse, kindergarten and school premises within our residential projects and engage third-party operators to manage them.

Mixed-use Complexes

We also develop mixed-use complex projects. We normally sell the residential and some or all of the office units of such mixed-use complexes, while retaining shopping malls, specialized markets and some of the office units, if applicable, as our investment properties.

Classification of Our Property Projects

According to the stage of development, we classify our property development projects into three categories. As some of our projects comprise multiple-phase development on a rolling basis, a single project may include different phases at various stages of completion, under development or held for future development.

As of March 31, 2014, we had land reserves with a total GFA of 6.8 million sq.m., comprising (a) a total GFA of 501,748 sq.m. completed but remaining unsold, (b) a total GFA of 1.4 million sq.m. under development, and (c) a total planned GFA of 5.0 million sq.m. held for future development.

BUSINESS

Our classification of properties reflects the basis on which we operate our business and may differ from classifications employed by other developers. Each property development project may involve multiple land use rights certificates, construction land planning permits, construction work planning permits, construction work commencement permits, pre-sale permits and other permits and certificates which may be issued at different times throughout the development process. Our classification of our properties is also different from the classification of properties in the section headed “Appendix III — Property Valuation Report” and “Appendix I — Accountants’ Report.” The differences between our classification of properties and the classification of properties in the section headed “Appendix III — Property Valuation Report” and “Appendix I — Accountants’ Report” are set forth in the table below:

Our Classification	Property Valuation Report	Accountants’ Report
Completed properties We have received the completion certificate from the relevant government construction authorities.	Group I — Property interests held by us for sale in the PRC Group III — Property interests held by us for investment in the PRC Group IV — Property interests held by us for self-use in the PRC	Properties held for sale Investment properties Prepaid lease payments Property, plant and equipment
Properties under development We have received the required construction work commencement permit but not the relevant completion certificate.	Group II — Property interests held by us for development in the PRC	Properties under development
Properties held for future development We (a) have received the relevant land use rights certificate, or (b) have signed the relevant land grant contract with relevant government authority but have not yet obtained land use rights certificate, or (c) have received the confirmation letter on bidding for granting land use rights of the underlying land parcel(s) but have not yet signed the relevant land grant contract, and, in each case, construction work has not yet commenced.	Group II — Property interests held by us for development in the PRC ⁽¹⁾	Deposits paid for land acquisition Properties under development

Note:

(1) *For those properties held for future development for which we have received the confirmation letters on bidding for granting land use rights but have not yet signed the relevant land grant contracts, our property valuer has not assigned any commercial value in the Property Valuation Report.*

In respect of properties that we have entered into the relevant land grant contracts, but have not obtained the relevant land use rights certificates, Jingtian & Gongcheng, our PRC legal advisor, has advised us that there are no legal impediments to obtaining the relevant land use rights certificates for those properties if we are able to perform the obligations under the relevant land grant contracts, including the payment of land premiums, land development costs (if any) and relevant deed tax.

In respect of properties for which we have received the confirmation letters on bidding for granting land use rights from the relevant government authorities after we have successfully won the bids, according

BUSINESS

to the “Rules on Bidding, Auctioning and Listing of State-owned Land Use Rights” (《招標拍賣掛牌出讓國有建設用地使用權規定》), which came into effect on November 1, 2007, the confirmation letters on bidding for granting land use rights are legally binding on both the successful bidders and the auctioneers. The winning bidder must sign the land grant contract with the auctioneer as prescribed in the confirmation letter on bidding for granting land use rights. Our PRC legal advisor has advised us that there are no legal impediments to entering into the land grant contract if we have received the confirmation letter on bidding for granting land use rights. Accordingly, we classify properties for which we have received confirmation letters on bidding for granting land use rights as properties held for future development. For the avoidance of doubt, we are not required to pay any fees to land authorities during the period from the time of receipt of the confirmation letter on bidding for granting land use rights to the time of signing the relevant land grant contract.

Summary Information Regarding Our Projects

We have obtained all the relevant land use rights certificates for our completed properties remaining unsold and our properties under development. As of March 31, 2014, we had not obtained land use rights certificates for our properties held for future development with a total GFA of 325,187 sq.m., including properties held for future development with a total GFA of 216,523 sq.m., for which we had not signed the relevant land grant contract but received the confirmation letter on bidding for granting land use rights. As of the Latest Practicable Date, we did not have any outstanding unpaid land premium.

The tables below set forth a summary of our property projects. It should be noted that project names used in this prospectus are names we have used, or intend to use, for marketing purpose of our properties. Some of the project names require approval of the relevant authorities, and the relevant authorities may not accept the names we have used or those that we intend to use as the registered names of these projects. As a result, the actual names registered with the relevant authorities may be different from the names used in this prospectus and may be subject to change. Furthermore, for the avoidance of doubt, references to development costs of any project or project phase in this prospectus, whether actual or expected, include the paid or payable (as applicable) portion of land premium for the relevant land use rights under such project or project phase.

BUSINESS

Property Portfolio Summary

We set out below the GFA breakdown of our property portfolio under various stages of development by planned use as of March 31, 2014:

PLANNED USE ⁽¹⁾	COMPLETED				UNDER DEVELOPMENT	HELD FOR FUTURE DEVELOPMENT		
	GFA Available for Sale, Lease or Use by Us ⁽²⁾				GFA	(A) With Land Use Rights Certificates	(B) Land Use Rights Certificates Not Yet Obtained	Total (A+B)
	GFA Sold (sq.m.)	Use by Us ⁽²⁾ (sq.m.)	Other GFA ⁽³⁾ (sq.m.)	Total (sq.m.)		(sq.m.)	(sq.m.)	(sq.m.)
Residential (excluding siheyuan (四合院))	1,270,536	127,329	—	1,397,865	755,885	2,862,097	85,259	2,947,356
Shopping malls	—	111,050	—	111,050	16,769	66,000	45,000	111,000
Specialized markets	102,120	143,899	—	246,019	—	—	—	—
Siheyuan (四合院)	—	7,219	—	7,219	1,057	—	—	—
SOHO apartments	61,675	4,080	—	65,755	—	362,111	108,985	471,096
Offices	104,056	9,808	—	113,864	283,783	203,613	—	203,613
Hotels	—	—	—	—	—	135,323	—	135,323
Retail outlets	82,724	58,811	—	141,535	81,586	182,776	25,276	208,052
Ancillary clubhouses	—	17,250	—	17,250	2,144	5,984	—	5,984
Ancillary kindergartens, schools and children's palace (少年宫)	—	1,200	12,155 ⁽⁴⁾	13,355	2,719	44,084	—	44,084
Storage units ⁽⁸⁾	4,206	1,458	—	5,664	—	—	—	—
Car parking spaces ⁽⁵⁾⁽⁸⁾	61,923	237,735	—	299,658	180,422	675,554	56,090	731,643
Ancillary ⁽⁶⁾⁽⁸⁾	—	—	36,373	36,373	39,413	88,972	4,577	93,549
Total GFA	1,687,240	719,839	48,528	2,455,607	1,363,778	4,626,513	325,187	4,951,700
Attributable GFA⁽⁷⁾	1,419,262	591,295	39,982	2,050,539	1,091,022	3,417,727	260,150	3,677,877

Notes:

- (1) The table above includes saleable GFA and non-saleable GFA. GFA for residential, SOHO apartments, retail outlets, offices, hotels, shopping malls, specialized markets, storage units and car parking spaces consists primarily of saleable GFA. GFA for ancillary clubhouses, ancillary schools, kindergartens and children's palace as well as other ancillary use consists primarily of non-saleable GFA.
- (2) Excludes the portion of GFA held by us as amenities not available for sale or lease for each of the completed projects or completed phases of a project. The portion of GFA available for use by us comprises GFA that is not saleable independently but which we have the right to use and benefit from.
- (3) Comprises the portion of GFA not available for sale or lease for each of the completed projects or completed phases of a project.
- (4) Comprises a kindergarten of our Beijing Fugui Garden project and a children's palace of Beijing Glory City project. The ownership of the kindergarten and children's palace premises was held by the education bureau of former Chongwen District in accordance with the land grant contract.
- (5) Comprise car parking spaces available for sale, lease or use by us.
- (6) Comprises above-ground ancillary GFA and underground ancillary GFA, which we held for purposes other than residential use, retail use, SOHO apartments, offices, hotels, shopping malls, specialized markets, ancillary clubhouses, ancillary schools, kindergartens and children's palace, storage units or car parking spaces, most of which are amenities and not available for sale.

BUSINESS

- (7) *Comprises the portion of the total GFA attributable to us, based on our effective interest in the relevant projects. Our interest in the relevant projects are set out in “Appendix III — Property Valuation Report.”*
- (8) *Include certain underground civil defense areas used as car parking spaces, storage areas and other ancillary facilities with a total GFA of 162,679 sq.m., which are not saleable independently but we are permitted to use and manage in time of peace and profit therefrom, subject to approval by civil defense authorities. Such civil defense areas comprise completed GFA of 113,189 sq.m. and GFA under development of 49,490 sq.m. Please see “Appendix VI — Summary of Principal Legal and Regulatory Provisions” for details of PRC laws and regulations governing civil defense properties. We did not obtain approval by civil defense authorities to use some of our completed civil defense properties in compliance with relevant PRC laws and regulations. Please see “— Regulatory Compliance” for more details.*

BUSINESS

Completed Projects and Project Phases

The table below sets forth a summary of information on our completed projects and project phases as of March 31, 2014:

Project	Project Type	Actual		Site Area (sq.m.)	GFA Available			GFA Held for Investment ⁽³⁾ (sq.m.)	GFA Sold ⁽⁴⁾ (sq.m.)	Other GFA ⁽⁵⁾ (sq.m.)	Development Costs (RMB million)	Ownership Interest ⁽⁶⁾ (%)	Attributable in Property Valuation Report		
		Commencement Date	Completion Date		Completed GFA ⁽¹⁾ (sq.m.)	by Us ⁽²⁾ (sq.m.)	(RMB million)						Capital Value ⁽⁷⁾	(Property No.)	
Beijing															
1. Beijing Fugui Garden (北京富貴園)		Mixed-use	Q4 2001	Q4 2008	87,075	507,857	52,382	26,146	420,204	9,125	1,596	91%	887.8	2, 24	
2. Beijing Glory City (北京國瑞城)		Mixed-use			117,473	881,590	119,742	157,383	586,286	18,180	4,248	80%	6,802.0	1, 22, 23, 27	
Phase I			Q3 2004	Q2 2012	88,417	644,969	66,168	44,829	519,821	14,152	2,369				
Phase II			Q1 2006	Q2 2009	29,056	236,621	53,574	112,554	66,465	4,028	1,879				
3. Eudemonia Palace (京禧閣)		Residential	Q3 2011	Q1 2014	14,464	33,101	9,568	—	22,225	1,309	819	80%	123.8	9	
Haikou															
1. Haikuantiankong Glory City (海闊天空國瑞城)		Mixed-use			69,080	293,447	105,258	—	177,892	10,297	2,204	80%	840.8	6	
Phase I			Q3 2010	Q4 2012	30,887	116,884	25,130	—	87,570	4,183	931				
Phase II			Q4 2010	Q1 2013	38,192	176,564	80,127	—	90,322	6,114	1,273				
2. Haidian Island Glory Garden (海甸島國瑞花園)		Residential	Q1 2010	Q3 2012	65,643	71,863	22,697	—	49,167	—	477	80%	77.6	7	
Shantou															
1. Shantou Glory City (Phase I) (汕頭國瑞城)		Mixed-use	Q1 2007	Q3 2009	50,999	62,398	—	62,398	—	—	160	90%	432.9	25	
2. Glory Garden (國瑞園)		Residential	Q2 2006	Q2 2008	14,161	33,795	2,467	—	31,328	—	62	100%	11.3	8	
3. Yu Garden (裕園)		Residential	Q1 2004	Q4 2005	8,292	25,767	—	—	25,767	—	49	100%	—	—	
4. Star Lake Residence (星湖雅居)		Residential	Q1 2003	Q4 2004	3,589	12,132	—	—	12,132	—	22	100%	—	—	
5. Yashi Garden (雅仕園)		Residential	Q4 2009	Q4 2011	9,472	48,054	266	—	47,013	776	150	100%	2.6	5	

BUSINESS

Project	Project Type	Actual		GFA Available			Attributable in Property				Reference		
		Commencement Date	Actual Completion Date	Site Area (sq.m.)	Completed GFA ⁽¹⁾ (sq.m.)	Use by Us ⁽²⁾ (sq.m.)	GFA Held for Investment ⁽³⁾ (sq.m.)	GFA Sold ⁽⁴⁾ (sq.m.)	Other GFA ⁽⁵⁾ (sq.m.)	Development Costs (RMB million)		Ownership Interest ⁽⁶⁾ (%)	Capital Value ⁽⁷⁾ (RMB million)
Shenyang													
1. Shenyang Glory City (瀋陽國瑞城)	Mixed-use			140,126	249,375	34,739	50,841	163,795	—	996	80%	446.5	4, 26
Phase I		Q1 2009	Q4 2009	13,200	50,841	—	50,841	—	—	190			
Phase II		Q2 2007	Q3 2009	105,865	132,779	30,659	—	102,120	—	562			
Phase III (partial)		Q2 2011	Q2 2013	21,061	65,755	4,080	—	61,675	—	244			
Zhengzhou													
1. Zhengzhou Glory City (鄭州國瑞城)	Mixed-use			156,435	231,927	71,968	—	151,432	8,528	825	80%	224.4	3
Phase I		Q4 2010	Q4 2012	85,350	76,041	42,061	—	33,980	—	340			
Phase II		Q1 2012	Q4 2013	71,085	155,886	29,907	—	117,452	8,528	485			
Langfang													
1. Yongqing Glory City (Phase I) (partial) 永清國瑞城	Residential	Q2 2012	Q3 2013	33,000	4,299	3,984	—	—	315	48	80%	—	11
Total				769,809	2,455,607	423,070	296,768	1,687,240	48,528	11,655		9,849.7	
Total Attributable GFA ⁽⁸⁾				2,050,539	344,765	344,765	246,530	1,419,262	39,982				

BUSINESS

Notes:

- (1) Derived from completion certificates and includes attributable GFA of amenities.*
- (2) Derived from our internal records and does not include the portion of GFA held by us as amenities, which is not saleable or rentable, of each of the completed projects or project phases, and the portion of GFA held by us for investment. Certain completed projects have no GFA available for sale as all saleable GFA have been sold.*
- (3) Derived from ownership certificates.*
- (4) Derived from the purchase and sale agreements.*
- (5) Includes the portion of GFA held by us as amenities not saleable or rentable of each of the completed projects or phases of projects.*
- (6) Calculated based on our effective ownership interest in the respective project companies.*
- (7) Comprises the portion of the total capital value attributable to us based on our effective interest in the relevant projects or project phases. Our interest in the relevant projects or project phases are set out in "Appendix III — Property Valuation Report."*
- (8) Comprises the portion of the total GFA attributable to us based on our effective interest in the relevant projects or project phases. Our interest in the relevant projects or project phases are set out in "Appendix III — Property Valuation Report."*

Properties Under Development and Properties Held for Future Development

The table below sets forth a summary of information on our projects or project phases under development or held for future development as of March 31, 2014:

Project	Project Company	Project Type	Site Area (sq.m.)	UNDER DEVELOPMENT				HELD FOR FUTURE DEVELOPMENT				References in Property Valuation Report (Property No.)							
				Actual/Estimated Commence-ment Date	Actual/Estimated Completion Date	Pre-sale Permit/Pre-sale Date ⁽¹⁾	GFA Under Develop-ment ⁽²⁾ (sq.m.)	Saleable/ Rentable GFA ⁽³⁾ (sq.m.)	GFA Pre- sold ⁽⁴⁾ (sq.m.)	Planned GFA ⁽⁵⁾ (sq.m.)	GFA of Land Use Rights Certificates Not Yet Obtained ⁽⁶⁾ (sq.m.)		Development Costs Incurred (RMB million)	Expected Future Development Costs (RMB million)	Ownership Interest ⁽⁷⁾ (%)	Attributable Capital Value ⁽⁸⁾ (RMB million)			
Beijing																			
1. Beijing Glory Center (北京國瑞中心)				Beijing															
Shopping mall				Glory	Mixed-use	12,738	Q1 2014	Q3 2016	N/A	140,021	124,728	—	—	—	3,383	1,088	80%	2,425.6	17
Offices										16,769	16,769	—	—	—					
Offices										80,363	80,363	—	—	—					
Siheyuan (四合院)										1,057	1,057	—	—	—					
Car parking spaces ⁽⁹⁾										26,539	26,539	—	—	—					
Ancillary ⁽¹⁰⁾										15,293	—	—	—	—					
Haikou																			
1. Haikuotiankong Glory City (海闊天空國瑞城)				Hainan															
				HNA	Mixed-use	72,296				504,229	494,635	71,629	—	—	1,157	2,350	80%	1,848.8	14
Phase III						27,413	Q4 2011	Q1 2015	Q2 2013	193,738	186,228	12,698	—	—	373	929			
Residential										95,721	95,721	9,569	—	—					
Retail outlets										4,477	4,477	3,129	—	—					
Offices										51,732	51,732	—	—	—					
Car parking spaces ⁽⁹⁾										34,298	34,298	—	—	—					
Ancillary ⁽¹⁰⁾										7,510	—	—	—	—					

BUSINESS

Project	HELD FOR FUTURE DEVELOPMENT															
	UNDER DEVELOPMENT										DEVELOPMENT					
	Project Company	Project Type	Site Area (sq.m.)	Actual/Estimated Commencement Date	Actual/Estimated Completion Date	Pre-sale Permit/Pre-sale Date ⁽¹⁾	GFA Under Development ⁽²⁾ (sq.m.)	Saleable/ Rentable GFA ⁽³⁾ (sq.m.)	GFA Pre-sold ⁽⁴⁾ (sq.m.)	Planned GFA ⁽⁵⁾ (sq.m.)	Certificates Not Yet Obtained ⁽⁶⁾ (sq.m.)	Development Costs Incurred (RMB million)	Expected Future Development Costs (RMB million)	Ownership Interest ⁽⁷⁾ (%)	Attributable Capital Value ⁽⁸⁾ (RMB million)	References in Property Valuation Report (Property No.)
Phase IV			23,105	Q4 2011	Q1 2015	Q2 2013	98,830	96,949	8,877	—	—	167	547			
Residential							77,192	77,192	5,878	—	—					
Retail outlets							3,280	3,280	2,999	—	—					
Car parking spaces ⁽⁹⁾							16,477	16,477	—	—	—					
Ancillary ⁽¹⁰⁾							1,881	—	—	—	—					
Phase V			21,778	Q2 2013	Q3 2015	Q3 2013	211,661	211,458	50,054	—	—	617	874			
Retail outlets							1,810	1,810	—	—	—					
Offices							151,687	151,687	34,654	—	—					
Car parking spaces ⁽⁹⁾							57,962	57,962	15,400	—	—					
Ancillary ⁽¹⁰⁾							203	—	—	—	—					
2. Glory Riverview Garden (國瑞•江畔花園)	Hainan	Residential	36,634	Q2 2014	Q4 2015	—	—	—	—	21,582	—	265	103	80%	248.0	15
Residential							—	—	—	20,498	—					
Ancillary clubhouse							—	—	—	1,084	—					
3. Haikou West Coast Glory (海口西海岸國瑞)	Haikou	Residential	34,121	Q4 2014	Q3 2016	—	—	—	—	19,964	—	89	119	44%	104.3	16
Residential	Hangrui						—	—	—	19,595	—					
Ancillary clubhouse							—	—	—	369	—					

BUSINESS

Project	Project Company	Project Type	Site Area (sq.m.)	HELD FOR FUTURE DEVELOPMENT				UNDER DEVELOPMENT				FUTURE DEVELOPMENT				References in Property Valuation Report														
				Actual/ Estimated Completion Date	Actual/ Estimated Completion Date	Pre-sale Permit/ Pre-sale Date ⁽¹⁾	GFA Under Development ⁽²⁾ (sq.m.)	Saleable/ Rentable GFA ⁽³⁾ (sq.m.)	GFA Pre-sold ⁽⁴⁾ (sq.m.)	Planned GFA ⁽⁵⁾ (sq.m.)	GFA of Land Use Certificates Not Yet Obtained ⁽⁶⁾ (sq.m.)	Development Costs Incurred (RMB million)	Expected Future Development Costs (RMB million)	Ownership Interest ⁽⁷⁾ (%)	Attributable Capital Value ⁽⁸⁾ (RMB million)															
Wanning																														
1. Wanning Glory City		Wanning															13													
(萬寧國瑞城)				Glory		Residential		244,340																						
Phase I				100,780		Q2 2011		Q4 2015		Q4 2012		154,642		151,094		21,173		206,756		—		327		1,433		80%		580.8		
Residential												145,703		145,703		21,173		—		—		251		516						
Retail outlets												5,391		5,391		—		—		—										
Ancillary ⁽¹⁰⁾												3,548		—		—		—		—										
Phase II				52,608		Q3 2014		Q4 2016		—		—		—		72,537		—		28		320								
Residential												—		—		46,214		—												
SOHO apartments												—		—		12,074		—												
Ancillary clubhouse												—		—		4,081		—												
Ancillary kindergarten												—		—		716		—												
Car parking spaces ⁽⁹⁾												—		—		9,452		—												
Phase III				90,952		Q3 2014		Q1 2017		—		—		—		134,219		—		48		596								
Residential												—		—		104,550		—												
Ancillary clubhouse												—		—		451		—												
Retail outlets												—		—		4,160		—												
Car parking spaces ⁽⁹⁾												—		—		25,059		—												

BUSINESS

Project	Project Company	Project Type	Site Area (sq.m.)	Actual/Estimated Commencement Date	Actual/Estimated Completion Date	Pre-sale Permit/Pre-sale Date ⁽¹⁾	UNDER DEVELOPMENT				HELD FOR FUTURE DEVELOPMENT			Expected Future Development Costs (RMB million)	Ownership Interest ⁽⁷⁾ (%)	Attributable Capital Value ⁽⁸⁾ (RMB million)	References in Property Valuation Report
							GFA Under Development ⁽²⁾ (sq.m.)	Saleable/ Rentable GFA ⁽³⁾ (sq.m.)	GFA Pre-sold ⁽⁴⁾ (sq.m.)	Planned GFA ⁽⁵⁾ (sq.m.)	Certificates Not Yet Obtained ⁽⁶⁾ (sq.m.)	Development Costs Incurred (RMB million)					
Shantou																	
1. Shantou Glory																	
City (Phase II)																	
(汕頭國瑞城)	Shantou Glory	Mixed-use	54,431	Q3 2014	Q4 2017	—	—	—	—	302,093	—	728	1,424	80%	613.6	19	
Residential							—	—	—	122,470	—						
SOHO							—	—	—	71,078	—						
apartments							—	—	—	25,000	—						
Hotel							—	—	—	40,000	—						
Shopping mall . . .							—	—	—		—						
Car parking							—	—	—	43,545	—						
spaces ⁽⁹⁾							—	—	—		—						
Foshan																	
1. Foshan Guohua																	
New Capital																	
(佛山國華新都) Guohua	Foshan	Residential	120,814	Q3 2014	Q2 2016	—	—	—	—	456,375	—	650	1,570	44%	275.9	21	
Residential							—	—	—	337,562	—						
Retail outlets							—	—	—	25,759	—						
Ancillary							—	—	—	4,178	—						
kindergarten							—	—	—		—						
Car parking							—	—	—	87,813	—						
spaces ⁽⁹⁾							—	—	—		—						
Ancillary ⁽¹⁰⁾							—	—	—	1,063	—						
Shenyang																	
1. Shenyang Glory																	
City																	
(瀋陽國瑞城) Dadongfang	Shenyang	Mixed-use	487,459				275,954	275,954	26,540	1,188,695	325,187	2,095	5,238	80%	2,250.4	12,18	
Phase III																	
(partial)			82,321	Q2 2011	Q3 2018	—	84,436	84,436	—	238,574	—	224	1,612				
SOHO																	
apartments							—	—	—	110,154	—						
Hotel							—	—	—	66,307	—						
Retail outlets							59,272	59,272	—	10,470	—						
Car parking							25,164	25,164	—	31,752	—						
spaces ⁽⁹⁾							—	—	—	19,892	—						
Ancillary ⁽¹⁰⁾							—	—	—		—						

BUSINESS

Project	Project Company	Project Type	Site Area (sq.m.)	UNDER DEVELOPMENT				HELD FOR FUTURE DEVELOPMENT				References in Property Valuation Report				
				Actual/Estimated Commencement Date	Actual/Estimated Completion Date	Pre-sale Permit/Pre-sale Date ⁽¹⁾	GFA Under Development ⁽²⁾ (sq.m.)	Saleable/ Rentable GFA ⁽³⁾ (sq.m.)	GFA Pre-sold ⁽⁴⁾ (sq.m.)	Planned GFA ⁽⁵⁾ (sq.m.)	GFA of Land Use Rights Certificates Not Yet Obtained ⁽⁶⁾ (sq.m.)		Development Costs Incurred (RMB million)	Expected Future Development Costs (RMB million)	Ownership Interest ⁽⁷⁾ (%)	Attributable Capital Value ⁽⁸⁾ (RMB million)
Phase IV			135,019	Q4 2013	Q3 2016	Q4 2013	191,518	191,518	26,540	199,165	—	—	—	—	—	—
Residential							169,698	169,698	26,540	138,585	—	—	—	—	—	—
Ancillary kindergarten							2,718	2,718	—	—	—	—	—	—	—	—
Retail outlets							3,826	3,826	—	23,019	—	—	—	—	—	—
Car parking spaces ⁽⁹⁾							15,276	15,276	—	22,426	—	—	—	—	—	—
Ancillary ⁽¹⁰⁾							—	—	—	15,135	—	—	—	—	—	—
Phase V			92,631	Q3 2014	Q4 2017	—	—	—	—	265,634	108,664	607	801	—	—	—
Residential							—	—	—	208,419	85,258	—	—	—	—	—
Retail outlets							—	—	—	23,150	9,470	—	—	—	—	—
Car parking spaces ⁽⁹⁾							—	—	—	22,875	9,358	—	—	—	—	—
Ancillary ⁽¹⁰⁾							—	—	—	11,190	4,578	—	—	—	—	—
Phase VI			126,392	Q3 2015	Q4 2017	—	—	—	—	319,260	50,461	165	1,302	—	—	—
SOHO apartments							—	—	—	166,050	26,245	—	—	—	—	—
Retail outlets							—	—	—	100,000	15,806	—	—	—	—	—
Car parking spaces ⁽⁹⁾							—	—	—	53,210	8,410	—	—	—	—	—
Phase VII			51,096	Q4 2016	Q3 2018	—	—	—	—	166,062	166,062	73	593	—	—	—
Shopping mall							—	—	—	45,000	45,000	—	—	—	—	—
SOHO apartments							—	—	—	82,740	82,740	—	—	—	—	—
Car parking spaces ⁽⁹⁾							—	—	—	38,322	38,322	—	—	—	—	—
Zhengzhou																
1. Zhengzhou Glory City	Xinzheng Glory	Mixed-use	327,792				165,195	154,217	124,700	461,860	—	604	1,841	80%	966.4	10
(鄭州國瑞城)			40,087	Q2 2013	Q4 2014	Q2 2013	100,024	90,275	86,576	—	—	145	188	—	—	—
Phase III							88,296	88,296	86,576	—	—	—	—	—	—	—
Residential							1,979	1,979	—	—	—	—	—	—	—	—
Retail outlets							—	—	—	—	—	—	—	—	—	—

BUSINESS

Project	Project Company	Project Type	Site Area (sq.m.)	Actual/	Actual/	Pre-sale Permit/ Pre-sale Date ⁽¹⁾	GFA Under Develop -ment ⁽²⁾	GFA Under Saleable/ Rentable GFA ⁽³⁾	GFA Pre-sold ⁽⁴⁾	Planned GFA ⁽⁵⁾	Certificates Not Yet Obtained ⁽⁶⁾	Development Costs Incurred	Expected Future Development Costs	Ownership Interest ⁽⁷⁾	Attributable Capital Value ⁽⁸⁾	References in Property Valuation Report
				Estimated Commence- ment Date	Completion Date											
Ancillary ⁽¹⁰⁾							9,750	—	—	—	—					
Phase IV			54,181	Q2 2013	Q3 2014	Q3 2013	65,171	63,942	38,124	—	—	109	130			
Residential							57,684	57,684	38,124	—	—					
Retail outlets							1,552	1,552	—	—	—					
Car parking spaces ⁽⁹⁾							4,706	4,706	—	—	—					
Ancillary ⁽¹⁰⁾							1,229	—	—	—	—					
Phase V			100,911	Q2 2014	Q4 2014	—	—	—	—	80,244	—	209	217			
Residential							—	—	—	80,244	—					
Phase VI			73,798	Q2 2014	Q2 2016	—	—	—	—	273,026	—	81	757			
Residential							—	—	—	233,363	—					
Retail outlets							—	—	—	9,970	—					
Car parking spaces ⁽⁹⁾							—	—	—	15,257	—					
Ancillary ⁽¹⁰⁾							—	—	—	14,436	—					
Phase VII			8,381	Q3 2014	Q3 2016	—	—	—	—	35,600	—	11	174			
SOHO apartments							—	—	—	29,000	—					
Car parking spaces ⁽⁹⁾							—	—	—	6,600	—					
Phase VIII			11,235	Q3 2014	Q4 2016	—	—	—	—	33,800	—	29	157			
Shopping mall							—	—	—	26,000	—					
Car parking spaces ⁽⁹⁾							—	—	—	7,800	—					

BUSINESS

Project	Project Company	Project Type	UNDER DEVELOPMENT				HELD FOR FUTURE DEVELOPMENT				References in Property Valuation Report					
			Site Area (sq.m.)	Actual/Estimated Commencement Date	Actual/Estimated Completion Date	Pre-sale Permit/Pre-sale Date ⁽¹⁾	GFA Under Development ⁽²⁾ (sq.m.)	GFA Under Saleable/Rentable GFA ⁽³⁾ (sq.m.)	GFA Pre-sold ⁽⁴⁾ (sq.m.)	Planned GFA ⁽⁵⁾ (sq.m.)		Certificates Not Yet Obtained ⁽⁶⁾ (sq.m.)	Development Costs Incurred (RMB million)	Expected Future Development Costs (RMB million)	Ownership Interest ⁽⁷⁾ (%)	Attributable Capital Value ⁽⁸⁾ (RMB million)
Ancillary School			39,199	Q4 2014	Q2 2016	N/A	—	—	—	39,190	—	19	218			
Langfang																
1. Yongqing Glory City																
(永清國瑞城)		Residential	1,280,366				123,736	123,736	45,046	2,008,659	—	1,076	9,826	80%	932.8	11
Phase I																
(partial)		Langfang Guosheng	60,000	Q4 2014	Q2 2017	N/A	—	—	—	53,301	—	49	366			
Hotel							—	—	—	44,016	—					
Ancillary ⁽¹⁰⁾							—	—	—	9,285	—					
Phase II																
		Langfang Real Estate	350,569	Q1 2013	Q4 2016	—	24,024	24,024	—	258,934	—	344	1,695			
Residential							24,024	24,024	—	258,934	—					
Phase III																
		Langfang Real Estate	196,507	Q3 2013	Q4 2014	Q4 2013	99,712	99,712	45,046	—	—	213	366			
Residential							97,568	97,568	45,046	—	—					
Ancillary clubhouses							2,144	2,144	—	—	—					

BUSINESS

Project	Project Company	Project Type	Site Area (sq.m.)	Actual/Estimated Commencement Date	Actual/Estimated Completion Date	Pre-sale Permit/Pre-sale Date ⁽¹⁾	GFA Under Development ⁽²⁾ (sq.m.)	Saleable/Rentable GFA ⁽³⁾ (sq.m.)	GFA Pre-sold ⁽⁴⁾ (sq.m.)	Planned GFA ⁽⁵⁾ (sq.m.)	Certificates Not Yet Obtained ⁽⁶⁾ (sq.m.)	Development Costs Incurred (RMB million)	Expected Future Development Costs (RMB million)	Ownership Interest ⁽⁷⁾ (%)	Attributable Capital Value ⁽⁸⁾ (RMB million)	References in Property Valuation Report
Phase IV	Langfang Guoxing		393,749	Q3 2014	Q4 2018	—	—	—	—	1,481,244	—	260	6,361			
Residential										1,181,244	—					
Car parking spaces ⁽⁹⁾										300,000	—					
Phase V	Langfang Real Estate		279,542	Q4 2014	Q3 2017	—	—	—	—	215,179	—	210	1,038			
Residential										195,679	—					
Car parking spaces ⁽⁹⁾										19,500	—					
Xi'an																
Xi'an Glory International Financial Center (西安國瑞國際金融中心)	Shaanxi Huawei	Mixed-use	19,162	Q1 2015	Q3 2020	—	—	—	—	285,717	—	414	2,511	40.8%	76.5	20
Offices										203,613	—					
Retail outlets										11,524	—					
Car parking spaces ⁽⁹⁾										48,033	—					
Ancillary ⁽¹⁰⁾										22,547	—					
Total			2,690,153				1,363,778	1,324,364	289,088	4,951,700	325,187	10,788	27,504		10,323.1	
Total Attributable GFA ⁽¹¹⁾							1,091,022	1,059,491	231,270	3,677,877	260,150					

Notes:

- (1) "N/A" denotes the fact that we have not obtained a pre-sale permit for the property under development or there is no property under development in this project or project phase.
- (2) Derived from construction work planning permit and includes attributable value of non-saleable amenities.
- (3) Derived from our internal records.
- (4) Derived from our internal records.
- (5) Derived from our internal records and estimates and includes attributable GFA of non-saleable amenities.
- (6) Derived from our internal records and estimates.
- (7) Calculated based on our effective ownership interest in the respective project companies.
- (8) Comprises the portion of the total capital value attributable to us based on our effective interest in the relevant projects or project phases. It includes attributable value of non-saleable amenities. Our interest in the relevant projects or project phases are set out in "Appendix III — Property Valuation Report."
- (9) Includes saleable or rentable parking spaces.
- (10) Comprises above-ground ancillary GFA and underground ancillary GFA, which we hold for purposes other than residential use, retail use, SOHO apartments, offices, hotels, shopping malls, specialized markets, ancillary clubhouses, kindergartens and children's palace, storage units or car parking spaces. Ancillary premises comprise primarily amenities not available for sale.
- (11) Comprises the portion of the total GFA attributable to us based on our effective interest in the relevant projects or project phases. Our interest in the relevant projects or project phases are set out in "Appendix III — Property Valuation Report."

BUSINESS

Land Reserves

The table below sets forth a summary of our land reserves as of March 31, 2014 by geographic location:

	Completed	Under Development	Future Development	Total Land Reserves	% of Total Land Reserves
	Saleable/Rentable GFA Remaining Unsold	GFA Under Development	Planned GFA ⁽¹⁾	Total GFA	
	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(%)
Beijing	250,502	140,021	—	390,523	5.8
Haikou	66,580	504,229	41,545	612,354	9.0
Wanning	—	154,642	206,756	361,398	5.3
Shantou	65,131	—	302,093	367,224	5.4
Foshan	—	—	456,375	456,375	6.7
Shenyang	85,580	275,954	1,188,695	1,550,229	22.7
Zhengzhou	29,971	165,196	461,860	657,027	9.6
Langfang	3,984	123,736	2,008,659	2,136,379	31.3
Xi'an	—	—	285,717	285,717	4.2
TOTAL	501,748	1,363,778	4,951,700	6,817,226	100.0

Note:

(1) Includes 216,523 sq.m. of planned GFA in respect of which we had received the confirmation letter on bidding for granting land use rights but had not yet signed the relevant land grant contract.

The table below sets forth a summary of our land reserves as of March 31, 2014 by type of properties:

	Completed	Under Development	Future Development	Total Land Reserves	% of Total Land Reserves
	Saleable/Rentable GFA Remaining Unsold	GFA Under Development	Planned GFA ⁽¹⁾	Total GFA	
	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(%)
Residential	124,113	755,885	2,947,356	3,827,354	56.1
Commercial for sale	64,422	285,005	953,761	1,303,188	19.1
Commercial held or intended to be held for investment	270,444	124,728	40,000	435,172	6.4
Hotel	—	—	135,323	135,323	2.0
Car parking spaces	42,769	153,884	731,643	928,296	13.6
Ancillary	—	39,413	93,549	132,962	2.0
Others	—	4,863	50,068	54,931	0.8
TOTAL	501,748	1,363,778	4,951,700	6,817,226	100.0

Note:

(1) Includes 216,523 sq.m. of planned GFA in respect of which we had received the confirmation letter on bidding for granting land use rights but had not yet signed the relevant land grant contract.

Contracted Sales

The table below sets forth a summary of our total contracted sales for each of the years ended December 31, 2011, 2012 and 2013 and the three months ended March 31, 2013 and 2014:

Project		Year Ended December 31,						Three Months Ended March 31,													
		2011			2012			2013			2014										
		Total Contracted Sales ⁽¹⁾ (RMB million)	Total Contracted GFA ⁽²⁾ (sq.m.)	Contracted ASP (RMB/sq.m.)	% of Total Contracted Sales	Total Contracted Sales ⁽¹⁾ (RMB million)	Total Contracted GFA ⁽²⁾ (sq.m.)	Contracted ASP (RMB/sq.m.)	% of Total Contracted Sales	Total Contracted Sales ⁽¹⁾ (RMB million)	Total Contracted GFA ⁽²⁾ (sq.m.)	Contracted ASP (RMB/sq.m.)	% of Total Contracted Sales								
Beijing																					
Beijing Glory City	May 2005	39.2	1,490	26,341	2.0	1.9	67	28,200	0.1	1,186.4	20,902	56,759	23.5	52.4	938	55,897	7.1	262.1	4,442	58,997	23.1
Beijing Fugui Garden	April 2002	5.0	250	20,000	0.3	4.7	182	25,874	0.1	6.7	500	13,439	0.1	3.8	134	28,275	0.5	—	—	—	—
Eudemonia Palace	October 2012	—	—	—	—	503.9	11,293	44,623	15.3	590.2	12,992	45,427	11.7	243.4	5,219	46,641	32.8	6.5	118	55,000	0.6
Haikou																					
Haikuotiankong Glory City (Phase I)	September 2010	135.3	9,946	13,603	6.9	112.6	8,760	12,853	3.4	32.0	2,653	12,079	0.6	42.9	3,672	11,693	5.8	11.2	784	14,276	1.0
Haikuotiankong Glory City (Phase II)	January 2011	292.9	20,846	14,052	15.0	461.2	27,615	16,702	14.0	523.5	37,294	14,038	10.4	135.5	9,270	14,616	18.2	129.8	9,525	13,628	11.4
Haikuotiankong Glory City (Phase III)	June 2013	—	—	—	—	—	—	—	—	206.4	11,232	18,374	4.1	—	—	—	—	101.4	5,188	19,535	8.9
Haikuotiankong Glory City (Phase IV)	June 2013	—	—	—	—	—	—	—	—	195.5	9,023	21,669	3.9	—	—	—	—	90.9	4,318	21,060	8.0
Haikuotiankong Glory City (Phase V)	August 2013	—	—	—	—	—	—	—	—	498.4	34,654	14,381	9.9	—	—	—	—	—	—	—	—
Haidian Island Glory Garden	June 2010	122.4	9,910	12,349	6.3	262.7	19,992	13,142	8.0	213.8	15,039	14,216	4.2	101.1	7,515	13,453	13.6	57.6	2,938	19,621	5.1
Wanning																					
Wanning Glory City (Phase I)	January 2013	—	—	—	—	—	—	—	—	69.4	12,183	5,695	1.4	—	—	—	—	54.4	9,052	6,009	4.8
Shantou																					
Glory Garden	December 2006	2.3	359	6,310	0.1	8.6	797	10,777	0.3	7.1	943	7,505	0.1	5.2	675	7,660	0.7	—	—	—	—
Yashi Garden	November 2010	78.5	15,789	4,974	4.0	112.3	20,608	5,451	3.4	38.9	4,590	8,467	0.8	6.7	716	9,367	0.9	—	—	—	—
Shenyang																					
Shenyang Glory City (Phase II)	April 2008	50.0	6,737	7,427	2.6	104.5	16,102	6,493	3.2	93.6	14,009	6,684	1.9	18.4	2,962	6,195	2.5	12.0	1,737	6,902	1.1
Shenyang Glory City (Phase III)	October 2011	17.7	2,876	6,155	0.9	218.1	39,857	5,471	6.6	120.8	22,507	5,368	2.4	58.2	10,880	5,354	7.8	9.3	1,645	5,634	0.8
Shenyang Glory City (Phase IV)	December 2013	—	—	—	—	—	—	—	—	29.8	4,269	6,976	0.6	—	—	—	—	156.7	22,429	6,985	13.8

BUSINESS

Year Ended December 31,													Three Months Ended March 31,								
Project	Commencement date of Presales or Sales	2011					2012					2013					2014				
		Total Contracted Sales ⁽¹⁾	Total Contracted GFA ⁽¹⁾	% of Total Contracted Sales	Total Contracted Sales ⁽¹⁾	Total Contracted GFA ⁽¹⁾	% of Total Contracted Sales	Total Contracted Sales ⁽¹⁾	Total Contracted GFA ⁽¹⁾	% of Total Contracted Sales	Total Contracted Sales ⁽¹⁾	Total Contracted GFA ⁽¹⁾	% of Total Contracted Sales	Total Contracted Sales ⁽¹⁾	Total Contracted GFA ⁽¹⁾	% of Total Contracted Sales					
		(RMB million)	(sq.m.)	(RMB/sq.m.)	(RMB million)	(sq.m.)	(RMB/sq.m.)	(RMB million)	(sq.m.)	(RMB/sq.m.)	(RMB million)	(sq.m.)	(RMB/sq.m.)	(RMB million)	(sq.m.)	(RMB/sq.m.)					
Zhengzhou																					
Zhengzhou Glory City (Phase I)	September 2011	188.0	18,207	10,327	9.7	158.4	15,571	10,176	4.8	144.1	12,848	11,215	2.8	—	—	—	10.7	982	10,941	0.9	
Zhengzhou Glory City (Phase II)	March 2012	—	—	—	—	494.3	105,605	4,681	15.1	108.4	19,574	5,540	2.1	74.8	14,984	4,992	10.1	—	—	—	
Zhengzhou Glory City (Phase III)	June 2013	—	—	—	—	—	—	—	—	453.7	86,576	5,240	9.0	—	—	—	—	—	—	—	
Zhengzhou Glory City (Phase IV)	November 2013	—	—	—	—	—	—	—	—	259.1	36,629	7,072	5.1	—	—	—	19.1	2,602	7,344	1.7	
Langfang																					
Yongqing Glory City (Phase III)	November 2013	—	—	—	—	—	—	—	—	279.4	25,554	10,932	5.5	—	—	—	214.9	19,493	11,024	18.9	
Chongqing⁽²⁾																					
Chongqing Glory City (Phase I)	October 2005	5.3	2,503	2,101	0.3	83.4	14,744	5,658	2.5	—	—	—	—	—	—	—	—	—	—	—	
Chongqing Glory City (Phase II)	November 2007	81.4	24,956	3,261	4.2	0.6	232	2,675	<0.1	—	—	—	—	—	—	—	—	—	—	—	
Chongqing Glory City (Phase III)	August 2010	202.7	27,578	7,351	10.4	87.1	14,489	6,008	2.7	—	—	—	—	—	—	—	—	—	—	—	
Shijiazhuang⁽²⁾																					
Shijiazhuang Glory Garden	June 2009	79.0	21,397	3,692	4.1	29.0	7,731	3,751	0.9	—	—	—	—	—	—	—	—	—	—	—	
Shijiazhuang Glory City	September 2009	647.0	128,059	5,052	33.2	640.0	118,072	5,420	19.5	—	—	—	—	—	—	—	—	—	—	—	
Total		1,946.8	290,902	6,692	100.0	3,283.4	421,716	7,786	100.0	5,057.1	383,970	13,170	100.0	742.4	56,964	13,033	100.0	1,136.6	85,254	13,332	
																				100.0	

Notes:

- (1) Contracted sales shown in the above table include sales of car parking spaces and accordingly, contracted GFA in the above table includes contracted GFA of car parking spaces.
- (2) We disposed of the Chongqing and Shijiazhuang Business on December 31, 2012. Accordingly, the contracted sales from the Chongqing and Shijiazhuang Business ceased to be included in our total contracted sales from January 1, 2013.

BUSINESS

Our contracted ASP increased from RMB6,692 per sq.m. in 2011, to RMB7,786 per sq.m. in 2012 and RMB13,170 per sq.m. in 2013 and further to RMB13,332 per sq.m. for the three months ended March 31, 2014, primarily reflecting the impact of progress of our various projects and project phases.

Our actual cash receipts from property sales, which represented the aggregate cash amount received from binding pre-sale and sale contracts entered into during such periods, were RMB2,430.9 million, RMB2,933.1 million, RMB4,143.9 million, RMB773.7 million and RMB1,437.7 million for the years ended December 31, 2011, 2012 and 2013 and the three months ended March 31, 2013 and 2014, respectively. Such amounts do not necessarily correspond to the amounts of our contracted sales for the corresponding periods. The table below sets forth the geographic breakdown of our actual cash receipts during the three years ended December 31, 2013 and the three months ended March 31, 2013 and 2014:

	For the Year Ended December 31,						For the Three Months Ended March 31,			
	2011		2012		2013		2013		2014	
	% of Total		% of Total		% of Total		% of Total		% of Total	
	Actual Cash Receipts ⁽¹⁾	Actual Cash Receipts	Actual Cash Receipts ⁽¹⁾	Actual Cash Receipts	Actual Cash Receipts ⁽¹⁾	Actual Cash Receipts	Actual Cash Receipts ⁽¹⁾	Actual Cash Receipts	Actual Cash Receipts ⁽¹⁾	Actual Cash Receipts
	(RMB million)	(%)	(RMB million)	(%)	(RMB million)	(%)	(RMB million)	(%)	(RMB million)	(%)
Beijing	22.8	0.9	384.8	13.1	1,640.6	39.6	305.6	39.5	502.4	34.9
Haikou	868.2	35.7	784.7	26.8	1,214.5	29.3	215.0	27.8	451.9	31.4
Wanning	—	—	—	—	51.3	1.2	—	—	51.2	3.6
Shantou	107.9	4.4	36.3	1.2	23.7	0.6	0.8	0.1	—	—
Shenyang	93.9	3.9	205.7	7.0	357.5	8.6	93.6	12.1	120.5	8.4
Zhengzhou	101.3	4.2	573.5	19.6	683.9	16.5	153.3	19.8	143.2	10.0
Langfang	—	—	—	—	172.4	4.2	5.4	0.7	168.5	11.7
Chongqing ⁽²⁾	505.9	20.8	168.5	5.7	—	—	—	—	—	—
Shijiazhuang ⁽²⁾	730.8	30.1	779.6	26.6	—	—	—	—	—	—
Total	2,430.9	100.0	2,933.1	100.0	4,143.9	100.0	773.7	100.0	1,437.7	100.0

Note:

(1) Actual cash receipts shown in the table include sales of car parking spaces.

(2) We disposed of the Chongqing and Shijiazhuang Business on December 31, 2012. Accordingly, the actual cash receipts from the Chongqing and Shijiazhuang Business ceased to be included in our total actual cash receipts from January 1, 2013.

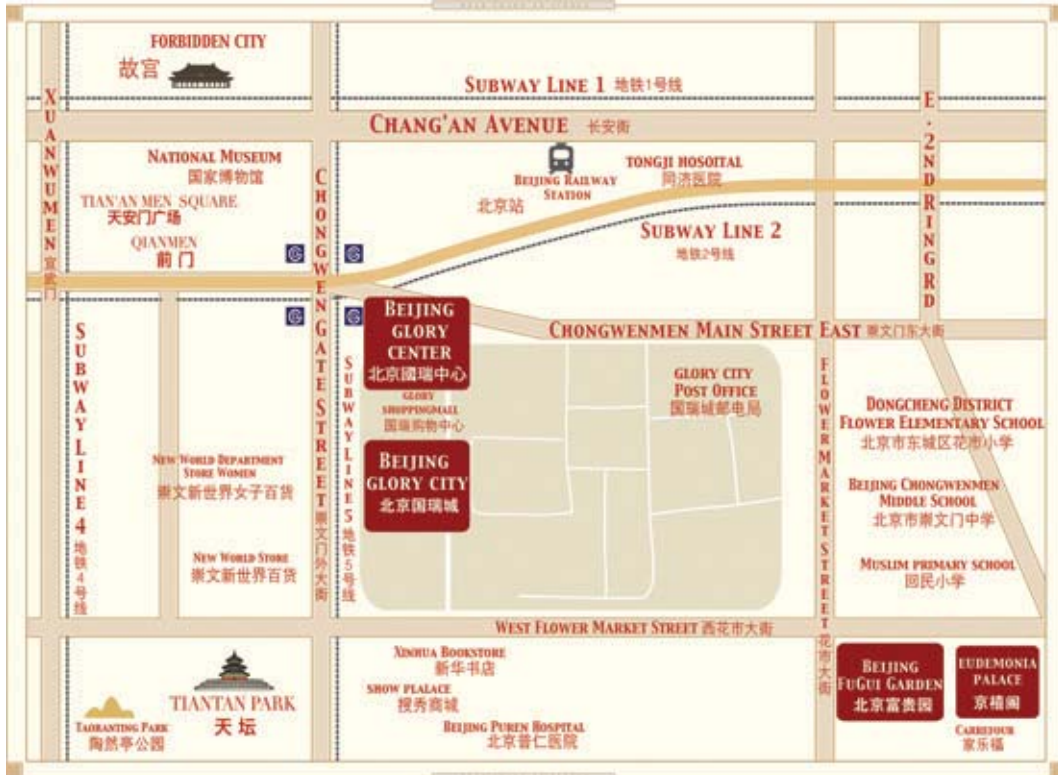
A property is considered “sold” when the contract with a customer is executed and the property is delivered to the customer. A property is treated as “pre-sold” when the contract is executed but the property has not yet been delivered to the customer. Delivery is deemed to take place on the date stated on the property delivery document.

As advised by our PRC legal advisor, we had obtained all certificates and approvals necessary under the applicable PRC laws and regulations for commencing pre-sales of those properties we were pre-selling as of the Latest Practicable Date.

OUR PROPERTY DEVELOPMENT PROJECTS

Beijing

The following map indicates the locations of our projects in Beijing.



Beijing Fugui Garden (北京富貴園)



Beijing Fugui Garden is a mixed-use complex project located in Donghuashinanli (東花市南裡), Dongcheng District, bordering Guangqumennei Avenue (廣渠門內大街) to the south and Baiqiao Avenue (白橋大街) to the east. It is approximately three kilometers from Tiananmen Square (天安門廣場). Beijing Fugui Garden is conveniently accessible to transportation facilities and surrounded by a number of public facilities including reputable kindergartens, primary and secondary schools, hospitals and a variety of commercial amenities.

Beijing Fugui Garden occupies a total site area of 87,075 sq.m. with a total GFA of 507,857 sq.m. and comprises high-rise apartments, a shopping mall, retail outlets, storage units, an ancillary kindergarten, ancillary clubhouses and car parking spaces. Construction commenced in the fourth quarter of 2001 and was completed in the fourth quarter of 2008. Development costs were RMB1,596 million. As of March 31, 2014, 202 sq.m. of residential units and 4,162 sq.m. of retail outlets remained unsold, 42,246 sq.m. of car parking spaces remained available for sale, lease or use by us and 967 sq.m. of storage units and 3,245 sq.m. of ancillary clubhouses remained available for use by us, while we held 26,146 sq.m. of a shopping mall as our investment property.

Beijing Fugui Garden was developed by Glory Industrial. We have paid the land premium of RMB193.4 million in full in accordance with the terms of the relevant land grant contracts.

Beijing Glory City (北京國瑞城)



Beijing Glory City is a mixed-use complex project located at the center of Chongwai Avenue catchment (崇文商圈) and within the Second Ring Road, bordering Chongwenmenwai Avenue (崇文門外大街) to the west, Chongwenmendong Avenue (崇文門東大街) to the north and Huashi Avenue (花市大街) to the south. It is approximately one kilometer from Tiananmen Square and is within walking distance from other popular places of historical interest including the Imperial Palace (故宮), Temple of Heaven (天壇) and Ming Dynasty City Wall Relics Park (明城牆遺址公園). Subway Line 2, Line 5 and Line 7 intersect in and more than 50 public bus routes converge on that area. Beijing Glory City is also close to a number of public facilities, including reputable kindergartens, primary and secondary schools and hospitals.

Details of this project are as follows:

	Types of properties	Actual/planned commencement/completion date	Status
Phase I	Residential, retail outlets, offices, storage units, ancillary children's palace, ancillary clubhouses, car parking spaces	Q3 2004 – Q2 2012	Completed
Phase II	Residential, offices, shopping mall, car parking spaces	Q1 2006 – Q2 2009	Completed

Beijing Glory City occupies a total site area of 117,473 sq.m., with a total GFA of 881,590 sq.m. Its development costs incurred were RMB4,248 million. The residential units of Beijing Glory City comprise high-rise apartments and siheyuan (四合院). As of March 31, 2014, 31,738 sq.m. of residential units and 16,675 sq.m. of retail outlets remained unsold, 65,189 sq.m. of car parking spaces remained available for sale, lease or use by us and 491 sq.m. of storage units and 3,992 sq.m. of ancillary clubhouses remained

BUSINESS

available for use by us, while we held 29,128 sq.m. of retail outlets, 7,219 sq.m. of siheyuan (四合院), 9,808 sq.m. of office units, 84,904 sq.m. of a shopping mall and 26,324 sq.m. of car parking spaces as our investment properties.

Beijing Glory City was developed by Original Beijing Glory. We have paid the land premium of RMB519.4 million in full in accordance with the terms of the relevant land grant contracts.

Eudemonia Palace (京禧閣)



Eudemonia Palace is a residential project located on the south side of Tonghui River (通惠河), bordering the East Second Ring Road to the west, Liangguang Road (兩廣路) to the south and North Tonghui River Road (通惠河北路) and Chang'an Avenue (長安街) to the north. It is in close proximity to the CBD of Beijing and Scitech catchment (賽特商圈) and conveniently accessible to transportation facilities, including Subway Line 7.

Eudemonia Palace occupies a total site area of 14,464 sq.m. with a total GFA of 33,101 sq.m., comprising high-rise apartments and car parking spaces. Development costs incurred were RMB819 million. Construction commenced in the second quarter of 2011 and was completed in the first quarter of 2014. As of March 31, 2014, 2,706 sq.m. of residential units remained unsold and 6,862 sq.m. of car parking spaces remained available for use by us.

Eudemonia Palace is being developed by Beijing Glory. We acquired the relevant land use rights in the secondary market for a consideration of RMB360 million, of which we have paid RMB320 million. We expect to settle the remaining RMB40 million in the fourth quarter of 2014.

Our PRC legal advisor has confirmed that we have obtained all licenses, permits and certificates required for the development of this project.

Beijing Glory Center (北京國瑞中心)

Beijing Glory Center is a mixed-use complex project located in the intersection of Chongwenmenwai Avenue and Chongwenmendong Avenue to the southeast, bordering our Beijing Glory City to the south. It is in the prime location of Chongwai Avenue catchment (崇文商圈) and conveniently accessible to transportation facilities including Subway Line 2 and Line 5. Beijing Glory Center is approximately one kilometer from Tiananmen Square and less than one kilometer from the Beijing Train Station. It is also close to many public facilities and commercial amenities.

Beijing Glory Center occupies a total site area of 12,738 sq.m. and is expected to have a total GFA of 140,021 sq.m. upon completion, including 16,769 sq.m. of a shopping mall, 80,363 sq.m. of office units, 1,057 sq.m. of siheyuan (四合院), and 26,539 sq.m. of car parking spaces. Beijing Glory Center is under development and we intent to hold as investment properties after completion. Construction commenced in the first quarter of 2014 and is expected to be completed in the third quarter of 2016. As of March 31, 2014, development costs incurred were RMB3,383 million and estimated future development costs were RMB1,088 million.

Beijing Glory Center is being developed by Beijing Glory. We have paid the land premium of RMB2,777.8 million in full in accordance with the terms of the relevant land grant contract.

Our PRC legal advisor has also confirmed that as of the Latest Practicable Date, there were no legal impediments to obtaining any licenses, permits and certificates required for the development of this project, provided that we take all necessary steps and submit the relevant applications in accordance with the requirements and time frame prescribed by the applicable PRC laws and regulations.

Shenyang

The following map indicates the location of our project in Shenyang, Liaoning Province.



Shenyang Glory City (瀋陽國瑞城)



Shenyang Glory City is a mixed-use complex project located in the intersection of Northeastern Main Road (東北大馬路) and Guanquan Road (觀泉路), Dadong District of Shenyang. Shenyang Glory City is within the second ring rim of Shenyang. It is conveniently accessible to transportation facilities and is in close proximity to many public bus routes. Shenyang Glory City is also close to a number of public facilities, including reputable primary and secondary schools and hospitals and is surrounded by commercial amenities such as supermarkets and ceramics plaza.

Details of this project as of March 31, 2014 are as follows:

	Types of properties	Actual/planned commencement/completion date	Status
Phase I	Specialized markets	Q1 2009 – Q4 2009	Completed
Phase II	Specialized markets	Q2 2007 – Q3 2009	Completed
Phase III	SOHO apartments, hotel, retail outlets, car parking spaces	Q2 2011 – Q3 2018	Completed/under development/held for future development
Phase IV	Residential, ancillary kindergarten, retail outlets, car parking spaces	Q4 2013 – Q3 2016	Under development/held for future development
Phase V	Residential, retail outlets, car parking spaces	Q3 2014 – Q4 2017	Held for future development

BUSINESS

	Types of properties	Actual/planned commencement/completion date	Status
Phase VI	SOHO apartment, retail outlets, car parking spaces	Q3 2015 – Q4 2017	Held for future development
Phase VII	Shopping mall, SOHO apartments, car parking spaces	Q4 2016 – Q3 2018	Held for future development

Shenyang Glory City occupies a total site area of 627,585 sq.m., with a total GFA of 1,714,024 sq.m. As of March 31, 2014, development costs incurred were RMB3,091 million and estimated future development costs were RMB5,238 million.

Phase I, Phase II and a portion of Phase III with a total GFA of 249,375 sq.m. were completed in the fourth quarter and third quarter of 2009 and the second quarter of 2013, respectively. As of March 31, 2014, 30,659 sq.m. of auto parts retail stores and 4,080 sq.m. of SOHO apartments remained unsold, while we held 50,841 sq.m. of a home furnishing and decoration materials retail center as our investment property.

A portion of Phase III and a portion of Phase IV are under development and are expected to have a total GFA of 275,954 sq.m. upon completion, including 169,699 sq.m. of residential units, 63,098 sq.m. of retail outlets, 2,718 sq.m. of an ancillary kindergarten and 40,440 sq.m. of car parking spaces. The residential units will comprise high-rise apartments, townhouses and multi-layer garden houses. Such portions of Phase III and Phase IV are expected to have a total saleable or rentable GFA of 275,954 sq.m. As of March 31, 2014, we had not commenced pre-sale of such portion of Phase III. We commenced pre-sale of such portion of Phase IV in the fourth quarter of 2013 and as of March 31, 2014, we had pre-sold residential units with a total GFA of 26,540 sq.m.

Phases V, VI and VII and the remaining portions of Phase III and Phase IV are held for future development and are expected to have a total GFA of 1,188,695 sq.m. upon completion, including 347,004 sq.m. of residential units, 358,944 sq.m. of SOHO apartments, 66,307 sq.m. of a hotel, 156,639 sq.m. of retail outlets, 45,000 sq.m. of a shopping mall and 168,585 sq.m. of car parking spaces. The residential units will comprise high-rise apartments, townhouses and multi-layer garden houses. As of March 31, 2014, we had not commenced the construction of Phases V, VI and VII and the remaining portions of Phase III and IV.

Shenyang Glory City is being developed by Shenyang Dadongfang. In July 2006, we acquired 29% of the equity interest in Shenyang Dadongfang, the project company that held the land use rights of the land parcels for this project, for a consideration of RMB76.6 million. Upon completion of capital injection in February 2007, the equity interest held by us in Shenyang Dadongfang increased to 70%. In October 2012, we acquired the remaining 30% of the equity interest in Shenyang Dadongfang for a consideration of RMB68 million. The consideration was determined based on arm's length negotiation between the parties.

Our PRC legal advisor has confirmed that we have obtained all licenses, permits and certificates required for the development of the portion of Phase III and the portion of Phase IV under development. Our PRC legal advisor has confirmed that as of the Latest Practicable Date, there were no legal impediments to obtaining all licenses, permits and certificates required for the development of the remaining phases of this project, provided that we take all necessary steps and submit the relevant applications in accordance with the requirements and time frame prescribed by the applicable PRC laws and regulations.

BUSINESS

Haikou

The following map indicates the locations of our projects in Haikou, Hainan Province.



Haidian Island Glory Garden (海甸島國瑞花園)



Haidian Island Glory Garden is a residential project located on the north side of Haijing Road (海景路), Haidian Island (海甸島) of Haikou. It is within 200 meters from the costal line, adjacent to Baishamen Ecological Park (白沙門生態公園), the largest theme park in Haikou. Haidian Island Glory Garden is conveniently accessible to transportation facilities and surrounded by many vacational facilities including golf courses and “five-star” hotels, public facilities including reputable kindergartens, primary and secondary schools and hospitals, and commercial amenities including supermarkets.

Haidian Island Glory Garden occupies a total site area of 65,643 sq.m. with a total GFA of 71,863 sq.m. and comprises high-rise apartments, multi-layer garden houses, retail outlets and car parking spaces. Construction commenced in the first quarter of 2010 and was completed in the third quarter of 2012. Development costs incurred were RMB477 million. As of March 31, 2014, 3,463 sq.m. of residential units remained unsold and 19,234 sq.m. of car parking spaces remained available for sale, lease or use by us.

Haidian Island Glory Garden was developed by Hainan Tongcheng. From July 2009 to February 2010, we acquired 100% of the equity interest in Hainan Tongcheng, which held the land use rights of the land parcels for this project, for a total consideration of RMB125 million. The consideration was determined based on arm’s length negotiation between the parties.

Our PRC legal advisor has confirmed that we have obtained all licenses, permits and certificates required for the development of this project.

Haikuotiankong Glory City (海闊天空國瑞城)



Haikuotiankong Glory City is a mixed-use complex project located in the intersection of the regional main road — Guoxing Road (國興大道) and Wuzhishan Road (五指山路) in Dayingshan area, the CBD area of Haikou. It is conveniently accessible to transportation facilities and surrounded by public facilities including reputable kindergartens and schools and commercial amenities including supermarkets, restaurants and cinemas.

Details of this project as of March 31, 2014 are as follows:

	Types of properties	Actual/planned commencement/completion date	Status
Phase I	Residential, retail outlets, ancillary clubhouses, car parking spaces	Q3 2010 – Q4 2012	Completed
Phase II	Residential, retail outlets, ancillary kindergarten, car parking spaces	Q4 2010 – Q1 2013	Completed
Phase III	Residential, retail outlets, offices, car parking spaces	Q4 2011 – Q1 2015	Under development
Phase IV	Residential, retail outlets, car parking spaces	Q4 2011 – Q1 2015	Under development
Phase V	Offices, retail outlets, car parking spaces	Q2 2013 – Q3 2015	Under development

Haikuotiankong Glory City occupies a total site area of 141,376 sq.m. with a total GFA of 797,676 sq.m. As of March 31, 2014, development costs incurred were RMB3,361 million and estimated future development costs were RMB2,350 million.

BUSINESS

Phases I and II were completed in the fourth quarter of 2012 and third quarter of 2013, respectively, with a total GFA of 293,447 sq.m. The residential units comprise high-rise apartments. As of March 31, 2014, 57,211 sq.m. of residential units and 1,525 sq.m. of retail outlets remained unsold and 2,464 sq.m. of ancillary clubhouses, 1,200 sq.m. of an ancillary kindergarten and 42,858 sq.m. of car parking spaces remained available for use by us.

Phases III, IV and V are under development and are expected to have a total GFA of 504,229 sq.m. upon completion, including 172,913 sq.m. of residential units, 9,567 sq.m. of retail outlets, 203,419 sq.m. of offices and 108,737 sq.m. of car parking spaces. Phases III, IV and V are expected to have a total saleable or rentable GFA of 494,635 sq.m. upon completion. The residential units will comprise high-rise apartments. We commenced pre-sale of Phases III and IV in the second quarter of 2013 and pre-sale of Phase V in the third quarter of 2013 and as of March 31, 2014, we had pre-sold residential units with a GFA of 15,447 sq.m., office units with a GFA of 34,654 sq.m., retail outlets with a GFA of 6,128 sq.m. and car parking spaces with a GFA of 15,400 sq.m.

Haikuotiankong Glory City is being developed by Hainan HNA. In March 2010, we acquired 100% of the equity interest in Hainan HNA, the project company that held the land use rights of the land parcels for this project, for a consideration of RMB466.9 million. The consideration was determined based on the registered capital of Hainan HNA.

Our PRC legal advisor has confirmed that we have obtained all licenses, permits and certificates required for the development of Phases III, IV and V.

Glory Riverview Garden (國瑞●江畔花園)

Glory Riverview Garden is a residential project located on the west side of Xinbu Island (新埠島), with Haidian Island across the river, bordering the scenic Henggou River (橫溝河) to the west and No. 2 Road of the Xinbu Island to the east. Glory Riverview Garden is surrounded by many vacation facilities including a “five-star” hotel and yacht club.

Glory Riverview Garden occupies a total site area of 36,634 sq.m. and is expected to have a total GFA of 21,582 sq.m. upon completion, including 20,498 sq.m. of residential units and 1,084 sq.m. of ancillary clubhouses. Glory Riverview Garden is held for future development. We expect construction to commence in the second quarter of 2014 and to be completed in the fourth quarter of 2015. Its residential units will comprise townhouses. As of March 31, 2014, development costs incurred were RMB265 million and the estimated future development costs were RMB103 million. As of March 31, 2014, we had not commenced construction of this project.

Glory Riverview Garden will be developed by Hainan Nanduijiang. In June 2010, we acquired 100% of the equity interest in Hainan Nanduijiang, the project company that held the land use rights of the land parcels for this project, for a consideration of RMB197.5 million. The consideration was determined based on arm’s length negotiation between the parties.

Our PRC legal advisor has also confirmed that as of the Latest Practicable Date, there were no legal impediments to obtaining all licenses, permits and certificates required for the development of this project, provided that we take all necessary steps and submit the relevant applications in accordance with the requirements and time frame prescribed by the applicable PRC laws and regulations.

Haikou West Coast Glory (海口西海岸國瑞)

Haikou West Coast Glory is a residential project located on the west coast of Haikou, bordering Binhai Avenue (濱海大道) to the north, West Yongwan Road (永萬西路) to the west and Changyi Road (長怡路) to the east. Haikou West Coast Glory is surrounded by the Holiday Beachside Resort (假日海灘旅遊區) and many vacation facilities including “five-star” hotels, golf courses, yacht and sailing clubs.

Haikou West Coast Glory occupies a total site area of 34,121 sq.m. and is expected to have a total GFA of 19,964 sq.m. upon completion, including 19,595 sq.m. of residential units and 369 sq.m. of

BUSINESS

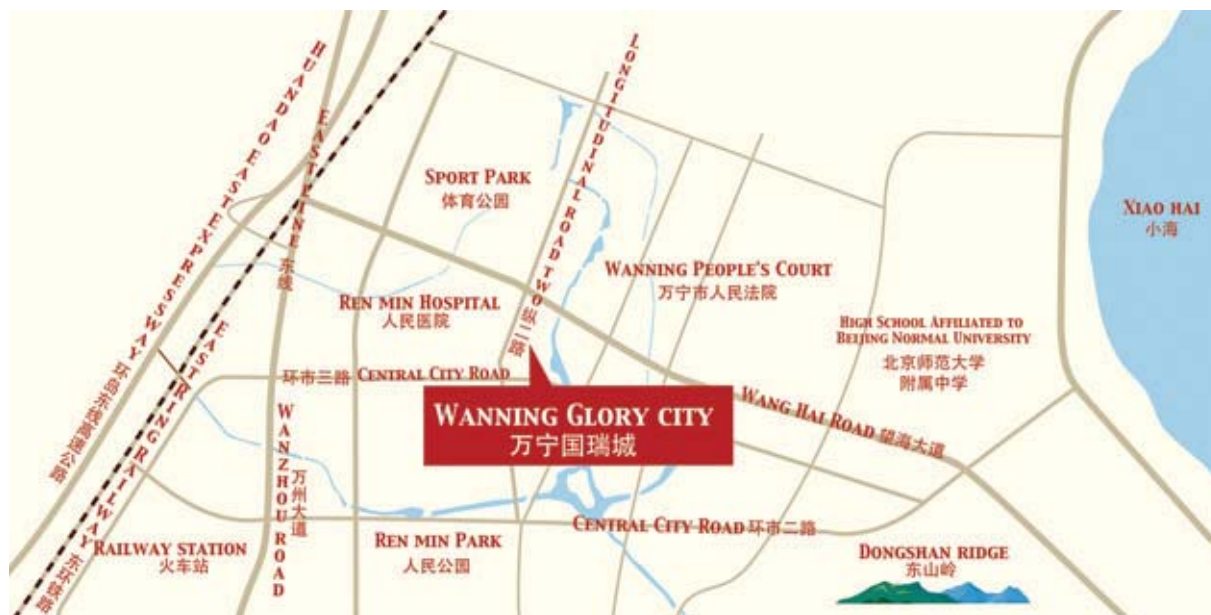
ancillary clubhouses. Haikou West Coast Glory is held for future development. We expect construction to commence in the fourth quarter of 2014 and to be completed in the third quarter of 2016. Its residential units will comprise townhouses. As of March 31, 2014, development costs incurred were RMB89 million and estimated future development costs were RMB119 million. As of March 31, 2014, we had not commenced construction of this project.

Haikou West Coast Glory will be developed by Haikou Hangrui. In December 2008, we acquired 55% of the equity interest in Haikou Hangrui, the project company that held the land use rights of the land parcels for this project, for a consideration of RMB100 million. The consideration was determined based on arm's length negotiation between the parties. In December 2013, we entered into a supplemental agreement to acquire the remaining 45% equity interest in Haikou Hangrui for a total consideration of RMB45 million (inclusive of RMB15 million of the aforementioned consideration of RMB100 million outstanding). Please see "History and Reorganization — Our Corporate History and Development — Expansion into other property markets across the PRC" for more details.

Our PRC legal advisor has confirmed that as of the Latest Practicable Date, there were no legal impediments to obtaining any license, permit and certificate required for development of this project, provided that we take all necessary steps and submit the relevant applications in accordance with the requirement and time frame prescribed by the applicable PRC laws and regulations.

Wanning

The following map indicates the location of our project in Wanning, Hainan Province.



BUSINESS

Wanning Glory City (萬寧國瑞城)



Wanning Glory City is a residential project located on the south side of Wanghai Road (望海大道). It is in close proximity to the largest municipal central park in Wanning City. Wanning Glory City is conveniently accessible to transportation facilities and is surrounded by public facilities including schools and hospitals.

Details of this project as of March 31, 2014 are as follows:

	Types of properties	Actual/planned commencement/completion date	Status
Phase I	Residential, retail outlets	Q2 2011 – Q4 2015	Under development
Phase II	Residential, SOHO apartments, ancillary clubhouses, ancillary kindergarten, car parking spaces	Q3 2014 – Q4 2016	Held for future development
Phase III	Residential, retail outlets, ancillary clubhouses, car parking spaces	Q3 2014 – Q1 2017	Held for future development

Wanning Glory City occupies a total site area of 244,340 sq.m., with a total GFA of 361,398 sq.m. As of March 31, 2014, development costs incurred were RMB327 million and estimated future development costs were RMB1,433 million.

Phase I is under development and is expected to have a total GFA of 154,642 sq.m. upon completion, including 145,703 sq.m. of residential units and 5,391 sq.m. of retail outlets. Its residential units will comprise high-rise apartments and townhouses. Phase I is expected to have a total saleable or rentable GFA of 151,094 sq.m. upon completion. We commenced the pre-sale of Phase I in the fourth quarter of 2012 and as of March 31, 2014, we had pre-sold residential units with a total GFA of 21,173 sq.m.

Phases II and III are held for future development and are expected to have a total GFA of 206,756 sq.m. upon completion, including 150,764 sq.m. of residential units, 12,074 sq.m. of SOHO apartments, 4,532 sq.m. of ancillary clubhouses, 716 sq.m. of an ancillary kindergarten, 4,160 sq.m. of retail outlets and 34,511 sq.m. of car parking spaces. The residential units will comprise high-rise apartments, multi-layer

BUSINESS

garden houses and townhouses. As of March 31, 2014, we had not commenced the construction of Phases II and III.

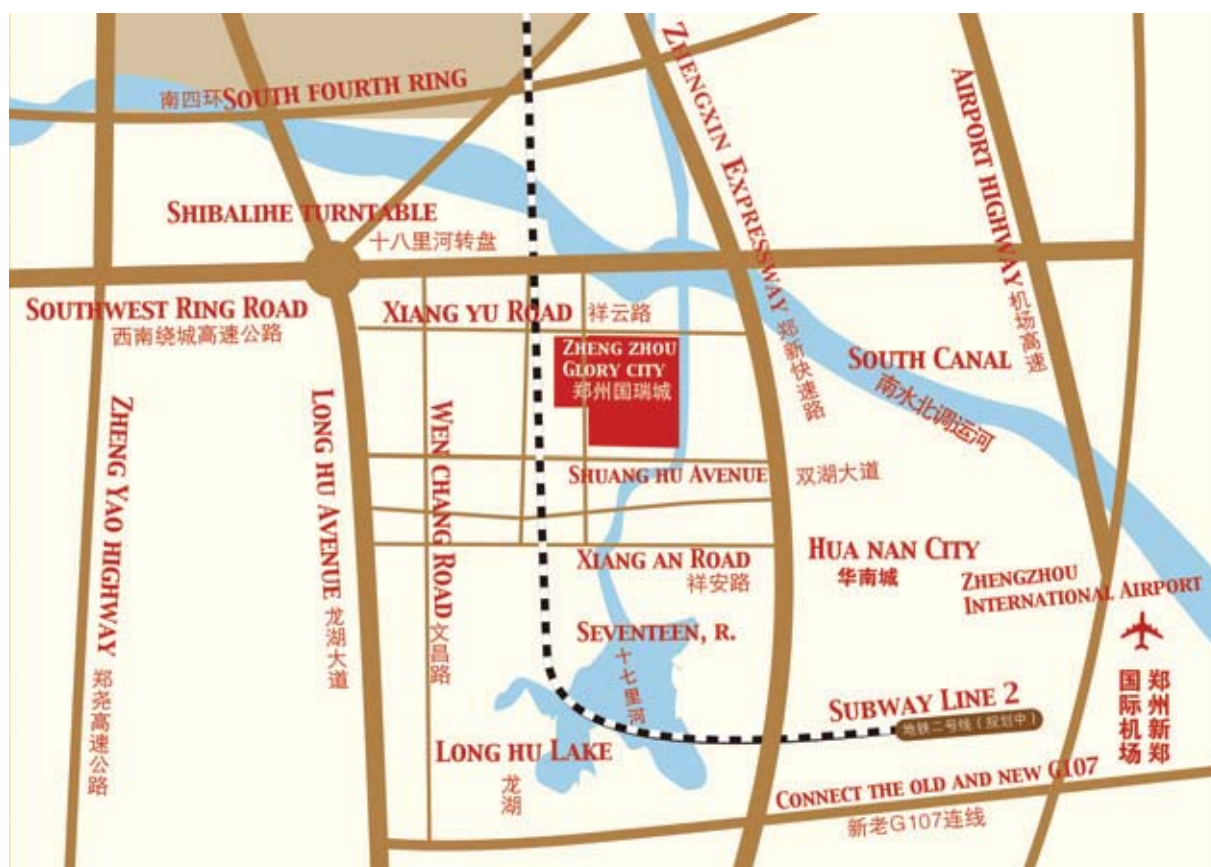
Wanning Glory City is being developed by Wanning Glory. We have paid the land premium of RMB128.6 million in full in accordance with the terms of the relevant land grant contracts.

Our PRC legal advisor has confirmed that we have obtained all licenses, permits and certificates required for the development of Phase I. Our PRC legal advisor has also confirmed that as of the Latest Practicable Date, there were no legal impediments to obtaining all licenses, permits and certificates required for the development of the remaining phases of this project, provided that we take all necessary steps and submit the relevant applications in accordance with the requirements and time frame prescribed by the applicable PRC laws and regulations.

Historically, construction of Wanning Glory City had been delayed from the prescribed construction commencement date under the relevant land grant contracts. Such delay was due to failure to complete land leveling on time by the local government authority, which has been confirmed in writing by Wanning State-owned Land Environment Resources Bureau (萬寧市國土環境資源局). Wanning State-owned Land Environment Resources Bureau subsequently entered into supplemental agreements to the land grant contracts with us and agreed to extend the deadline for construction commencement date. Our legal advisor has confirmed that the historical delay in commencement of construction of Wanning Glory City should not constitute non-compliance with PRC laws and regulations.

Zhengzhou

The following map indicates the location of our project in Zhengzhou, Henan Province.



Zhengzhou Glory City (鄭州國瑞城)



Zhengzhou Glory City is a mixed-use complex project located in Longhu Town of Xinzheng City (新鄭市龍湖鎮), connected to National Highway G107 to the west and Zhengxin High-speed Road (鄭新快速路) to the east. It is 11 kilometers from downtown of Zhengzhou City and 18 kilometers from Xinzheng International Airport. Zhengzhou Subway Line 2 under planning will run through Longhu Town in the future. Zhengzhou Glory City is surrounded by several colleges and institutes and more than a dozen of kindergartens and schools are being relocated to Longhu Town.

Details of this project as of March 31, 2014 are as follows:

	Types of properties	Actual/planned commencement/completion date	Status
Phase I	Residential, car parking spaces	Q4 2010 – Q4 2012	Completed
Phase II	Residential, retail outlets, car parking spaces	Q1 2012 – Q4 2013	Completed
Phase III	Residential, retail outlets	Q2 2013 – Q4 2014	Under development
Phase IV	Residential, retail outlets, car parking spaces	Q2 2013 – Q3 2014	Under development
Phase V	Residential	Q2 2014 – Q4 2014	Held for future development
Phase VI	Residential, retail outlets, car parking spaces	Q2 2014 – Q2 2016	Held for future development

BUSINESS

	Types of properties	Actual/planned commencement/completion date	Status
Phase VII	SOHO apartments, car parking spaces	Q3 2014 – Q3 2016	Held for future development
Phase VIII	Shopping mall, car parking spaces	Q3 2014 – Q4 2016	Held for future development
Ancillary school		Q4 2014 – Q2 2016	Held for future development

Zhengzhou Glory City occupies a total site area of 484,227 sq.m., with a total GFA of 858,982 sq.m. As of March 31, 2014, development costs incurred were RMB1,429 million and estimated future development costs were RMB1,841 million.

Phases I and II with a total GFA of 231,927 sq.m. were completed in the fourth quarter of 2012 and 2013, respectively. The residential units comprise high-rise apartments and townhouses. As of March 31, 2014, 28,578 sq.m. of residential units and 1,393 sq.m. of retail outlets remained unsold and 7,549 sq.m. of ancillary clubhouses and 34,448 sq.m. of car parking spaces remained available for use by us.

Phases III and IV are under development and are expected to have a total GFA of 165,195 sq.m. upon completion, including 145,980 sq.m. of residential units, 3,531 sq.m. of retail outlets and 4,706 sq.m. of car parking spaces. The residential units will comprise high-rise and mid-rise apartments and multi-layer garden houses. Phases III and IV are expected to have a total saleable or rentable GFA of 154,217 sq.m. upon completion. We commenced the pre-sale of Phase III and Phase IV in the second quarter and the third quarter of 2013, respectively, and as of March 31, 2014, we had pre-sold residential units with a total GFA of 124,700 sq.m.

Phases V, VI, VII and VIII and the ancillary school are held for future development and are expected to have a total GFA of 461,860 sq.m. upon completion, including 313,607 sq.m. of residential units, 9,970 sq.m. of retail outlets, 29,000 sq.m. of SOHO apartments and 26,000 sq.m. of shopping malls, 39,190 sq.m. of an ancillary school and 29,657 sq.m. of car parking spaces. The residential units will comprise high-rise apartments and townhouses. As of March 31, 2014, we had not commenced the construction of Phases V, VI, VII and VIII and the ancillary school.

Zhengzhou Glory City is being developed by Xinzheng Glory. We have paid the land premium of RMB338.3 million in full in accordance with the terms of the relevant land grant contracts.

Our PRC legal advisor has confirmed that we have obtained all licenses, permits and certificates required for the development of Phases I, II, III and IV. Our PRC legal advisor has confirmed that as of the Latest Practicable Date, there were no legal impediments to obtaining all licenses, permits and certificates required for the development of the remaining phases of this project, provided that we take all necessary steps and submit the relevant applications in accordance with the requirements and time frame prescribed by the applicable PRC laws and regulations.

Langfang

The following map indicates the location of our project in Langfang, Hebei Province.



Yongqing Glory City (永清國瑞城)



Yongqing Glory City is a residential project located in Yongqing County (永清縣) of Langfang, a strategic area surrounding Beijing, being the hinterland of Bohai Economic Rim and the axis of Greater Beijing Strategic Economic Circle. Yongqing Glory City is close to Beijing-Taibei Highway (京台高速) to the west and Langba Road (廊霸路) to the east. It is 40 kilometers from Beijing to the north, 50 kilometers from Tianjin to the east and only 15 kilometers from the Beijing's second international airport under construction.

Details of this project as of March 31, 2014 are as follows:

	Types of properties	Actual/planned commencement/completion date	Status
Phase I	Hotel, retail outlets	Q2 2012 – Q2 2017	Completed/held for future development
Phase II	Residential	Q1 2013 – Q4 2016	Under development/held for future development
Phase III	Residential, ancillary clubhouses	Q3 2013 – Q4 2014	Under development
Phase IV	Residential, car parking spaces	Q3 2014 – Q4 2018	Held for future development
Phase V	Residential, car parking spaces	Q4 2014 – Q3 2017	Held for future development

Yongqing Glory City occupies a total site area of 1,313,366 sq.m., with a total GFA of 2,136,694 sq.m. As of March 31, 2014, development costs incurred were RMB1,124 million and estimated future development costs were RMB9,826 million.

A portion of Phase I with a total GFA of 4,299 sq.m. was completed in the third quarter of 2013. As of March 31, 2014, 3,984 sq.m. of retail outlets remained unsold.

BUSINESS

Phase III and a portion of Phase II are under development and are expected to have a total GFA of 123,736 sq.m. upon completion, including 121,592 sq.m. of residential units and 2,144 sq.m. of ancillary clubhouses. The residential units will comprise stand-alone houses and townhouses. Phase III and such portion of Phase II are expected to have a total saleable or rentable GFA of 123,736 sq.m. upon completion. As of March 31, 2014, we had not commenced pre-sale of such portion of Phase II. We commenced pre-sale of Phase III in the fourth quarter of 2013 and as of March 31, 2014, we had pre-sold residential units with a total GFA of 45,046 sq.m.

Phases IV and V and the remaining portion of Phase I and Phase II are held for future development and are expected to have a total GFA of 2,008,659 sq.m. upon completion, including 1,635,857 sq.m. of residential units, 44,016 sq.m. of a hotel and 319,500 sq.m. of car parking spaces. The residential units will comprise high-rise apartments, townhouses and stand-alone houses. As of March 31, 2014, we had not commenced the construction of Phases IV and V and such portion of Phase I and Phase II.

This project is being developed by Langfang Real Estate, Langfang Guosheng and Langfang Guoxing. We have paid the land premium of RMB767.0 million in full in accordance with the terms of the relevant land grant contracts.

Our PRC legal advisor has confirmed that we have obtained all licenses, permits and certificates required for the development of Phase III, the portion of Phase I completed and the portion of Phase II under development. Our PRC legal advisor has confirmed that as of the Latest Practicable Date, there were no legal impediments to obtaining all licenses, permits and certificates required for the development of Phases IV and V and the remaining portion of Phase I and Phase II, provided that we take all necessary steps and submit the relevant applications in accordance with the requirements and time frame prescribed by the applicable PRC laws and regulations.

Historically, construction of Yongqing Glory City had been delayed from the prescribed construction commencement date under the relevant land grant contracts. Such delay was due to adjustment in district planning by the local government authority, which has been confirmed in writing by Yongqing State-owned Land Resources Bureau (永清縣國土環境資源局). Yongqing State-owned Land Resources Bureau subsequently entered into supplemental agreements to the land grant contracts with us and agreed to extend the deadline for construction commencement date. Our legal advisor has confirmed that the historical delay in commencement of construction of Yongqing Glory City should not constitute non-compliance with PRC laws and regulations.

Shantou

The following map indicates the locations of our projects in Shantou, Guangdong Province.



Glory Garden (國瑞園)



Glory Garden is a residential project located in the intersection of Jinsha Road (金沙路) and Shanzhang Road (汕樟路). It is situated in the commercial center of Shantou and surrounded by a variety of public facilities and commercial amenities.

Glory Garden occupies a total site area of 14,161 sq.m., with a total GFA of 33,795 sq.m. and comprises multi-layer garden houses, retail outlets and car parking spaces. Construction commenced in the second quarter of 2006 and was completed in the second quarter of 2008. Its development costs incurred were RMB62 million. As of March 31, 2014, 80 sq.m. of residential units and 1,945 sq.m. of retail outlets remained unsold and 443 sq.m. of car parking spaces remained available for sale or lease.

Glory Garden was developed by Garden Group. We have paid the land premium of RMB11.6 million in full in accordance with the terms of the relevant land grant contract.

Yashi Garden (雅仕園)



Yashi Garden is a residential project located close to the intersection of North Tianshan Road (天山北路) and National Highway G324. It is surrounded by a number of public facilities including kindergartens, primary and secondary schools and hospitals and a variety of commercial amenities.

Yashi Garden occupies a total site area of 9,472 sq.m., with a total GFA of 48,054 sq.m. and comprises high-rise apartments, retail outlets and car parking spaces. Construction commenced in the fourth quarter of 2009 and was completed in the fourth quarter of 2011. Development costs incurred were RMB150 million. As of March 31, 2014, 135 sq.m. of residential units remained unsold and 131 sq.m. of car parking spaces remained available for sale or lease.

Yashi Garden was developed by Garden Group on three land parcels. For one land parcel, we have paid the land premium of RMB8.4 million in full in accordance with the terms of the relevant land grant contract. We acquired the land use rights of the other land parcels in the secondary market for a consideration of RMB6.0 million.

BUSINESS

Shantou Glory City (汕头國瑞城)



Shantou Glory City is a mixed-use complex project located in the intersection of East Zhongshan Road (中山東路) and Huangshan Road (黃山路), Longhu District of Shantou, bordering Shantou Harbor.

Details of this project as of March 31, 2014 are as follows:

	Types of properties	Actual/planned commencement/completion date	Status
Phase I	Specialized markets	Q1 2007 – Q3 2009	Completed
Phase II	Residential, SOHO apartments, hotel, shopping mall, car parking spaces	Q3 2014 – Q4 2017	Held for future development

Shantou Glory City occupies a total site area of 105,430 sq.m., with a total GFA of 364,491 sq.m. As of March 31, 2014, its development costs incurred were RMB888 million and the estimated future development costs were RMB1,424 million.

Phase I was completed in the third quarter of 2009. It comprises home furnishing and decoration materials retail centers with a total GFA of 62,398 sq.m. We hold Phase I as our investment properties.

Phase II is held for future development and is expected to have a total GFA of 302,093 sq.m. upon completion, including 122,470 sq.m. of residential units, 71,078 sq.m. of SOHO apartments, 25,000 sq.m. of a hotel, 40,000 sq.m. of a shopping mall and 43,545 sq.m. of car parking spaces. Its residential units are expected to comprise high-rise apartments. As of March 31, 2014, we had not commenced the construction of Phase II.

We entered into a land grant contract with the local government to acquire the land use rights for Phase I and Phase II of this project in May 2004 and paid the land premium of RMB41.5 million in full in accordance with the terms of the relevant land grant contract. In May 2013, the local government decided to re-zone the site for Phase II from warehousing and logistics uses to residential, commercial and exhibition uses. According to Article 58 of “Land Administration Law (Revised in 2004)” (《土地管理法》), the competent land administrative department may reclaim the land use rights of State-owned land under certain circumstances, inter alia, land to be used in the public interest and/or land whose use requires adjustments as part of the renovation of old city districts in order to implement urban construction plans. In accordance with Article 58 of “Land Administration Law (Revised in 2004)”, in May 2013, Shantou City Land Reserve Center (汕頭市土地儲備中心) entered into an agreement with us to acquire the land use rights of the land parcels for Phase II for a consideration of RMB287.1 million from us. The consideration was determined based on arm’s length negotiation between the parties, taking into accounts fair value of such land parcels of RMB145.2 million determined by the valuers appointed by Shantou City Land Reserve

BUSINESS

Center and the prevailing market price. We incurred development costs of RMB21.3 million before the disposal. We subsequently re-acquired the land use rights of such land parcels at the land premium of RMB675 million through listing-for-sale after the re-zoning and received the confirmation letter on bidding for granting land use rights in August 2013. The difference between the consideration we received for disposal of and the price we paid for re-acquisition of such land parcels is primarily attributable to the increase in plot ratio from 2 to 4.75 and the re-zoning. We entered into the land grant contract and paid the land premium in full in September 2013, and obtained the relevant land use rights certificates in October 2013.

Phase I of Shantou Glory City was developed by Shantou Construction Materials.

Our PRC legal advisor has confirmed that we have obtained all licenses, permits and certificates required for the development of Phase I. Phase II of Shantou Glory City will be developed by Shantou Glory. Our PRC legal advisor has confirmed that as of the Latest Practicable Date, there were no legal impediments to obtaining all licenses, permits and certificates required for the development of Phase II, provided that we take all necessary steps and submit the relevant applications in accordance with the requirements and time frame prescribed by the applicable PRC laws and regulations.

Foshan

The following map indicates the location of our project in Foshan, Guangdong Province.



Foshan Guohua New Capital (佛山国华新都)

Foshan Guohua New Capital is a residential project located on the east side of Nanhai District (南海区), the commercial center of Foshan, being adjacent to Guangzhou. It is surrounded by public facilities including hospitals and schools and a variety of commercial amenities.

BUSINESS

Foshan Guohua New Capital occupies a total site area of 120,814 sq.m. and is expected to have a total GFA of 456,375 sq.m. upon completion, including 337,562 sq.m. of residential units, 25,759 sq.m. of retail outlets, 4,178 sq.m. of an ancillary kindergarten and 87,813 sq.m. of car parking spaces. Foshan Guohua New Capital is held for future development. We expect construction to commence in the third quarter of 2014 and to be completed in the second quarter of 2016. Its residential units will comprise high-rise apartments. As of March 31, 2014, development costs incurred were RMB650 million and estimated future development costs were RMB1,570 million. As of March 31, 2014, we had not commenced construction of this project.

Foshan Guohua New Capital will be developed by Foshan Guohua. We have paid the land premium of RMB625.4 million in full in accordance with the terms of the relevant land grant contract.

Our PRC legal advisor has also confirmed that as of the Latest Practicable Date, there were no legal impediments to obtaining all licenses, permits and certificates required for the development of this project, provided that we take all necessary steps and submit the relevant applications in accordance with the requirements and time frame prescribed by the applicable PRC laws and regulations.

Xi'an

The following map indicates the location of our project in Xi'an, Shaanxi Province.



Xi'an Glory International Financial Center (西安國瑞國際金融中心)

Xi'an Glory International Financial Center is a mixed-use project located in the CBD area of Xi'an Hi-tech Industries Development Zone (西安高新技術產業開發區). It is conveniently accessible to transportation facilities.

Xi'an Glory International Financial Center occupies a total site area of 19,162 sq.m. and is expected to have a total GFA of 285,717 sq.m. upon completion, including 203,613 sq.m. of offices, 11,524 sq.m. of retail outlets and 48,033 sq.m. of car parking spaces. Xi'an Glory International Financial Center is held for future development. We expect construction to commence in the first quarter of 2015 and to be completed in the third quarter of 2020. As of March 31, 2014, development costs incurred were RMB414 million and estimated future development costs were RMB2,511 million. As of March 31, 2014, we had not commenced construction of this project.

BUSINESS

Xi'an Glory International Financial Center will be developed by Shaanxi Huawei. In October 2013, we entered into an agreement to acquire 100% of the equity interest in Shaanxi Huawei, the project company that held the land use rights of the land parcel for this project, for a consideration of RMB450 million. The consideration was determined based on arm's length negotiation between the parties. As of the Latest Practicable Date, we had completed the transfer of 65% of the equity interest in Shaanxi Huawei.

Our PRC legal advisor has also confirmed that as of the Latest Practicable Date, there were no legal impediments to obtaining all licenses, permits and certificates required for the development of this project, provided that we take all necessary steps and submit the relevant applications in accordance with the requirements and time frame prescribed by the applicable PRC laws and regulations.

VALUATION OF OUR PROPERTIES

The following information is extracted from CBRE's report in "Appendix III — Property Valuation Report" and summarizes CBRE's valuation of each of our properties and the selected valuation approach and key assumptions used by CBRE in its valuation. Please see "Appendix III — Property Valuation Report" for further details, including the background of these assumptions.

No.	Property	Market Value in Existing State Attributable to the Group as of March 31, 2014 (RMB'000)	Valuation Approach and Key Assumptions	Page No. of Valuation Report
Group I — Property interests held by us for sale in the PRC				
1.	Various residential and retail units of Beijing Glory City, Dongcheng District, Beijing, the PRC	1,747,300	Direct comparison approach: Residential: approximately RMB56,000 to 74,000 per sq.m Commercial: approximately RMB23,500 per sq.m	III-4
2.	Various residential and retail units of Beijing Fugui Garden, Dongcheng District, Beijing, the PRC	128,947	Direct comparison approach: Residential: approximately RMB67,900 per sq.m Commercial: approximately RMB30,800 per sq.m	III-4
3.	Various residential & retail units of Phases I & II of Zhengzhou Glory City, South of Longhu Avenue, Longhu Town, Xinzheng, Henan Province, the PRC	224,400	Direct Comparison Approach: Low-density Residence: approximately RMB12,500 per sq.m	III-4
4.	Various retail and commercial units of Phase II of Shengyang Glory City (Autoparts City) and a portion of Shenyang Glory City Phase III (commercial units of Building C and Building E), south side of Lianhe Road, Dadong District, Shenyang, Liaoning Province, the PRC	181,440	Direct Comparison Approach: Commercial: approximately RMB5,500 to 6,700 per sq.m.	III-4
5.	Various residential units and car parking spaces in Yashi Garden, No. 3 Tianshan North Road, Jinping District, Shantou, Guangdong Province, the PRC	2,610	Direct Comparison Approach: Car parking spaces: approximately RMB184,000 per lot	III-4

BUSINESS

No.	Property	Market Value in Existing State Attributable to the Group as of March 31, 2014 (RMB'000)	Valuation Approach and Key Assumptions	Page No. of Valuation Report
6.	Various residential, retail units and kindergarten of Phases I and II of Haikuotiankong Glory City (known as "S1" and "S2"), New City Center, Da Ying Shan, Haikou, Hainan Province, the PRC	840,800	Direct Comparison Approach: Residential: approximately RMB12,000 to 14,000 per sq.m Commercial: approximately RMB36,000 to 42,400 per sq.m.	III-4
7.	Various residential units and car parking spaces of Haidian Island Glory Garden, Hai Dian Sixth Road East, Haikou, Hainan Province, the PRC	77,600	Direct Comparison Approach: Residential: approximately RMB12,500 per sq.m.	III-4
8.	Various residential, retail units, and car parking spaces of Shantou Glory Garden, No. 31 Jinsha Road, Jinping District, Shantou, Guangdong Province, the PRC	11,300	Direct Comparison Approach: Commercial: approximately RMB3,900 per sq.m Car parking spaces: approximately RMB122,000 per lot	III-5
9.	Various residential units and car parking spaces units of Eudemonia Palace located at No. 3 Zone 1, Zhongshili Weigai, Guangqumen Wai, Dongcheng District, Beijing, PRC	123,760	Direct Comparison Approach Residential: approximately RMB48,860 per sq.m.	III-5
Subtotal		3,338,157		
Group II — Property interests held by us for development in the PRC				
10.	Zhengzhou Glory City Phase III to VIII and an ancillary school, a development site located on the south side of Longhu Avenue and Xuanyuan Road, Longhu Town, Xinzheng, Henan Province, the PRC	966,400	Direct Comparison Approach*: Accommodation value: approximately RMB311 to RMB1,337 per sq.m <i>*Subject to adjustment for expended development cost.</i>	III-5
11.	Yongqing Glory City, a development site located on the south side of Langba Road, Hancun Town, Yongqing County, Langfang, the PRC	932,800	Direct Comparison Approach*: Accommodation value: Residential: approximately RMB578 per sq.m Commercial: approximately RMB693 per sq.m <i>*Subject to adjustment for expended development cost.</i>	III-5
12.	A portion of Phase III of Shenyang Glory City, a development site located on the south side of Lianhe Road and north side of Dongbei Avenue, Dadong District, Shenyang, Liaoning Province, the PRC	662,400	Direct Comparison Approach*: Accommodation value: approximately 2,350 per sq.m <i>*Subject to adjustment for expended development cost.</i>	III-5

BUSINESS

No.	Property	Market Value in Existing State Attributable to the Group as of March 31, 2014 (RMB'000)	Valuation Approach and Key Assumptions	Page No. of Valuation Report
13.	Phases I, II and III of Wanning Glory City, a development site located on Wanghai Avenue, Wancheng District, Wanning, Hainan Province, the PRC	580,800	Direct Comparison Approach*: Accommodation value: approximately RMB890 to 910 per sq.m. <i>*Subject to adjustment for expended development cost.</i>	III-6
14.	Phases III, IV and V of Haikuotiankong Glory City, a development site (known as "S3", "S4" and "S5"), located on the east side of Long Kun Road South, Haikou, Hainan Province, the PRC	1,848,800	Direct Comparison Approach*: Accommodation value: approximately RMB5,950 per sq.m. <i>*Subject to adjustment for expended development cost.</i>	III-6
15.	Glory Riverview Garden, a development site located on Xin Bu Dao, Haikou, Hainan Province, the PRC	248,000	Direct Comparison Approach: Land value: approximately RMB7,165 per sq.m.	III-6
16.	Haikou West Coast Glory, a development site located on the south side of Bin Hai Road West, Haikou, Hainan Province, the PRC	104,300	Direct Comparison Approach: Land value: approximately RMB6,946 per sq.m.	III-6
17.	Beijing Glory Center, a development site located at the southeast corner of Chongwenmen Intersection, Dongcheng District, Beijing, the PRC	2,425,600	Direct Comparison Approach: Accommodation value: approximately RMB32,380 per sq.m.	III-6
18.	Phases IV, V, VI and VII of Shenyang Glory City, a parcel of land, located on the east side of Dongjian Road and north side of Dongbei Avenue, Dadong District, Shenyang, Liaoning Province, the PRC	1,588,000	Direct Comparison Approach: Accommodation value: approximately RMB2,350 to 2,370 per sq.m.	III-6
19.	A development site, No. B-03-06, located in Zhugang New Town, Longhu District, Shantou, Guangdong Province, the People's Republic of China	613,600	Direct Comparison Approach: Accommodation value is about RMB2,120 to 3,810 per sq.m.	III-6
20.	A development site, No. GXIII-(1)-41-8, located at the south of Jihye Road, Gaoxin District, Xian, Shaanxi Province, the PRC	76,540.8	Direct Comparison Approach: Accommodation value is about RMB890 per sq.m.	III-6.1
21.	A development site located at Taiping Industrial Zone, Dali Town, Nanhai District, Foshan, Guangdong Province, the PRC	275,880	Direct Comparison Approach: Accommodation value is about RMB1,373 per sq.m.	III-6.1
Subtotal		10,323,120.8		

BUSINESS

No.	Property	Market Value in Existing State Attributable to the Group as of March 31, 2014 (RMB'000)	Valuation Approach and Key Assumptions	Page No. of Valuation Report
Group III — Property interests held by us for investment in the PRC				
22.	Beijing Glory City Complex, , No.16, No.18 and No.18-15 Chongwenmen Wai Avenue, Dongcheng District, Beijing, the PRC (excluding sold portion)	3,829,500	Income Capitalization Approach: - Capitalization rate: 6% for shopping mall and 7% to 7.25% for office - Market monthly rent: approximately RMB700 to RMB900 per sq.m. on L1 for shopping mall and RMB190 to RMB230 per sq.m. for office Direct Comparison Approach: Car parking spaces: approximately RMB270,000 per lot	III-7
23.	Lotte Mart Shopping Centre and Basement Car Parking Spaces in Region C of Donghuashi Phase III, Beijing Glory City Middle Zone, Dongcheng District, Beijing, the PRC	668,960	Income Capitalization Approach: - Capitalization rate: 6% to 8% - Market monthly rent: approximately RMB700 to RMB900 per sq.m. on L1 Direct Comparison Approach: Car parking spaces: approximately RMB270,000 per lot	III-7
24.	Beijing Fugui Garden Shopping Mall, Block One, No. 23 Dingxin Road, Dongcheng District, Beijing, the PRC	758,900	Income Capitalization Approach: - Capitalization rate: 5% to 6% - Market monthly rent: approximately RMB156 to RMB456 per sq.m. on net floor area	III-7
25.	Shantou Glory City Phase I, Shantou Glory Construction Materials & Home Furnishing Exhibition Center, No.170-172, Zhongshan Road, Longhu District, Shantou, Guangdong Province, the PRC	432,900	Income Capitalization Approach: - Capitalization rate: 8% to 8.25% - Market monthly rent: approximately RMB30 to RMB67 per sq.m.	III-7
26.	Shenyang Glory City Phase I, Big Box, No. 398 Dongbei Avenue, Dadong District, Shenyang, Liaoning Province, the PRC	265,120	Income Capitalization Approach: - Capitalization rate: 5.25% - Market monthly rent: approximately RMB33 per sq.m.	III-7

BUSINESS

No.	Property	Market Value in Existing State Attributable to the Group as of March 31, 2014 (RMB'000)	Valuation Approach and Key Assumptions	Page No. of Valuation Report
27.	Various siheyuan (四合院), Beijing Glory City, Dongcheng District, Beijing, the PRC	556,200	Income Capitalization Approach: - Capitalization rate: 2% to 2.5% - Market monthly rent: approximately RMB249 per sq.m on GFA	III-7
Subtotal		6,511,580		

Group IV — Property interests held by us for self-use in the PRC

28.	Building No. 1, No. 15 Zhushikou East Avenue, Dongcheng District, Beijing, the PRC	177,280	Direct Comparison Approach: Office: approximately RMB29,120 per sq.m. Car parking spaces: approximately RMB190,000 per lot	III-8
29.	Information Building, No.168 Zhongshan Road, Longhu District, Shantou, Guangdong Province, the PRC	40,500	Direct Comparison Approach: Office: approximately RMB6,300 per sq.m.	III-8
Subtotal		217,780		

Group V — Property interests rented by us in the PRC

30.	Retail Unit 1 & 2 & storage on Level 2, Chongbaoxi Industrial Area, Dali Town, Nanhai District, Foshan, Guangdong Province, PRC.	No commercial value		III-8
31.	Office Units 11509 & 11511, Tower C, City Gateway, South of Tang Yan Road, Gaoxi District, Xi'an, Shaanxi Province, PRC.	No commercial value		III-8
32.	Office Units 803, 805, 806 & 808, Rongchao Economy & Trade Center located at the Southeast of the intersection of Jintian Road & Fuzhong Road, Futian District, Shenzhen, PRC.	No commercial value		III-9
Total		20,390,637.8		

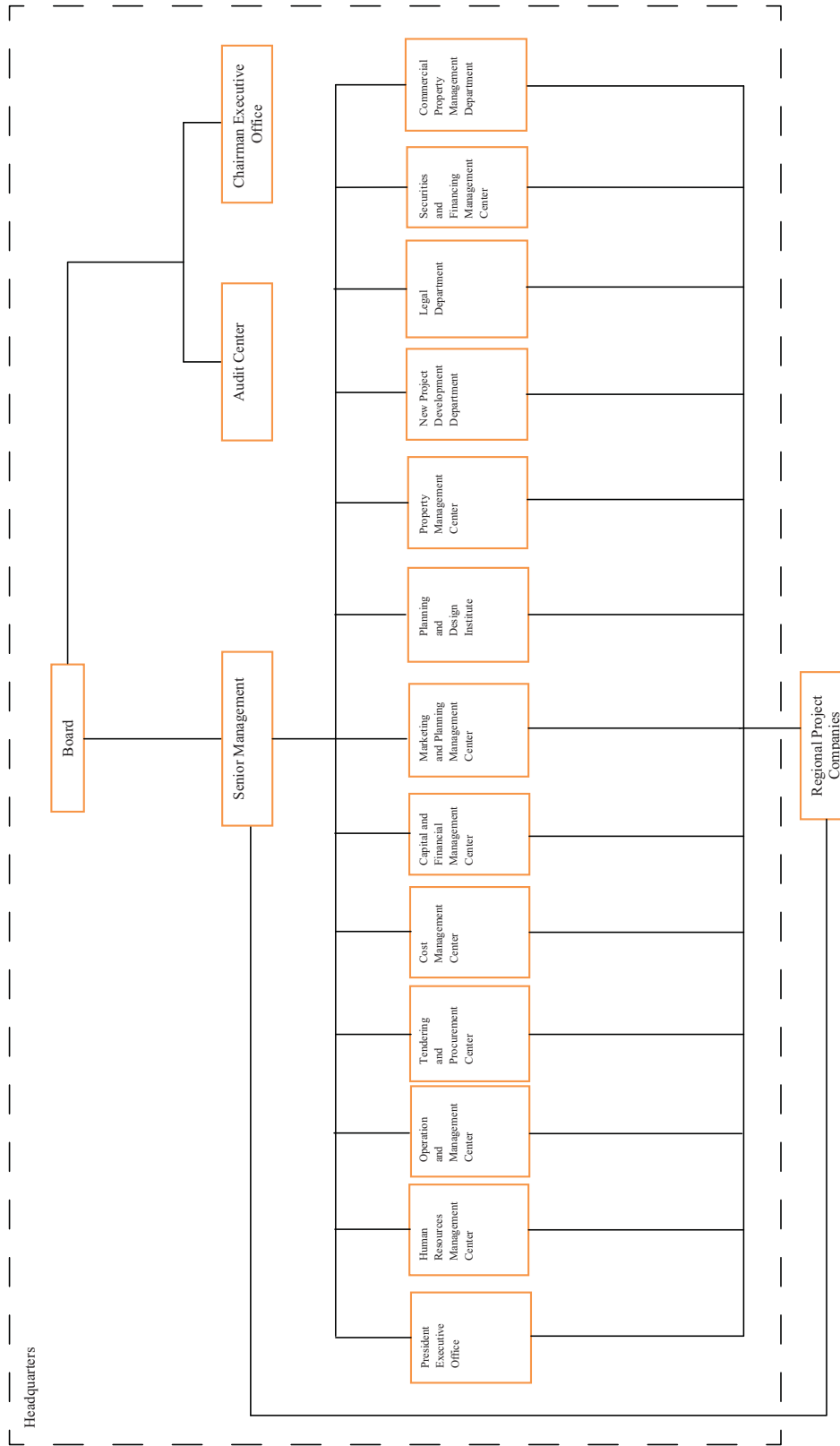
PROJECT DEVELOPMENT MANAGEMENT

We have established 13 departments at our headquarters in Beijing, including the president executive office (總裁辦公室), operation and engineering management center (運營與工程管理中心), new project

BUSINESS

development department (新項目發展部), planning and design institute (規劃設計院), tendering and procurement center (招標採購中心), cost management center (成本管理中心), marketing and planning management center (營銷與策劃管理中心), property management center (物業管理中心), commercial property management department (商業物業管理部), capital and financial management center (資金與財務管理中心), securities and financing management department (證券與融資管理中心), human resources management center (人力資源管理中心) and legal department (法務部). They oversee, support and facilitate the operations of our regional project companies, including city and site selection, product positioning, design, cost control, public tenders, contract execution, construction and technical quality control, sales and marketing, financing, legal compliance and human resources.

The following chart sets forth our management and reporting structure:



Integrated Management Structure

We have adopted a two-tier management system with our headquarters as the first tier and the regional project companies as the second tier. Our headquarters and regional project companies work closely together in developing projects. Our headquarters is responsible for making strategic decisions about project development, while the regional project companies are responsible for the day-to-day operations of their respective property development projects. We develop, plan and execute our projects with a systematic approach that is responsive to new developments in the fast-evolving business and regulatory environments of the PRC property market. This management system and property development process allow us to effectively implement our overall strategies while retaining the ability to promptly respond to changes in local market conditions.

We have established specific procedures and policies to manage all aspects of our property development operations. Our frontline operations, comprising property development, sales and marketing and property management, are undertaken by our regional project companies. Our regional project companies are supported and monitored by our headquarters in respect of quality control, supply and procurement, budgeting and financial reporting.

In terms of division of responsibilities, our headquarters is responsible for:

- formulating strategies and budgeting;
- city and site selection;
- making decisions on land acquisitions and financing;
- exploring and entering new geographical markets;
- architectural design and product research and development;
- marketing planning;
- cost assessment and procurement;
- establishing corporate-wide operation and information technology systems;
- construction and technical quality control;
- legal compliance of our operations and corporate governance;
- formulating human resources policies;
- formulating accounting policies;
- internal control and internal audit; and
- maintaining investor, public and government relations.

Our regional project companies attend to the day-to-day operations of their respective property development projects. Our regional project companies are responsible for:

- implementing land acquisition decisions;
- obtaining government permits required for project development;
- engineering, construction and project management;
- sales and marketing;
- providing after-sales services to customers and managing customer relations; and
- providing property management services.

Our Standardized Property Development Process

We apply our standardized property development process across our entire value chain of business operations. The following diagram summarizes our standardized property development process:

Site Selection	Land Acquisition	Project Planning and Design	Pre-construction	Financing	Contracting, Procurement, Project Management and Quality Control		Completion, Delivery and After-sales Services
					Project Management and Quality Control	Sales and Marketing	
• identify potential site • conduct market research and feasibility study • obtain final approval from the investment committee at our headquarters • monitor auction opportunities	• acquire land through public tender, auction or listing-for-sale, or acquire land use rights in the secondary market or acquire project companies directly from other developers • obtain land use rights certificates	• establish in-house design team responsible for the overall planning and design • work with third party design firms to develop and finalize design • cost and budget control and product positioning	• obtain necessary governmental permits/certificates • comply with idle land related regulations	• consolidate funds from internal financial resources and bank loans	• engage construction contractors through bidding • procure construction materials • close on-site supervision of the construction process • ensure internal quality control	• comply with pre-sale statutory requirements • determine sales and marketing plans and policies	• deliver completed properties • provide after-sales customer services including mortgage and registration assistance and handling complaints • provide property management services • collect and analyze customer data and feedback

Site Selection

The new project development department at our headquarters is responsible for market research, identifying cities and sites for potential property development opportunities and performing primary screening. The new project development department at our headquarters conducts preliminary feasibility studies to critically assess and evaluate the potential of the target cities and the development sites and the optimal positioning of the products to be developed in such cities and sites.

The primary criteria in our site evaluation include the following:

- location and size;
- demographics, purchasing power, target customer demand and expected growth of the area/district in which the land is located;
- government development plans for the relevant site and the neighboring area;
- development prospects, taking into account social, economic and environmental effects;
- transportation access and infrastructure support;
- product positioning;
- estimated development costs and time, including demolition and resettlement costs and schedule;
- expected financial return;
- local competitive environment; and
- applicable zoning regulations and government preferential policies.

If we decide to proceed with a particular project, the new project development department at our headquarters, with the assistance of other departments at our headquarters, will prepare an in-depth feasibility study which includes product positioning, project planning and design, financial projection and return analysis. The feasibility study report will be submitted to the investment committee (投資決策管理委員會) at our headquarters, consisting of members of our senior management and heads of all the departments at our headquarters. The investment committee considers and assesses the costs, return, capital requirements and resources requirements of the proposed project against our available resources and its compatibility with our strategic direction.

We regularly monitor announcements made by local governments in relation to public tenders, auctions or listing-for-sale of land parcels, and maintain good relationships with real estate agents and brokers to obtain information on suitable projects in the secondary market.

Land Acquisition

There are two principal ways in which we acquire land for property development in the PRC: (i) bidding in public tenders, auctions or listings-for-bidding for land use rights in accordance with the “Regulations on the Granting of State-Owned Land Use Rights through Public Tender, Auction and Listing-for-sale” (《招標拍賣掛牌出讓國有土地使用權規定》), promulgated on May 9, 2002 and effective since July 1, 2002; or (ii) acquiring land use rights in the secondary market through purchase of property development projects which have not been completed or acquiring project companies with property development projects from other developers.

BUSINESS

According to the “Regulations on the Granting of State-Owned Land Use Rights through Public Tender, Auction and Listing-for-sale”, all land to be developed for commercial purposes, including that for retail, commercial or residential property development purposes, must be granted through public tender, auction or listing-for-sale on the land exchanges. In the case of public tender, the relevant authorities will assess either solely on tender prices or, alternatively, by reference to a matrix of parameters, including tender prices, credit record of the bidders, quality of the development proposals, in determining whom to grant such rights. Where land use rights are granted through auction or listing-for-sale, however, the highest bidder normally wins. A land use rights granting process through public tender, auction or listing-for-bidding consists of following steps: paying bidding deposit and bidding in public tender, auction or listing-for-bidding for land use rights; winning the public tender, auction or listing-for-bidding process conducted by the local government authorities; entering into the land grant contract; and paying the land premium and receiving the land use rights certificate.

Grantees of land use rights may dispose of their land use rights through private sales, subject to the terms and conditions of the original land use right grant contracts and the relevant PRC laws and regulations. To the extent permitted by law, we may acquire land use rights in the secondary market from third parties through negotiated transfers. We may also obtain such rights by acquiring equity interests in companies that hold the relevant land use rights.

During the Track Record Period and up to March 31, 2014, we obtained all of our land use rights through tender or listing-for-sale in accordance with the “Regulations on the Granting of State-Owned Land Use Rights through Public Tender, Auction and Listing-for-sale,” except as set out below:

Project	Means of land acquisition	Consideration for acquisition (RMB million)	Basis of determination of consideration
Xi'an Glory International Financial Center	Acquisition of project company in the secondary market	450	By arm's length negotiation

Project Planning and Design

We have strong in-house design capabilities and have established a dedicated in-house planning and design institute at our headquarters responsible for the overall planning and design of our projects. The planning and design institute at the headquarters has professional engineers specialized in planning, architecture, structure, mechanics, gardening and decoration. We also have a design team at each of our regional project companies responsible for assisting the work of the planning and design institute at our headquarters at early stage, reviewing construction drawings and any subsequent changes and resolving the issues arising from on-site designing.

To achieve distinctive designs and operational efficiency, we outsource some of the conceptual design work to selected international design firms such as WY Design International Limited, with which we have established long-term relationships. For construction drawing design, we normally engage domestic design firms with Grade A qualifications that work closely with those international concept design firms. We also engage international and domestic design firms including Belt Collins International (HK) Limited and Ricky Wong designers Ltd. for the landscape and interior design of some of our projects. In selecting design firms, we consider their proposed design concepts, reputation in terms of reliability and quality and price. Our in-house design team works closely with these selected design firms to transform the design into a detailed design proposal for approval by the relevant PRC government authorities. Once approved, such proposal becomes the basis for the construction of the relevant project or project phase. Our in-house design team also actively monitors the progress and quality of the appointed design firms to ensure that their work meet our specifications.

Depending on the type of properties to be developed, the planning and design institute at our headquarters commences the preliminary design work for each property development project at the site

selection stage. This enables us to commence construction shortly after we have received the requisite approval to develop a land parcel, which shortens our project development cycle. Our procurement, cost control, engineering and marketing planning teams also participate in the preparation of the detailed design proposal for each project or project phase to ensure accurate product positioning and attractive financial return.

We have entered into a three-year strategic cooperation agreement with Belt Collins International (HK) Limited in April 2011, which was renewed in April 2014. Pursuant to the agreement, we have agreed to engage Belt Collins International (HK) Limited for landscape design services with total contract value of not less than RMB20 million during the three years ending March 31, 2017. The parties agree to enter into separate agreements at a later stage to determine the detailed terms of the engagement. Our PRC legal advisor has confirmed that the strategic cooperation agreement is valid and legally binding on both parties.

In May 2011, we entered into a strategic cooperation agreement with the Ninth Design Institute of China Building Technique Group Co., Ltd. (中國建築技術集團有限公司第九設計所) (the “**Ninth Institute**”). The Ninth Institute was founded and is controlled by China Academy of Building Research, a State-owned enterprise under the direct supervision of the SASAC and the only national scientific research institution in the architectural industry in China. The agreement will expire on December 31, 2014. Pursuant to this agreement, we have agreed to engage the Ninth Institute for architectural design services for a total contract value of not less than RMB20 million each year. The parties agree to enter into separate agreement at a later stage to determine the detailed terms of the engagement. Our PRC legal advisor has confirmed that the strategic cooperation agreement is valid and legally binding on both parties.

Pre-construction

Before we commence construction, we must first obtain the development rights to the relevant parcel(s) of land and the necessary permits and certificates including the construction land planning permit, construction work planning permit and construction work commencement permit. If we acquire the land use rights by way of grant, we must enter into a land grant contract before we can apply for these certificates and permits. Please see “Appendix VI — Summary of Principal Legal and Regulatory Provisions” for details of these certificates and permits.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any significant delays in obtaining the aforesaid certificates and permits. As of the Latest Practicable Date, we had obtained land use rights certificates and all relevant certificates and permits as required under applicable PRC laws and regulations for all of our projects under development.

Compliance with Idle Land Related Regulations

Under PRC laws and regulations, we may be subject to administrative actions or penalties if we fail to develop a property project according to the terms of the land grant contract. To ensure compliance with these idle land related regulations, we have adopted internal control procedures, pursuant to which each of our regional project companies must closely monitor the progress of the development of the design proposal and the issuance of the necessary permits and certificates for each of its projects.

Each of our regional project companies must report to our Board if it is likely that we will fail to complete any design proposal or obtain the necessary permits or certificates for any project or project phase before the respective construction commencement date specified in the respective land grant contract. Our Board approves a deferred construction schedule as appropriate. After obtaining approval from our Board of the deferred construction schedule, the respective regional project company then applies to the relevant local government authority to defer construction schedule and, where appropriate, enter into supplemental land grant contracts, with the amended land commencement and completion dates as necessary.

If the failure to obtain any necessary permits and certificates of a project is attributed to the local government’s failure to complete the demolition of existing buildings, resettlement of existing residents or

BUSINESS

construction of basic infrastructure as required under the land grant contracts, our respective regional project company must also report to our Board for assessment. After obtaining approval from our Board, our respective regional project company is expected to negotiate with the relevant government authority for remedial actions, including but not limited to amending or rescinding the land grant contracts (as appropriate) or entering into new land grant contracts for the acquisition of other equivalent land parcels.

During the Track Record Period and up to the Latest Practicable Date, we have not received any notices from any PRC government authorities identifying any idle land held by us, nor have we incurred any idle land fees. Based on our latest construction schedule, the Directors did not expect any idle land issue as of the Latest Practicable Date.

Project Financing

We finance our projects primarily through internal cash flows, including proceeds from pre-sales and sales of our properties, and bank borrowings. According to guidelines issued by the CBRC in August 30, 2004, no bank loan may be granted to a project without relevant land use rights certificates, construction land planning permits, construction work planning permits and construction work commencement permit. On May 25, 2009, the State Council issued the “Notice on Adjusting the Capital Ratio of Fixed Assets Investment Project” (《國務院關於調整固定資產投資項目資本金比例的通知》). The notice provides that the minimum capital requirement for affordable housing and ordinary commodity apartments is 20% of the total investment and the minimum capital requirement for other property development projects is 30% of the total investment. For further details, please see “Appendix VI — Summary of Principal Legal and Regulatory Provisions.”

We use proceeds from the pre-sales and sales of our properties to fund part of the construction costs of the relevant projects and repay the bank borrowings. Proceeds from the pre-sales form an integral source of the operating cash inflows during our project development. According to the PRC laws and regulations, we may pre-sell properties under construction after certain criteria are met. We seek to finance our property development projects with internal resources to the extent practicable.

To the extent necessary and subject to the guidelines issued by CBRC, we also fund our projects with bank borrowings. The terms of our bank borrowings generally require us to apply the proceeds from such bank borrowings exclusively for the specified projects or project phases. As of December 31, 2013, the outstanding balance of our current and non-current bank borrowings amounted to RMB5,153.3 million, which are primarily provided by major commercial banks in the PRC.

Our ability to finance our projects also depends on the economic and regulatory measures introduced by the central and local governments, which are often intended to stabilize the property market in China. In particular, any decisions to raise the reserve ratio by the PBOC will limit the amount available to commercial banks for lending and our ability to obtain financing from commercial banks. Please see “Risk Factors — Risks Relating to Our Business — Our total interest expenses for our borrowings are subject to changes in interest rates.”

During the Track Record Period and up to the Latest Practicable Date, we did not default on any material provisions (including any cross-default provisions) of our bank loans or other financing arrangements. None of our lenders had, in the past, been entitled to accelerate repayment of our indebtedness as a result of such cross-default provisions.

Contracting, Procurement, Project Management and Quality Control

Contracting and Procurement

We engage qualified contractors to undertake all of the construction work for our property development projects including, among other things, foundation digging, general construction and

BUSINESS

installation of equipment, as well as decoration and engineering work. We select such contractor through a tendering process in accordance with the “Law on Tender and Bidding of the PRC” (《中華人民共和國招標投標法》) and the “Tender Law & the Rules on the Tender Scope & Criteria for Construction Projects” (《工程建設項目招標範圍和規模標準規定》). The tendering and procurement center at our headquarters manages the tendering process. As part of the tendering process, we undertake thorough due diligence, including but not limited to:

- pre-screening contractors to bid;
- conducting interviews with bidders and requesting confirmation and undertakings with respect to their cash flows, experience and credentials; and
- conducting independent research and investigation to verify the credentials and track record submitted by the bidders.

We screen out bidders that do not meet our criteria. We take into account the quality and price quoted and the construction plan prepared by the bidders in selecting a winner bidder. The winner will enter into a construction contract with us. Our headquarters and regional project companies divide their responsibilities for selecting contractors based on the following criteria:

- For each of the construction contracts with value of more than RMB3.0 million, the tendering and procurement center at our headquarters is responsible for selecting the qualified bidders, with the participation of the cost management center, operation and engineering management center and planning and design institute at our headquarters and the assistance of the relevant regional project company, while the tendering management committee (招投標領導小組) at our headquarters, comprising the president and vice presidents of the Company and heads of the tendering and procurement center, cost management center, operation and engineering management center and planning and design institute at our headquarters, determines the winning bidder;
- For each of the construction contracts with value of more than RMB1.0 million but less than RMB3.0 million, the relevant regional project company is responsible for selecting the qualified bidders and determining the winning bidder, with the participation of the tendering and procurement center at our headquarters. The tendering management committee at our headquarters approves the decision on selecting the winning bidder; and
- For each of the construction contracts with value of less than RMB1.0 million, the relevant regional project company determines the winning bidder.

We enter into a general construction contract with each of our general construction contractors, pursuant to which the general contractor must provide warranties in respect of the quality and construction completion schedules and will be liable for any delay in the construction and bear the costs of rectifying any construction defects. We pay our general contractors in stages in accordance with the payment schedules set forth in our general construction contracts. The percentage of each stage payment varies from case to case. In general, we pay our general contractor for approximately 80% of the work completed on a monthly basis. Our general contractor normally receives approximately 95% of the total payment by the time the project is completed and we retain the remaining 5% as retention money for a period of two to five years. During the Track Record Period, we did not experience any incident where the retention amount was less than the amount we had to pay to correct construction work defects. During the Track Record Period, we were not subject to any penalty, material claim or direct loss resulting from unsatisfactory work performed by third-party contractors or from construction delays.

The tendering and procurement center at our headquarters coordinates the procurement of construction materials and equipment. We source a portion of key construction materials and equipment, especially those affecting product quality such as elevators, doors, windows, stone materials and interior decoration

materials directly from our suppliers, while our general contractors are responsible for procuring other materials such as cement and steel. For some of the materials which general contractors are responsible for procuring, we may designate more than two suppliers with good reputation and credit history for our general contractors to choose from. Some of our general construction contracts with general contractors provide benchmark market prices of major construction materials, such as steel, to be procured by general contractors. In the event market price fluctuates beyond 5% of the benchmark price, our payments to our contractor will be adjusted according to an agreed formula to reflect the effect of such fluctuation. We determine whether to contain such benchmark price provision in our construction contract by negotiation on a case-by-case basis, taking into consideration, among other things, the term of the contract, the prevailing market conditions and the contract price. In order to minimize our exposure from fluctuations in construction material prices, in the event that we expect significant increase in the prices of certain construction materials, we will make prepayment to our contractors and ask our contractors to procure such materials to be used in the future.

For the construction materials and equipment which we are responsible for procuring, we select suppliers through tendering process. We implement centralized procurement of those that can be used in our projects all over the country, such as elevators and doors, to benefit from economies of scale. For the materials and equipment that need to be tailored to the local preferences, such as interior decoration materials, our headquarters and regional project companies divide their responsibilities for procurement based on the amount of the contract value. We maintain strict quality control procedures for selection, inspection and testing of materials. The engineering management team of the relevant regional project company inspects the materials on site to ensure compliance with the contractual specifications before accepting the materials and approving payment. We reject and return to the suppliers any materials that do not comply with our requirement.

We have established a database for qualified suppliers, including construction contractors, design firms and suppliers for construction materials, which we have selected based on their reputation, credit record and history of transactions with us. We have formed a panel consisting of members of the tendering and procurement center and operation and engineering management center at our headquarters and the cost management teams and engineering management teams of our regional project companies to evaluate their performance on an annual basis. In addition, we engage professional cost consulting firms to provide consulting services with regard to tendering process.

Project Management, Quality Control and Construction Supervision

The engineering management team of each of our regional project companies comprises qualified engineers and conducts on-site supervision on a daily basis to monitor the progress of construction and quality of construction workmanship. Close supervision is key to avoiding unnecessary delay in the construction process. It enables us to identify defects and issues in the work carried out by the construction contractors and ensure timely rectification of the same. In addition, the cost management team of each of our regional project companies reports on a monthly basis to the cost management center at our headquarters to monitor and assess the costs incurred in each of our projects.

We implement strict quality control measures to ensure the quality of our properties. Our quality control measures focus on the following aspects:

- selection of design firms and contractors;
- selection, inspection and testing of construction materials and equipment;
- establishment of quality control standards; and
- on-site inspection of construction processes by the engineering management teams of our regional project companies.

We implement standardized technical guidelines to ensure that the construction of all our projects complies with relevant laws, regulations, and other compulsory standards promulgated by the relevant PRC

BUSINESS

government authorities and industry associations. These guidelines form part of the construction contracts we enter into with the construction contractors that such construction contractors must comply with.

We closely monitor the construction processes of our projects. In addition to monitoring by the engineering management teams of the regional project companies, the operating and engineering management center at our headquarters, which comprises professional engineers, conducts regular inspection of all of our construction sites to ensure that the construction quality and safety control comply with our quality control guidelines and all relevant laws, regulations and industry standards. Our contractors are also required to produce progress reports each month. We do not allow our contractors to subcontract or transfer their contractual arrangements with us to any third party.

In compliance with the relevant PRC laws and regulations, we engage qualified independent third-party professional firms to monitor certain aspects of our project construction as specified by the relevant PRC laws and regulations. These construction supervision companies conduct on-site quality and safety control inspection on all construction materials and workmanship and monitor the progress of construction, work site safety and the construction completion schedules.

The engineering management team, together with the design team and sales team of the regional project company and the property management company of the respective project, inspect each unit of our completed property development to ensure it is in satisfactory condition before delivery to our customer.

We are not responsible for any labor issues of our contractors or accidents and injuries that may occur during construction. These risks are borne by the contractors, as provided in our contracts with them. However, our strict quality control measures require our contractors to comply with the relevant rules and regulations including environmental, labor, social and safety regulations to minimize our risks and liabilities. During the Track Record Period, we were not involved in any dispute with our contractors nor were there any case of material personal injury or death involving our contractors that had a material and adverse effect on our business.

Contract Management System

We have established a contract management system as part of our management information system to record, among other things, the payment schedule of each construction or procurement contract we have entered into and feedback in respect of each of the construction contractors, design firms and suppliers we have engaged. The contract management system helps us manage our payments and development costs and evaluate the quality of our suppliers and service providers.

Sales and Marketing

Marketing

We have a dedicated in-house marketing and planning management center at our headquarters responsible for the overall supervision of sales and marketing of all of our projects. The sales teams of our project companies implement the decisions of the headquarters and organize the sales process for our projects. The marketing and planning management center at our headquarters and the sales teams of regional project companies provide valuable input throughout the property development process, including site selection, product positioning, budget planning and project design, to ensure our property development projects are well-positioned, meet customers' expectations and are appropriately and profitably priced. We also engage external real estate sales agencies to benefit from the collective sales and marketing efforts and their customer bases.

Before land acquisition and construction of our projects: The marketing and planning management center at our headquarters and the sales teams of the regional project companies collect relevant market data and the marketing and planning management center at our headquarters assists the new project development

department at our headquarters in conducting the feasibility study of each proposed land acquisition. It also participates in the product positioning and conceptual design of each of our projects. The early involvement of the marketing and planning center enables us to provide project designs tailored to the needs of our target customer base.

Before launching property pre-sale: The marketing and planning management center at our headquarters formulates strategies and plans for marketing our properties. We market our properties mainly by way of outdoor advertising, print media and internet. The sales teams of the regional project companies also prepare and submit the benchmark unit prices and pricing related policies for our projects to our senior management for review. In addition to our approved benchmark unit prices, the selling prices of all of our properties are determined, approved and controlled in accordance with our established internal control procedures. For further information, please see “— Marketing Expenses and Pricing Control.”

Throughout and subsequent to the pre-sale period: The sales teams of the regional project companies provide comprehensive assistance to our customers, coordinate internally to address queries raised by, and collect feedback from, our customers and potential customers for us to evaluate our products and devising modifications to product designs as appropriate to address any change in market demand.

Marketing Expenses and Pricing Control

We have formulated centralized marketing expenses and pricing control policies to determine and control marketing expenses and to set selling prices for our projects, having due regard to market demand and sentiment from time to time. Before the commencement of pre-sale, the president of the Company determines and approves the marketing budget for our properties and the benchmark selling price for each property type. Such budget and benchmark selling price are determined based on the recommendation by our regional project company and adjusted monthly.

Pre-sale

We generally commence pre-sale of our properties before completion of construction. We normally launch pre-sale after a fully-furnished replica of each major floor plan in a project or project phase is established which offers our potential customers with the most accurate and descriptive representation of the property we are selling. We use the proceeds received from the pre-sale of our properties to finance our project development.

Various PRC laws and regulations governing pre-sale of properties impose conditions to be fulfilled before the pre-sale of a particular property can commence. These conditions include obtaining the relevant construction land planning permit, land use rights certificate, construction work planning permit, construction work commencement permit and pre-sale permit. In addition, property developer must use a standard form of pre-sale contract prescribed by the local authorities.

During the Track Record Period, we did not experience any significant delays in obtaining the aforesaid certificates and permits. Our PRC legal advisor has also advised us that we had obtained the relevant pre-sale permits for all the properties we were pre-selling as of the Latest Practicable Date. For details of the laws and regulations governing pre-sales, please see “Appendix VI — Summary of Principal Legal and Regulatory Provisions.”

Completion, Delivery and After-sales Services

Customers Payment Arrangements

Our customer may purchase our property either by one lump sum payment or by mortgage financing. If our customer chooses to settle the purchase price by making one lump sum payment, such customer must

fully settle the purchase price shortly after the execution of the sale and purchase contract. If the customer chooses to settle the purchase price by mortgage financing, such customer must pay a down payment upon signing of the sale and purchase contract in accordance with the terms stipulated thereof. Typically, upon confirmation of the sale, the customer must make a down payment of no less than 30% of the purchase price in the case of purchase of residential property and 50% of the purchase price in the case of purchase of commercial property. The remainder of the purchase price is normally paid by the mortgagee bank within two to three months, depending on the approval process of relevant mortgagee bank. If the customer chooses to fund the purchase by a mortgage loan from a bank, we assist such customer in applying for such mortgage loan as needed. The payment terms for sales and pre-sales of our properties are substantially identical.

In line with market practice, we have entered into arrangements with various banks for the provision of mortgage financings to our customers. We do not conduct independent credit checks on the purchasers, but rely on credit checks conducted by relevant banks. As with other property developers in the PRC, the banks usually require us to guarantee our customers' obligations to repay the mortgage loans on the properties. The guarantee period normally lasts until the bank receives the strata-title building ownership certificate (分戶產權證) from the customer as security of the mortgage loan granted. As of April 30, 2014, our outstanding guarantees in respect of the mortgages of our customers amounted to RMB1,867.8 million. If a purchaser defaults under a mortgage loan during the term of the guarantee, we are obligated to repay the balance of the mortgage loan owed by such purchaser to the mortgagee bank under the loan. Under such circumstances, we are entitled to forfeit the down payment received and sell the repossessed properties. During the Track Record Period, we did not encounter any incident of default by purchasers. To the best of our knowledge, the recent real estate financing measures promulgated by the PRC government have not caused any increasing trend of mortgage payment default by our customers.

Delivery of Properties for Sale

We aim to deliver properties to our customers within the time frame prescribed in the sale and purchase contracts (including the pre-sale contracts). Under the current PRC laws and regulations, we must obtain the completion certificate or pass the on-site examination and inspection before delivering properties to our customers. We have been advised by our PRC legal advisor that during the Track Record Period and up to the Latest Practicable Date, we complied with all the relevant and applicable PRC laws and regulations governing delivery of properties for sale in all material respects. For details of the PRC laws and regulations governing delivery of properties for sale, please see "Appendix VI — Summary of Principal Legal and Regulatory Provisions." During the Track Record Period and up to the Latest Practicable Date, we did not experience any significant delays in the completion of our projects or delivery of relevant title documents after sale.

We also aim to deliver quality properties and satisfactory purchasing experience to our customers. Before delivery of properties to our customers, the engineering management team, together with the design team and sales team of the regional project company and the property management company of the respective project, conducts on-site inspections to ensure such properties are in satisfactory condition. The sales team and customer services team of the regional project company then arrange for our customers to inspect their purchased properties before the expected delivery date to ensure the properties meet our prescribed standards as well as our customers' expectations. The sales team and customer services team of the regional project company also assist customers in applying for strata-title building ownership certificates and stay closely in touch with them after delivery to gather feedback for future improvement of our products and services.

After-sales Services

The sales teams and customer services teams of the regional project companies are responsible for our after-sales customer services and the formulation of customer services processes and standards. We provide

BUSINESS

comprehensive after-sales services including assisting customers in obtaining property ownership certificates and handling customer complaints. We are also responsible for supervising the repair and ongoing maintenance of the properties we have developed. In addition, the sales teams of our regional project companies also collect and analyze customer data to identify the latest market trends and conduct customer satisfaction surveys to improve our projects' market positioning, design, marketing strategies and quality of services.

Property Management

We believe our property management services enhance property value for our customers and improve our brand recognition and reputation. We provide property management services to owners of most of the properties developed by us through our own property management company, which holds valid level two property management permit. Our property management company normally participates in the early stage of property development and throughout the overall planning and design and sales and marketing stages to minimize future maintenance costs. We engage external property management companies to provide consulting services during the sales cycle.

We typically enter into property management contracts with property owners, which specify the services to be offered, the scope of such services, the quality requirements and the fees to be charged for such services. Our property management services include maintenance and security of common areas, gardening and landscaping, cleaning, fire protection and rental agency services. We charge our customers management fees on a semi-annual or annual basis. In accordance with PRC laws, we may not assign overall management obligations to third parties but may outsource certain responsibilities (such as cleaning and security services) to third parties. According to relevant laws and regulations, we cannot increase the fee rate set out in the property management contracts without the approval of the majority of property owners.

Under the PRC laws, property owners have the right to engage or dismiss a property management company with the consent of more than half of the owners who, in the aggregate, hold more than 50% of the interest in the non-communal areas of the property. We conduct annual customer surveys on our management performance to constantly improve our services. As of the Latest Practicable Date, our property management companies have not been dismissed from the management of any properties.

Our property management company has obtained the ISO 9001:2008 certificate and OHSAS 18001:2007 certificate issued by Beijing NGV Certification Center Inc. (北京恩格威認證中心有限公司) in recognition of its quality management system and occupational health and safety management system. Both certificates will expire in April 2017 and we do not expect to have any difficulty in renewing such certificates upon their expiry.

ALTERNATIVE FINANCING PROVIDED BY TRUST FINANCING COMPANIES

Overview of Trust Financing Arrangements

In addition to bank loans, PRC companies, particularly property developers, may obtain alternative financing under trust financing arrangements. Trust financing arrangements are funding arrangements provided by trust funds, which are domestic funds established and managed by trust financing companies registered with the CBRC that act as trustees of these funds. Only investors who satisfy certain criteria under the "Measures for the Administration of Trust Companies' Trust Plans of Assembled Funds" (信託公司集合資金信託計劃管理辦法) issued by the CBRC on February 4, 2009, as amended, may invest in these trust funds.

Trust financing is an authorized form of financing transaction under PRC laws. Trust financing arrangements are a common source of funds for property developers in the PRC and are available to PRC property developers and other PRC companies in various forms, including equity transfers, capital

injections, equity acquisitions, shareholder loans, or secured loans granted by trust financing companies acting as trustees of the respective trust funds. A trust financing company may enter into secured loan arrangements with the borrowing company consisting of a combination of agreements involving equity pledges or security interest, guarantees, capital injections, equity transfers, repurchases, loan assignments, and/or other security in the form of assignments of rental income, sales revenue and other income generated from the relevant project company. As of the Latest Practicable Date, we had seven outstanding trust financing arrangements with Sichuan Trust Co., Ltd. (四川信託有限公司) (“**Sichuan Trust**”) and Minmetals International Trust Co., Ltd. (五礦國際信託有限公司) (“**Minmetals International Trust**”), both of which are independent third parties, entered into in the ordinary course of business to finance our operations. Compared with bank loans, trust financings offer greater flexibility. While drawdowns on bank loans usually depend on actual construction progress, drawdowns on trust financings may be made in full in one or multiple installments as agreed with the relevant trust companies. However, we have to bear higher financing costs due to higher interest rates under these trust financing arrangements. The covenants we gave under our trust financing arrangements are consistent in all material respects with, and are not materially more favorable than those we customarily gave to banks for our bank loans. There is no guarantee that we will be able to enter into these arrangements, if needed, in the future at all or on favorable terms.

Regulatory Overview

Pursuant to the Measures on Administration of Trust Companies (《信託公司管理辦法》) (the “**Trust Measures**”), which became effective on March 1, 2007, the Administrative Measures for Pooled Fund Trust Plans of Trust Companies (信託公司集合資金信託計劃管理辦法), which became effective on February 4, 2009, and the Administrative Measures for Net Capital of Trust Companies (信託公司淨資本管理辦法), which became effective on August 24, 2009, “trust companies” are financial institutions incorporated in accordance with the PRC Company Law and engaged primarily in trust business in the PRC. “**Trust business**” means the business operation that a trust company undertakes as a trustee of a trust including handling the trust matters under a fiduciary capacity for the purpose of operating business and receiving remunerations. The minimum amount of registered capital of a trust company is RMB300 million or the equivalent value in a freely convertible currency.

Pursuant to the Notice on Strengthening the Supervision of Trust Companies’ Real Estate Business (《關於加強信託公司房地產業務監管有關問題的通知》) promulgated by the General Office of CBRC on February 11, 2010, a trust company may offer loans for a property development project only if (i) the property developer has obtained the requisite land use right certificates, construction land planning permits, construction work planning permits and construction work commencement permits; (ii) the property developer or the controlling shareholder of the property developer has obtained Qualification Certificate for Real Property Development Enterprise (房地產開發企業資質證書) at or above Class Two; and (iii) the amount of investment made by the property developer in the project with its own capital meets the requirement of the PRC central government.

On November 12, 2010, the CBRC issued the Notice on Risk Alert for Trust Companies’ Real Estate Business (《關於信託公司房地產信託業務風險提示的通知》) to require all trust companies to immediately conduct self-examination of the compliance risk of the real estate trust business. Each trust company must analyze its regulatory compliance and risk exposure on case-by-case basis, including whether each of the real estate development projects to which the trust company issued loans has satisfied the conditions such as the availability of all the “Four Permits” (namely, the land use rights certificate, construction land planning permit, construction work planning permit and construction work commencement permit), whether the real estate developer or its controlling shareholder has obtained Class 2 qualification, and whether the capital ratio of the project has reached the national minimum requirement. Each banking regulatory bureau must supervise the compliance and risk control of real estate business of trust companies within its jurisdiction. If the banking regulatory bureau discovers any problem during the inspection, it must take measures immediately to order the trust companies to rectify such non-compliance and penalize any non-compliance behavior in accordance with the relevant rules and regulations.

Our Trust Financing Arrangements

The table below sets forth certain details of our outstanding trust financing arrangements:

Subsidiary Obtaining Trust Financing	Trust Financing Company	Effective Date and Term of Financing	Principal Amount of Trust Loans (RMB million)	Cost of Financing/ Return to the Trust Financing Company	Security	Restrictions on Use of Proceeds and Other Key Terms and Covenants	Usage of Trust Loan Proceeds	Actual/expected Repayment and Repurchase Time	Total Outstanding Trust Loans As of April 30, 2014 (RMB million)
Shantou Construction Materials	Sichuan Trust	December 27, 2012 - December 26, 2018	120	Variable interest rate at 95% of the five-year benchmark lending rate quoted by the PBOC plus 0.5% and an upfront fee of RMB3.3 million.	Secured by (i) Shantou Construction Materials' rights to future operating income from Phase I of Shantou Glory City; (ii) pledge of land use rights and properties of Phase I of Shantou Glory City and our offices in Shantou with a total GFA of 69,699 sq.m.; and (iii) guarantee by Garden Group and Chairman Zhang.	The trust loan proceeds may not be invested in the securities markets, property development, acquisition of land reserves and equity investment. Any deviation requires the approval of Sichuan Trust and its investors. Shantou Construction Materials has also undertaken not to (i) incur additional borrowings or provide any security without written consent by Sichuan Trust and its investors during the term of the trust; (ii) declare and/or pay any dividend or other distribution to its shareholders without repayment of the financing costs in accordance with the trust financing agreement or (iii) transfer, pledge or dispose of its rights to future operating income from Phase I of Shantou Glory City during the term of the trust.	Daily operations of Phase I of Shantou Glory City	We must repay RMB1.45 million each quarter from March 21, 2013 to September 21, 2018.	112.8

BUSINESS

Subsidiary Obtaining Trust Financing	Trust Financing Company	Effective Date and Term of Financing	Principal Amount of Trust Loans (RMB million)	Cost of Financing	Security	Restrictions on Use of Proceeds and Other Key Terms and Covenants	Usage of Trust Loan Proceeds	Actual/expected Repayment and Repurchase Time	Total Outstanding Trust Loans As of April 30, 2014 (RMB million)
Beijing Glory	Minmetals International Trust	July 22, 2013 - July 21, 2016	769.1	Fixed interest rate at 10.04% per annum.	Secured by pledge of two high-rise residential buildings in Phase II of Beijing Glory City with a total GFA of 41,532 sq.m.	The trust loan proceeds may only be used for payment in relation to termination of a pre-sale agreement with Hainan Airlines Company Limited (海南航空股份有限公司) for the pre-sale of a high-rise residential building in July 2009.	Payment in relation to termination of a pre-sale agreement with Hainan Airlines Company Limited (海南航空股份有限公司) for the pre-sale of a high-rise residential building in July 2009	We must repay RMB200 million on July 22, 2014, RMB300 million on July 22, 2015 and RMB269.1 million on July 21, 2016.	769.1
						The trust company has veto rights to major corporate actions or transactions such as capital reduction, merger, spin-off, joint-stock restructuring, joint venture and material increase in debt financing. Such rights are generally consistent with customary protection given to creditors under secured borrowing transactions.			
Garden Group	Minmetals International Trust	October 25, 2013 - October 24, 2015 (RMB291.2 million); November 7, 2013 - November 6, 2015 (RMB150.9 million); November 8, 2013 - November 7, 2015 (RMB357.9 million)	800	Fixed interest rate at 9.5% per annum.	Secured by (i) guarantee by Beijing Glory, (ii) pledge of 100% equity interest in Foshan Guohua by Foshan Glory and Shantou Liyi Real Estate Investment Co., Ltd. (汕頭利溢房地產投資有限公司) and (iii) pledge of Beijing Glory Mall by Beijing Glory.	The trust loan proceeds may only be used to supplement working capital.	To satisfy our working capital requirement.	We plan to make repayments upon the expiry of the term of each drawdown.	800
						Garden Group has also undertaken, during the term of the trust, not to (i) dissolve, liquidate or establish subsidiary without written consent by Minmetals International Trust or (ii) provide any security which may have an adverse effect on our financial condition or our performance of obligations under the trust without written consent by Minmetals International Trust.			

BUSINESS

Subsidiary Obtaining Trust Financing	Trust Financing Company	Effective Date and Term of Financing	Principal Amount of Trust Loans (RMB million)	Cost of Financing	Security	Restrictions on Use of Proceeds and Other Key Terms and Covenants	Usage of Trust Loan Proceeds	Actual/expected Repayment and Repurchase Time	Total Outstanding Trust Loans As of April 30, 2014 (RMB million)
Shantou Glory			402			The trust loan will become immediately due and payable in full if Shantou Glory does not perform or comply with any of its obligations under the trust loan agreement, which default remains unremedied for 15 business days after Minmetals International Trust has given written notice thereof. Shantou Glory has undertaken (i) no to merge, spin off, dissolve or liquidate without written consent by Minmetals International Trust; (ii) provide any security without consent by Minmetals International Trust; or (iii) carry out any corporate action or transaction or make any major investment which has an material and adverse effect on Minmetals International Trust's rights under the trust loan agreement or the value of the equity interest it held in Shantou Glory without consent by Minmetals International Trust.	Development of Phase II of Shantou Glory City	We must repay RMB10.5 million each on March 20, June 20, September 20 and December 20, 2014, respectively and RMB12.5 million each on March 20, June 20, September 20 and December 20, 2015, respectively.	391.5
Original Beijing Glory	Minmetals International Trust	December 11, 2013 - December 10, 2015	98 ⁽¹⁾	Fixed interest rate at 12% per annum.	Secured by (i) pledge of land use rights of Phase II of Shantou Glory City; (ii) guarantee by Garden Group and Original Beijing Glory and (iii) pledge of 50.5% of the equity interest in Shantou Glory.				See Note (1)

BUSINESS

Subsidiary Obtaining Trust Financing	Trust Financing Company	Effective Date and Term of Financing	Principal Amount of Trust Loans (RMB million)	Cost of Financing	Security	Restrictions on Use of Proceeds and Other Key Terms and Covenants	Usage of Trust Loan Proceeds	Actual/expected Repayment and Repurchase Time	Total Outstanding Trust Loans As of April 30, 2014 (RMB million)
Garden Group	Minmetals International Trust	January 23, 2014 - January 22, 2015 (RMB100 million); February 17, 2014 - February 16, 2015 (RMB261 million)	361	Fixed interest rate at 6% per annum.	—	—	To satisfy our working capital requirement	We plan to make repayments upon the expiry of the term of each drawdown.	361
Glory Industrial	Minmetals International Trust	April 11, 2014 - April 10, 2015	85	Fixed interest rate at 6% per annum.	—	The trust loan proceeds may only be used to supplement working capital. Any deviation requires the approval of Minmetals International Trust.	To satisfy our working capital requirement	We plan to make repayment upon the expiry of the term of the trust loan.	85

Note:

- (1) Minmetals International Trust acquired 49.5% of the equity interest in Shantou Glory by making a capital contribution of RMB98 million. Beijing Glory has the right and obligation to repurchase such equity interest at the expiry of the term of the trust loans under any of the conditions as agreed with Minmetals International Trust. The arrangement as a whole is accounted for in the consolidated financial statements as one of our secured borrowings.

BUSINESS

We expect that we will satisfy our repayment obligations under our trust financing arrangements by utilizing our internal resources. During the Track Record Period and up to the Latest Practicable Date, we did not default on our repayment obligations or any other obligations in any material respect under the trust financing arrangements.

Our PRC legal advisor is of the opinion that our PRC subsidiaries involved in outstanding secured trust financing arrangements have been in compliance with the relevant PRC laws, regulations and rules and the agreements executed relating to our secured trust financing arrangements are valid and binding upon the parties to such agreements.

PRIMARY LAND DEVELOPMENT

Apart from engaging in our property development projects, we also actively undertake primary land development projects as a strategic business in order to access potentially available land reserves. Primary land development refers to the process of preparing land to conditions ready for public tender, auction and listing-for-sale. It typically involves relocating existing business establishments and residents on the land, demolishing existing buildings and other structures, clearing the site and installing basic infrastructure for future commercial property development. Resettlement may be accomplished by way of (a) cash compensation (貨幣補償); (b) provision of resettlement residential properties developed or purchased by primary land developers (異地安置) or (c) provision of resettlement residential properties to be developed on the original site (原址回遷) in exchange for the existing residents' properties that are to be demolished. After completion of a primary land development project, we will engage a third-party valuer selected by the government to review the total development costs we reported and the government will generally compensate us in the amount of total assessed development costs determined by the government based on the independent valuation conducted by such valuer and a reward of a specific percentage, not exceeding 8% in the case of Beijing, of the total assessed development costs and make such payment in a lump sum. Development costs of primary land development comprise primarily resettlement compensation and sub-contracting charges of demolition and resettlement work. As advised by our PRC legal advisor, our primary land development operations are in full compliance with PRC laws and regulations in all material aspects.

We completed one primary land development project during the Track Record Period, namely, Beijing Hademen project in 2012. During the process of resettlement of existing residents, we entered into a total of 809 resettlement agreements with existing residents for this project. We recorded a total compensation of RMB2,178.7 million for our service rendered for this project based on the total assessed development costs of RMB1,960.9 million determined by the government and a reward of 5% of the total assessed development costs in January 2013. We subsequently acquired the land use rights for property development of such site through tender. We obtained the relevant land use rights certificate in September 2013. Please see “— Our Property Development Projects — Beijing — Beijing Glory Center” for more details.

We are currently undertaking one primary land development project in Beijing, namely, West Qinian Street project (祈年大街西項目), with a planned GFA of 427,404 sq.m., comprising five land parcels. The site of West Qinian Street project is located on the west side of Qinian Street (祈年大街) and is less than one kilometer from Tiananmen Square (天安門廣場). According to the Savills Report, in terms of planned GFA, West Qinian Street project was the largest primary land development project within one kilometer from Tiananmen Square as of March 31, 2014. We obtained the construction land planning permit issued by Beijing Municipal Planning Committee (北京市規劃委員會) in June 2007 and obtained the approval by Beijing Municipal People's Government (北京市人民政府) to use the State-owned land use rights for this project in August 2007. We entered into a joint development agreement with Beijing Energy Investment Holding Co., Ltd. (北京能源投資(集團)有限公司) (“**Beijing Energy**”) in September 2009, which was amended in June 2010. Pursuant to the joint development agreement, as amended, Beijing Energy has agreed to equally share the costs incurred for this project in return for 50% of the compensation to be paid by the government. Beijing Energy Investment Holding Co., Ltd. is an investment company wholly owned by the Beijing Municipal People's Government, and invests in electric power, energy conservation and real estate projects. We obtained the demolition permit (房屋拆遷許可證) from the local government authority in

September 2007 and have obtained approvals from the local government authority to extend the demolition deadline to September 2014. We commenced this project in September 2007 and as of March 31, 2014, we incurred developments costs of RMB909.3 million for this project. As of March 31, 2014, we estimated that the future development costs to be incurred for this project would be RMB990.9 million. As of the Latest Practicable Date, we had entered into a total of 2,177 resettlement agreements with existing residents for this project and we expect to enter into additional 364 resettlement agreements for this project. We completed the primary land development of one of the five land parcels in the second quarter of 2013. In respect of this land parcel, under the arrangement of the Beijing Municipal People's Government, we have entered into agreements with two public service units entitled to use the relevant allocated land, pursuant to which the two public service units have agreed to provide us with a total compensation of RMB1,963 million for our services rendered and Beijing Energy is entitled to 50% of such compensation in accordance with the joint development agreement. We had received RMB1,100 million of such compensation as of the Latest Practicable Date. For the other four land parcels, the government will compensate us in the amount of total assessed development costs determined by the government and a reward of 5% of the total assessed development costs after completion of the primary land development. We expect to complete the primary land development of the other four land parcels between 2014 and 2015.

We engage qualified contractors to carry out demolition and resettlement work for our primary land development projects, including negotiating resettlement compensation with existing residents, after we have obtained the demolition permits. Such demolition permit typically provides a time frame for completion of demolition work which can be extended through application to and approval by the relevant government authority. We select such contractor through a tendering process and take into account both the quality and prices quoted by the bidders. We pay our contractor a fixed amount per household subject to demolition and resettlement. We normally require our contractors to complete the demolition and resettlement work according to specified schedules and some of the agreements provide that we may terminate the agreements if our contractors fail to complete the work on time. We generally make payments to our contractors in stages in accordance with the payment schedules set forth in the relevant agreements, which are determined by negotiation on a case-by-case basis. Each contractor must obtain government approval and our approval before carrying out its demolition and resettlement plans. We assign engineers to monitor the quality and progress of demolition and resettlement work on-site and conduct regular inspections to ensure our contractors comply with our guidelines and relevant laws and regulations. Such engineers also liaise with local authorities to conduct on-site safety inspections as required under relevant laws and regulations. During the Track Record Period and up to the Latest Practicable Date, there was no material disagreement or dispute among us, the government, our contractors and the residents of the properties subject to demolition.

We identify and evaluate primary land development opportunities generally through conducting comprehensive studies of the local market trends and conditions and analyzing, among other things, the government plans, if any, on the future use of the land and the estimated return on investment in the primary land development operations. We undertook the primary land development of the sites of Beijing Fugui Garden in 2001 and Beijing Glory City in 2003, both of which were listed by the Beijing Municipal People's Government as key renovation projects of dangerous old houses. Our performance significantly contributed to the urbanization in former Chongwen District of Beijing and improved the local living environment, which was well-received by the local communities. As local governments generally intend to engage developers with substantial capabilities for primary land development, we believe our substantial experience and capabilities in primary and secondary land development, substantial capital resources and good reputation can help us secure primary land development opportunities with strategic value. During the Track Record Period, we obtained all of our primary land development projects in Beijing through direct authorization and written approval by the Beijing Municipal State-owned Land Resources Bureau (北京市國土資源局) after approval by a joint committee comprising Beijing Municipal Commission of Development and Reform (北京市發展和改革委員會), Beijing Municipal of Urban Planning (北京市規劃委員會), Beijing Municipal Commission of Construction (北京市建設委員會) (now known as "Beijing Municipal Commission of Housing and Urban-Rural Development" (北京市住房和城鄉建設委員會)) and Beijing Municipal State-owned Land Resources Bureau and from the Beijing Municipal Affordable

Housing, Renovation of Dangerous Old Houses and Ancient Capital Protection Leading Group Office (北京市經濟適用住房、危舊房改造和古都風貌保護領導小組辦公室). Other than obtaining the aforesaid written approval, we did not enter into any agreements with the government in Beijing to undertake our primary land development projects. We plan to continue to undertake similar projects. In addition to generating income from such projects, we expect undertaking such projects will enhance our professional image in the relevant communities, which in turn, will increase our likelihood to acquire the rights to the secondary land development of these sites when the relevant land parcels are put on tender, auction or listing-for-sale.

Development Projects under the “Urban Redevelopment” Policy

We entered into cooperation agreements with local self-governing organizations and enterprises under the “Urban Redevelopment” policy to develop certain land parcels in Shantou. Please see “Appendix VI — Summary of Principal Legal and Regulatory Provisions.” The local self-governing organizations and enterprises are responsible for coordination for demolition of existing buildings and resettlement of existing residents and we bear the costs of such demolition and resettlement and undertake the subsequent construction of properties and ancillary facilities. We must complete construction within a time frame as agreed in the respective cooperation agreement. The relevant local self-governing organization or enterprise is entitled to a cash compensation or a certain percentage of the completed GFA after completion of property development as agreed in the respective agreement and we have the right to dispose of the remaining properties.

Such land parcels comprise four development projects with a total planned GFA of 4.3 million sq.m., the local self-governing organizations or enterprises, as applicable, have agreed to transfer the land use rights to us after the completion of required government procedures under the relevant local regulations. For these projects, our PRC legal advisor has advised us that we do not need to go through the public tender, auction or listing-for-sale process for the acquisition of land use rights for the relevant land parcels. Our PRC legal advisor has also advised us that there are no material legal impediments to obtaining the relevant land use rights certificates after we enter into the land grant contracts with relevant local self-governing organizations and enterprises in accordance with the Urban Redevelopment Opinion. For one of these four projects with a total planned GFA of 65,170 sq.m., we are in the process of obtaining approval from the local government on the respective cooperation agreement and we expect the relevant demolition work to be completed in the third quarter of 2014. As of March 31, 2014, we incurred an immaterial amount of development costs for this project to cover preliminary planning, design and surveying expenses. For one of these four projects with a total planned GFA of 136,836 sq.m., we have obtained the approval from the local government on preliminary land-use planning and we expect to commence the relevant demolition work in the second quarter of 2014. As of March 31, 2014, we incurred development costs of RMB24.0 million for this project, comprising primarily prepaid resettlement compensation and preliminary planning, design and surveying expenses. For the other two projects with a total planned GFA of 4.1 million sq.m., we have obtained the approval from the local government on preliminary land-use planning and we are currently negotiating with the existing residents on resettlement issues. As of March 31, 2014, we incurred development costs of RMB2.9 million for these two projects, comprising primarily preliminary planning, design and surveying expenses. We plan to develop residential properties on these land parcels.

Development Project in Chaozhou, Guangdong Province

We are also undertaking a primary land development project in Chaozhou, Guangdong Province, with a planned GFA of 2.9 million sq.m., namely, Meilin Lake project (梅林湖項目). We have obtained the approval from the local government on preliminary land-use planning. We expect to complete this project in the first half of 2018. As of March 31, 2014, we incurred development costs of RMB1.2 million for this project to cover preliminary planning, design and surveying expenses.

BUSINESS

INVESTMENT PROPERTIES AND COMMERCIAL LEASING

We selectively retain the ownership of a substantial amount of self-developed commercial properties with strategic value to generate stable and recurring income. Our Board determines whether to sell or retain for investment commercial properties at the early stage of developing each of our projects. Our decision on whether to sell or retain a commercial property depends on various factors such as location, regional market conditions, supporting commercial facilities and our commercial interests. As of March 31, 2014, we had investment properties with a total GFA of 296,768 sq.m. in Beijing Fugui Garden, Beijing Glory City, Shenyang Glory City and Shantou Glory City.

BUSINESS

The table below sets forth a summary of information on our investment properties as of March 31, 2014:

Project	Types of Properties	Total GFA		Effective Leased GFA		Occupancy Rate ⁽¹⁾	Certificate Expiry Date	Completion Date	Total Rental Income For the Year Ended December 31,			Total Rental Income For the Three Months Ended March 31,		Range of Lease Term	Attributable Capital Value	Reference to Property Valuation Report
		Held for Investment	Leasable GFA	Leased GFA	GFA				2011	2012	2013	2014				
Beijing Glory City	Shopping mall	(sq.m.)	(sq.m.)	(sq.m.)	(%)	(%)	August 2044	Q2 2009	128,248	149,852	179,876	48,374	2-6 years	5,054.7	22	23
		84,904	46,336	39,211	84.6%	84.6%										
	Offices	9,808	9,803	6,170	62.9%	62.9%	August 2054	Q2 2009								
	Car parking spaces	26,324	26,324	18,426	70.0%	70.0%										
	Retail outlets	29,128	25,642	22,598	88.1%	88.1%	August 2044	Q2 2009	30,927	32,174	30,967	7,899	2-6 years	758.9	24	25
	Siheyuan (四合院)	7,219	7,219	7,219	100.0%	100.0%	August 2074	Q2 2012								
	Beijing Fugui Garden	Shopping mall	26,146	19,955	17,145	85.9%	85.9%	November 2044								
Shantou Glory City	Specialized markets	62,398	62,398	50,429	80.8%	80.8%	May 2054	Q3 2009								
Shenyang Glory City	Specialized markets	50,841	50,841	50,841	100.0%	100.0%	March 2044	Q4 2009	14,053	1,163	1,068	— ⁽²⁾	3 years	265.1		

Notes:

- (1) Occupancy rate is calculated by dividing the effective leased area (which is the leasable area of a project subject to the relevant lease agreements) by the total leasable area (which is determined by us to be leasable and does not include the public or service areas used in common as a whole or those areas used for ancillary purposes) of the project.
- (2) We offered a rent-free period of six months beginning from October 2013 to the tenant.

BUSINESS

We derive stable and recurring income from a diversified portfolio of commercial properties and car parking spaces, we select our tenants based on factors such as the positioning of the project, market demand in surrounding areas, level of market rent and needs of the tenants. Our tenants include major anchor tenants which increase the attractiveness of our investment properties and visitor volume. We have entered into strategic cooperation agreements with various tenants including catering and entertainment operators, apparel and home furnishing manufacturers and retail chains, which enables us to rapidly expand our investment property portfolio into selected regional markets. We believe our investment strategy, combining a diverse mix of tenants, effective advertising and flexible leasing arrangements, will generate steady recurring income and result in significant appreciation of our investment properties.

Our rents are typically determined based on the prevailing market rates. The rent payable by our retail tenant is normally the higher of a fixed monthly rate and a turnover based rate calculated by reference to a pre-determined percentage of our tenant's monthly sales turnover (the "**Turnover Rental**"), which is usually determined by our tenant and us based on, among others, the GFA leased by our tenant and reputation of our tenant. We typically require our tenant to prepay a fixed-rate rent on a monthly basis and pay the excess of Turnover Rental over the fixed rate, if any, by the first half of the following month. We selectively offer concessions such as rent-free periods for interior decoration to our tenants. We usually require our tenant to pay security deposits of three months' fixed-rate rent plus three months' property management fees for our investment properties. If our tenant breaches the relevant lease agreement, we are entitled to deduct or retain the security deposits they have paid. Our tenants have the right to renew their leases by giving us a three-month prior written notice, and they have the right of first refusal according to the lease agreements. In addition to our rents and property management fees, we also charge our retail tenants fixed-rate promotion fees on a monthly basis for our marketing activities and advertising plans for our investment properties.

Our profitability may be subject to fluctuation according to the revaluation of our investment properties. Please see "Risk Factors — Risks Relating to Our Business — Our financial results during the Track Record Period included changes in fair value of investment properties and our results may fluctuate due to such changes in the fair value of our investment properties." Depending on the general economic and market conditions, we intend to maintain an optimal mix of properties for sale and for investment and strategically increase the proportion of investment properties in our property portfolio, thereby enhancing the sustainability of our revenue streams, diversifying the policy and operating risks we face in the residential property market and supporting our long-term growth.

PROPERTY MANAGEMENT

We provide property management and related services to owners of the properties developed by us and generate income from providing such services. Please see "— Project Development Management — Our Standardized Property Development Process — Completion, Delivery and After-sales Services — Property Management" for details.

CORPORATE GOVERNANCE AND LEGAL COMPLIANCE

Our overall corporate governance and legal compliance management is carried out across our integrated organizational structure through the work of (1) the legal department at our headquarters that formulates and monitors the implementation of our corporate governance and compliance standards and (2) all operation departments at our headquarters and our regional project companies that implement such standards. The legal department at our headquarters institutionalizes our legal and compliance management, provides legal training to our employees, keeps active communication with the relevant government authorities, improves our legal and regulatory compliance and enhances our corporate governance.

CUSTOMERS AND SUPPLIERS

Our customers for residential properties are primarily individual purchasers in the PRC. Our customers for commercial properties primarily include various types of corporations and other business entities. Our five largest customers accounted for 32.0%, 9.5% and 30.0% of our total revenue for the years ended December 31, 2011, 2012 and 2013, respectively, and our largest customer accounted for 21.8%, 8.3% and 18.9% of our total revenue for the years ended December 31, 2011, 2012 and 2013, respectively. Our five largest customers during the Track Record Period include individuals and corporations for the purchase or lease of our residential properties and commercial properties and local government and public service units for our services rendered in our primary land development projects. Their length of business relationship with us ranges from one year to seven years. Our five largest customers during the Track Record Period are independent third parties of our Group, except that one of the associates of our largest customer in 2011, which purchased our residential properties through mortgage financing, was before April 5, 2014, a substantial shareholder of Haikou Hangrui, one of our subsidiaries. None of our Directors, their respective associates or any of the Shareholders which, to the knowledge of the Directors, owns more than 5% of our share capital as of the Latest Practicable Date, has any interest in any of our five largest customers.

Our major suppliers are construction material and equipment suppliers, construction contractors and design firms. We have access to a wide range of construction contractors and design firms. All of our major contractors and design firms are sizeable, properly qualified in respect of the construction and design work contracted to them. Some of such contractors or design firms have more than 10-year business relationship with us. Our five largest suppliers accounted for 47.2%, 29.8% and 14.3% of our total purchases for the years ended December 31, 2011, 2012 and 2013, respectively. Our largest supplier accounted for 20.1%, 10.3% and 5.2% of our total purchases for the years ended December 31, 2011, 2012 and 2013, respectively. Our five largest suppliers during the Track Record Period are general construction contractors and their length of business relationship with us ranges from two years to 12 years. Each of our five largest suppliers during the Track Record Period is an independent third party of our Group. None of our Directors, their respective associates or any of the Shareholders which, to the knowledge of the Directors, owns more than 5% of our share capital as of the Latest Practicable Date, has any interest in any of our five largest suppliers.

AWARDS AND RECOGNITIONS

Over the past years, we have received widespread recognition. The table below sets out some of the awards we received in respect of our property development operations:

Year	Recipient/Project	Awarding Body	Award/Recognition
Corporate Level Awards			
2013	Original Beijing Glory	China International Urbanization Development Strategy Research Committee (中國國際城市化發展戰略研究委員會)	Institution of Influence on Civilization of Year 2012 (2012中國城市化影響力機構)
2012	Original Beijing Glory	Organization Committee of Chinese Urban Construction Summit (中國城市建設峰會暨建設行業公益年會組委會)	Excellent Enterprise of Chinese Urban Construction of Year 2012 (2012中國城市建設優秀企業)
2011	Original Beijing Glory	Organization Committee of Chinese Urban Construction Summit (中國城市建設峰會暨建設行業公益年會組委會)	Excellent Enterprise of Chinese Urban Construction of Year 2011 (2011中國城市建設優秀企業)

BUSINESS

Year	Recipient/Project	Awarding Body	Award/Recognition
2008	Original Beijing Glory	The 8th China Real Estate Industry Development Annual Conference of year 2008 (2008第八屆中國房地產發展年會委員會)	Most Popular Commercial Real Estate in Beijing of Year 2007 to 2008 (2007-2008北京最具人氣商業地產)
2008	Original Beijing Glory	China Real Estate Chamber of Commerce (全聯房地產商會)	Deputy Chief of China Real Estate Chamber of Commerce (全聯房地產商會副會長會 員)
2008	Original Beijing Glory	China Real Estate Business (中國房產報)	Top 10 Brand Value of Real Estate Enterprise of Year 2008 with brand value of RMB1.061 billion. (2008房地產企業品牌價值十強，品牌價值10.61億元人民幣)
2007	Original Beijing Glory	Contemporary Manager (當代經理人雜誌社)	China's Top 10 Developing Enterprise of Year 2007 (2007中國成長百強)
2007	Original Beijing Glory	China Real Estate Chamber of Commerce (全國工商聯房地產商會)	China's Most Valuable Brand in Real Estate Industry of Year 2007 (2007年中國不動產-最具品牌價值企業)
2006	Original Beijing Glory	China Real Estate Chamber of Commerce (中華全國工商業聯合會房地產商會)	Award of Merit for Residential Planning and Design (住區規劃設計獎-優秀獎)
2006	Original Beijing Glory	China Real Estate Chamber of Commerce (中華全國工商業聯合會房地產商會)	Award of Science and Technology in High End Residence (精端住宅科學技術獎)
2006	Original Beijing Glory	China Real Estate Association (中國房地產業協會全國房地產商會聯盟)	Gold Award of United Nation Ecological Environment Residence (聯合國生態環境住宅金獎)
Project Level Awards			
2010	Beijing Glory Mall (北京國瑞購物中心)	Ministry of Housing and Urban-Rural Development of the PRC (中華人民共和國建設部)	Classic Case of Innovation of Development Model of Commercial Real Estate in China (中國商業地產創新開發模式經典案例)

BUSINESS

Year	Recipient/Project	Awarding Body	Award/Recognition
2010	Beijing Glory City	China International Urbanization Development Strategy Research Committee (中國國際城市化發展戰略研究委員會)	Top 10 Project Facilitating Urbanization of Year 2009 (2009中國城市化進程十大動力工程)
2012	Zhengzhou Glory City	House Internet Group (樂居互聯網集團)	Ecological and Livable Project for the Year 2012 Award (年度生態宜居樓盤獎)
2011	Haikuotiankong Glory City	The 7th China (Hainan) Autumn Tourist Real Estate Exhibition Committee in 2011 (2011第7屆中國（海南）秋季旅遊房地產博覽會組委會)	Project with the Best Unit Layouts for the Year 2011 in Hainan (2011海南最佳戶型樓盤獎)
2010	Haikuotiankong Glory City	The 13th Hainan Spring Real Estate Exhibition Committee in 2011 (2010第13屆海南春季房地產展示交易會組委會) /house.qq.com (騰訊房產) / lanfw.com (藍房網)	Top 5 Project with Best Livable Environment for the Year 2010 in Hainan (2010海南五大最佳人居環境樓盤)
2012	Shenyang Glory City	United Nations Human Settlements Program World Best Practices China Specialist Committee (聯合國人居署全球最佳範例中國區專家委員會) / United Nations Human Settlements Program World Best Practices Magazine (聯合國人居署全球最佳範例雜誌) / China Real Estate Mainstream Media Alliance (中國房地產主流媒體聯盟) /China Harmonious Development Forum Committee (中國和諧發展論壇組織委員會) / Global City Property Competitive Summit Committee (國際城市地產競爭力峰會組委會)	Project with the Most Consumers' Attention for the Year 2012 (2012年度最受消費者關注樓盤)
2011	Shenyang Glory City — Phase III	House.sina.com.cn (新浪樂居) /house.baidu.com (百度樂居)	Most Popular Project for the Year 2011 in Shenyang (2011 年度瀋陽最具人氣樓盤)

BUSINESS

Year	Recipient/Project	Awarding Body	Award/Recognition
2011	Shenyang Glory City — Phase III	United Nations Human Settlements Program World Best Practices China Specialist Committee (聯合國人居署全球最佳範例中國區專家委員會)/ United Nations Human Settlements Program World Best Practices Magazine (聯合國人居署全球最佳範例雜誌)/ China Real Estate Mainstream Media Alliance (中國房地產主流媒體聯盟)/China Harmonious Development Forum Committee (中國和諧發展論壇組織委員會)/ China Real Estate Annual List Committee (中國房地產年度總評榜組委會)	Project with the Best Investment Value for the Year 2011 (2011 年度最具投資價值樓盤)

COMPETITION

The PRC property market is highly fragmented and competitive. Our existing and potential competitors include major domestic property developers and, to a lesser extent, foreign property developers, such as leading property developers from Hong Kong. We compete with them on various factors including, but not limited to, size and the geographic location of land reserves, the types of properties offered, brand recognition, financial resources, price, design, product and service qualities. Some of these competitors may have better track record, financial, human and other resources, larger sales networks and better name recognition.

The PRC property market has substantial potential for growth. However, competition in the PRC property market has intensified in the past few years. In addition, different regions of the PRC have different regulatory requirements for property development. Consumer preference for properties also varies from region to region in the PRC. Moreover, the PRC government has implemented policies tightly controlling the amount of new land available for development, which have increased competition and land grant premium in relation to land made available for development. According to the Savills Report, as of March 31, 2014, we were:

- the second largest property developer within the Second Ring Road of Beijing in terms of total completed GFA and GFA under development;
- the second largest retail property developer within the Second Ring Road of Beijing in terms of total completed GFA;
- the second largest property developer within the Second Ring Road of Shenyang in terms of the total GFA completed and under development;
- the second largest property developer within Xinzheng City in terms of the total GFA completed and under development;
- the seventh largest residential property developer in Langfang in terms of the total GFA completed and under development;

BUSINESS

- the largest home furnishing store in Shantou in terms of completed GFA; and
- one of the top ten property developers in Haikou in terms of the total GFA completed and under development.

We constantly strive to enhance our reputation and boost our market presence in the selected cities. We believe that, with our solid foothold in multiple regions, strategically located low-cost land reserves, substantial amount of investment properties, expertise in both primary and secondary land development and strong in-house design team, we have demonstrated resiliency to market changes and competition. Further, given our brand recognition, product creativity, creditworthiness, reputation, quality products and services and our excellent management skills in developing properties, we believe we can react promptly to the challenges in the PRC property market. For further information, please see “Risk Factors — Risks Relating to the Real Estate Industry in China — Property developers in the PRC face intense competition” and “Industry Overview.”

REAL ESTATE-RELATED AUSTERITY MEASURES IMPLEMENTED BY THE PRC GOVERNMENT

The PRC real estate market is heavily regulated and subject to frequent introduction of new regulations by the PRC government, which may adversely affect property developers. The PRC government has introduced a number of real estate-related austerity measures since the second half of 2010, such as setting home purchase and mortgage restrictions, controlling the supply of credit by raising interest rates and changing bank reserve ratios, implementing lending restrictions to property developers and imposing property tax and duties, including a 20% tax on profits from the individual sale of second-hand homes. During the same period, the local government policies for the real estate market in the PRC in the cities where our property projects are located are generally consistent with the policies at the national level. For additional information on real estate reforms and recent regulatory developments, please refer to the section headed “Appendix VI — Summary of Principal Legal and Regulatory Provisions.”

Our Directors believe that one of the objectives of the recent austerity measures of the PRC government is to direct consumers to make reasonable purchases of residential properties and discourage investment and speculation in the housing market. We believe that the austerity measures may result in lower volume of transaction and prices for properties, which in turn may dampen demand for properties in the near future. In particular, the austerity measures introduced may reduce the demand from customers who purchase second or more residential units as well as non-resident customers. For example, in Beijing, each single adult who does not own any residential property unit is permitted to purchase only one residential property unit. In Shenyang, each Shenyang resident household that owns only one residential property unit is allowed to purchase one more residential property unit and each non-Shenyang resident household who can provide a local tax payment certificate or social security certificate for more than one year is allowed to purchase one residential property unit. In addition, the imposition of business tax on re-sale of properties within five years of purchase also increases the transaction cost for second-hand property market.

While there will be negative effect on demand from purchasers of second or more residential property units which are usually speculative purchasers or property investors as well as from non-resident customers, some of our potential purchasers are not subject to the austerity measures, namely, first-home purchasers or purchasers who can afford one-off payment for acquisition of properties. Our Directors consider that the imposition of business tax on re-sale of properties within five years of purchase and the resulting increase in the transaction cost for second-hand property market will mainly affect speculative investors instead of purchasers of first-hand properties who intend to purchase for their own use rather than re-sale. We believe that for those of our customers purchasing our properties as first-home purchasers as well as purchasers who intend to improve their quality of housing environments as opposed to speculative investors, the imposition of business tax and transaction costs will have less effect on their decisions to purchase our properties.

Our Directors believe that the introduction of these austerity measures may have affected the availability of credit facilities to potential customers and increased their interest expenses, affected the

BUSINESS

general investment appetite in the industry and the availability of funding for property developers for land acquisitions and development. Since these austerity measures affect the macro-environment of the PRC property market and the sentiment of potential purchasers, it is difficult to ascertain the full extent of the effect of these austerity measures on our performance or to accurately estimate what our sales volume and turnover might have been had the measures not been introduced. In addition, the PRC government adjusts its macro-economic control policies to encourage or restrict development in the private property sector through regulations relating to, among other things, land grants, pre-sales of properties, bank financing and taxation from time to time. These policies have led, and may continue to lead, to changes in market conditions, including changes in price stability, costs of ownership, costs of development and the balance of supply and demand in respect of residential and commercial properties.

Notwithstanding the austerity measures and policies promulgated recently by the PRC government, we achieved rapid and profitable growth during the Track Record Period. Our Directors confirm that we had not experienced any material adverse impact on our operations during the Track Record Period and up to the Latest Practicable Date.

During the Track Record Period, we did not experience any material difficulty in selling our properties, but we cannot assure you that property development and investment activities in the PRC will continue at past levels or that there will not be a downturn in the property markets in the regions and cities of the PRC where we operate or intend to expand our operations. Please see “Risk Factors — Risks Relating to Our Business — Our operations are subject to extensive government policies and regulations and, in particular, we are susceptible to changes in policies related to the PRC property development industry and in regions in which we operate” and “Risk Factors — Risks Relating to the Real Estate Industry in China — Policies and regulations introduced by the PRC government with respect to overseas investment may restrict our ability to secure new projects and related investments.”

INTELLECTUAL PROPERTY RIGHTS

We believe our well-know brand, as formally recognized on a national level, is an invaluable asset. We conduct our business under the 31 trademarks for which we have registered in the PRC, including  ,  , **国瑞** and **国瑞興業**, and three trademarks in Hong Kong. We are also the registered owner of one domain name, namely, glorypty.com.

As of the Latest Practicable Date, we were not aware of any threatened or pending claims by any third party against us for use of our intellectual property rights and we were not aware of any opposition made by third parties against the registration of our trademarks under application in the PRC. As of the Latest Practicable Date, we were not aware of any infringement (i) by us of any intellectual property rights owned by third party, or (ii) by any third party of any intellectual property rights owned by us.

INSURANCE

According to applicable PRC laws and regulations, property developers are not required to maintain insurance coverage in respect of their property development operations. As such, we do not maintain and do not require our construction contractors to maintain insurance coverage on our properties developed for sale other than for which we are required to maintain insurance coverage under the relevant loan agreements. If we secure bank loans from a commercial bank with our properties under development, such commercial bank normally requests us to maintain insurance coverage against potential losses or damages with respect to such properties until the full repayment of the respective bank loans. We believe third-party contractors should bear liabilities from tortuous acts or other personal injuries on our project sites and we do not maintain insurance coverage against such liabilities. In accordance with applicable PRC laws and regulations, we require our contractors to maintain accidental personal injury insurance for their construction workers.

BUSINESS

We do not maintain insurance policies for properties that we have delivered to our customers. However, we do maintain property all-risks insurance for our investment properties. We also require the respective commercial management companies of our investment properties to maintain third-party liability insurance for these properties.

We also carry basic endowment insurance, basic medical insurance, occupational injury insurance and unemployment insurance for our employees in compliance with the relevant PRC laws and regulations. However, we did not register with the relevant authorities to make basic medical insurance and housing provident fund contributions for our employees in six of our subsidiaries as required under PRC laws and regulations up to July 2013. In July 2013, all these subsidiaries registered with the relevant authorities in respect of medical insurance and housing provident fund contributions and have since then made full contribution in accordance with relevant PRC laws and regulations. Please see “— Regulatory Compliance” for more details.

There are certain types of losses, such as losses from natural disasters, terrorist attacks, construction delays and business interruptions, for which insurance is either not available at all or not available at a reasonable cost. We believe our overall insurance package is consistent with the customary industry practice in China and is adequate and appropriate for our current operations. We paid an aggregate of RMB13.1 million, RMB17.9 million, RMB17.3 million and RMB8.1 million in insurance premiums (excluding housing provident fund contributions) in 2011, 2012 and 2013 and the four months ended April 30, 2014, respectively. However, we may incur losses beyond the limits, or outside the coverage, of our insurance policies. Please see “Risk Factors — Risks Relating to Our Business — Our current insurance coverage may not be adequate to cover all risks related to our operations.”

PROPERTIES FOR SELF-OCCUPATION

Our corporate headquarters are located in No. 15 Zhushikou East Street, Dongcheng District, Beijing. We have the property ownership certificate for the entire office building with a total GFA of 10,915.6 sq.m., which occupies a total of four floors. In addition, we also maintain offices in Shantou and Foshan where we have operations. Such offices are located in leased properties owned by independent third parties or in our own properties. We do not anticipate any difficulty in renewing these leases or leasing replacement premises. The information about our offices is summarized below:

Property	Occupancy Status	Lease Term	Current Usage
No. 15 Zhushikou East Street, Dongcheng District, Beijing	Self-owned	N/A	Office
No. 168, Zhongshan Road, Longhu District, Shantou, Guangdong Province	Self-owned	N/A	Office
Retail outlets and storage units on Level 2, Chongbiao West Industrial Area, Dali Town, Nanhai District, Foshan City, Guangdong Province	Leased	January 2014 — January 2015	Office
Office Units 11509 & 11511, Tower C, City Gateway, Tangyan Road, Gaoxin District, Xi'an, Shaanxi Province	Leased	November 2013 — November 2014	Office
Office Units 803, 805, 806 & 808, Rongchao Economy & Trade Center, No. 4028, Jintian Road, Futian District, Shenzhen	Leased	June 2013 — July 2014	Office

For further information, please see “Appendix III — Property Valuation Report.”

ENVIRONMENTAL MATTERS

We are subject to a number of environmental laws and regulations, including the Environmental Protection Law (《中華人民共和國環境保護法》), the Prevention and Control of Noise Pollution Law

BUSINESS

(《中華人民共和國環境噪聲污染防治法》), the Environmental Impact Assessment Law (《中華人民共和國環境影響評價法》) and the Administrative Regulations on Environmental Protection for Development Projects (《建設項目環境保護管理條例》). Please see “Appendix VI — Summary of Principal Legal and Regulatory Provisions” for more details. The particular environmental laws and regulations that apply to a specific property development project vary according to the location of the project, nature of the land, the planning and design of the project, construction and/or operations and the current and expected use of the land and the properties. Pursuant to these laws and regulations, each property development project must undergo an environmental assessment. We must submit an environmental impact assessment report, environmental impact assessment form or environmental impact assessment registration to the relevant local regulatory authority of environmental protection before the relevant authority issues construction work commencement permit for the project.

During the Track Record Period, we incurred immaterial cost of compliance with applicable environmental laws and regulations. Our Directors expect that we will continue to incur costs to comply with applicable environmental laws and regulations at a similar rate. We require our contractors to comply with applicable environmental laws and regulations in our contracts with them and we conduct regular inspection on-site to ensure compliance and immediately require contractors to rectify any problem that may arise.

During the Track Record Period, no fines or penalties for non-compliance of PRC environmental laws and regulations were imposed on us. As of the Latest Practicable Date, we had not encountered any material issues in passing inspections conducted by the relevant environmental authorities upon completion of our properties. As advised by our PRC legal advisor, we are in compliance in all material respects with applicable environmental laws and regulations in China and we have obtained all required approvals in relation to the environmental impact reports for our property development projects.

LABOR AND SAFETY

We are subject to various PRC laws and regulations with respect to labor, health, safety, insurance and accidents, including the Labor Law of the PRC (《中華人民共和國勞動法》), the Labor Contract Law of the PRC (《中華人民共和國勞動合同法》), the Interim Regulations on Collection and Payment of Social Insurance Premiums (《社會保險費征繳暫行條例》), the Regulations on Work-related Injury Insurances (《工傷保險條例》), the Regulations on Unemployment Insurance (《失業保險條例》), the Trial Procedures for Childbirth Insurance for Enterprise Employees (《企業職工生育保險試行辦法》), Safety Production Law of the PRC (《中華人民共和國安全生產法》) and other related regulations, rules and provisions issued by the relevant government authorities from time to time, for our operations in the PRC.

We provide safety protective equipment to our employees and require our contractors to ensure their onsite constructions comply with applicable PRC labor and safety laws and regulations and our work safety guidelines. Our employees’ manual contains policies and procedures regarding work safety and occupational health issues. Our human resources management center at our headquarters is responsible for recording and handling work accidents as well as maintaining health and work safety compliance records. We are not aware of any material violation of applicable PRC labor and safety regulations by us or any material employee safety issues involving us during the Track Record Period. During the Track Record Period, no fines or penalties for non-compliance of PRC labor and safety laws and regulations were imposed on us.

BUSINESS

EMPLOYEES

As of December 31, 2011, 2012 and 2013 and March 31, 2014, we had 1,029, 1,267, 1,230 and 1,323 full-time employees, respectively. The table below sets forth details of the numbers of our employees as of the Latest Practicable Date:

<u>Function</u>	<u>Number of Employees</u>	<u>% of Total</u>
Sales and marketing	211	14.8
Operations management, engineering management and information technology	168	11.8
Cost control and procurement	92	6.5
Financial, accounting and financing management	93	6.5
Project development, planning, research and design	118	8.3
Public affairs and administrative	59	4.1
Human resources	32	2.3
Property management	649	45.7
Total	<u>1,422</u>	<u>100.0</u>
 <u>Geographic location</u>		
Beijing	456	32.1
Haikou	383	26.9
Shantou	148	10.4
Foshan	32	2.3
Shenyang	135	9.5
Zhengzhou	185	13.0
Langfang	48	3.4
Xi'an	12	0.8
Shenzhen	23	1.6
Total	<u>1,422</u>	<u>100.0</u>

We equip our employees with the skills and knowledge relevant to their work by providing internal and external training programs. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material disruption during our normal business operations due to strikes or other labor disputes, nor was there any material labor related legal proceedings against us. We believe that our management have and will continue to maintain positive relations with the labor union and our employees.

The remuneration package for our employees generally includes salary and performance-based quarterly bonuses. As required by applicable PRC laws and regulations, we participate in various employee benefit plans of the municipal and provincial governments, including housing provident funds, pension, medical, maternity, occupational injury and unemployment benefit plans. We are required under the PRC law to make contributions to the employee benefit plans at specified percentages of the salaries, bonuses and qualified allowances of our employees up to a maximum amount specified by the relevant local government authorities. We did not make basic medical insurance and housing provident fund contributions for our employees in some of our subsidiaries as required under PRC laws and regulations up to July 2013. Please see “— Regulatory Compliance” for more details. We made all other contributions during the Track Record Period in compliance with the applicable laws and regulations. In addition to statutory contributions, we also provide voluntary benefits to our employees, such as allowances for lunch, local transportation, communication and festivals. For the three years ended December 31, 2013 and the four months ended April 30, 2014, we incurred employee costs of RMB120.1 million, RMB178.8 million, RMB153.1 million and RMB54.8 million, respectively.

We adopted the Pre-IPO Share Option Scheme, the Post-IPO Share Option Scheme and Share Award Scheme June 5, 2014 for the benefit of our employees (including our Directors and senior management personnel). As of the Latest Practicable Date, options to subscribe for an aggregate of 67,076,800 Shares have been granted under the Pre-IPO Share Option Scheme. All the options under the Pre-IPO Share Option

BUSINESS

Scheme were granted on or before June 5, 2014 and no further options will be granted under the Pre-IPO Share Option Scheme prior to the Listing Date. As of the Latest Practicable Date, no option has been granted or agreed to be granted under the Post-IPO Share Option Scheme. As of the Latest Practicable Date, a total of 33,617,700 Shares were granted under the Share Award Scheme. Please see “Appendix VIII — Statutory and General Information” for more details.

REGULATORY COMPLIANCE

Qualifications

The table below sets forth details of our qualification certificates:

PRC Subsidiary	Certificate	Issuance Date	Expiry Date	Classification	Eligibility Under Applicable PRC Rules
Original Beijing Glory	Qualification Certificate for Real Property Development Enterprise (房地產開發企業資質證書)	April 8, 2014	December 9, 2016	One	No restriction
Glory Services	Qualification Certificate for Property Services Enterprise (物業服務企業資質證書)	March 14, 2014	N/A	Two	Provision of property management services for residential projects each with GFA of no more than 300,000 sq.m. and for non-residential projects each with GFA of no more than 80,000 sq.m.
Shaanxi Huawei	Provisional Qualification Certificate for Real Property Development Enterprise (房地產開發企業暫定資質證書)	August 5, 2013	August 31, 2014	Provisional	Development of projects each with GFA of no more than 30,000 sq.m. as approved by the competent local authorities
Shenyang Dadongfang	Provisional Qualification Certificate for Real Property Development Enterprise (房地產開發企業暫定資質證書)	September 2, 2009	August 31, 2014	Provisional	Development of projects each with GFA of no more than 250,000 sq.m. as approved by the competent local authorities
Shenyang Commerce	Qualification Certificate for Property Management Enterprise (物業服務企業資質證書)	December 21, 2010	December 30, 2014	Provisional Three	Provision of property management services for residential projects each with GFA of no more than 200,000 sq.m. and for non-residential projects each with GFA of no more than 50,000 sq.m.

BUSINESS

PRC Subsidiary	Certificate	Issuance Date	Expiry Date	Classification	Eligibility Under Applicable PRC Rules
Haikou Hangrui	Provisional Qualification Certificate for Real Property Development Enterprise (房地產開發企業暫定資質證書)	April 1, 2014	March 31, 2015	Provisional	Development of projects each with GFA of no more than 250,000 sq.m. as approved by the competent local authorities
Hainan HNA	Provisional Qualification Certificate for Real Property Development Enterprise (房地產開發企業暫定資質證書)	May 14, 2014	May 13, 2017	Provisional	Development of projects each with GFA of no more than 250,000 sq.m. as approved by the competent local authorities
Hainan Nanduijiang	Provisional Qualification Certificate for Real Property Development Enterprise (房地產開發企業暫定資質證書)	March 14, 2014	March 13, 2015	Provisional	Development of projects each with GFA of no more than 250,000 sq.m. as approved by the competent local authorities
Wanning Glory	Provisional Qualification Certificate for Real Property Development Enterprise (房地產開發企業暫定資質證書)	September 23, 2013	September 22, 2014	Provisional	Development of projects each with GFA of no more than 250,000 sq.m. as approved by the competent local authorities
Xinzheng Glory	Provisional Qualification Certificate for Real Property Development Enterprise (房地產開發企業暫定資質證書)	November 13, 2013	August 19, 2014	Provisional	Development of projects each with GFA of no more than 250,000 sq.m.
Garden Group	Qualification Certificate for Real Property Development Enterprise (房地產開發企業資質證書)	January 29, 2013	January 29, 2016	Two	Development of projects each with GFA of no more than 250,000 sq.m. as approved by the competent local authorities
Langfang Real Estate	Qualification Certificate for Real Property Development Enterprise (房地產開發企業資質證書)	January 10, 2014	January 9, 2016	Four	Development of projects each with GFA of no more than 250,000 sq.m. as approved by the competent local authorities

BUSINESS

PRC Subsidiary	Certificate	Issuance Date	Expiry Date	Classification	Eligibility Under Applicable PRC Rules
Langfang Guoxing	Provisional Qualification Certificate for Real Property Development Enterprise (房地產開發企業暫定資質證書)	January 10, 2014	January 9, 2015	Provisional	Development of projects each with GFA of no more than 250,000 sq.m. as approved by the competent local authorities
Shantou Glory	Provisional Qualification Certificate for Real Property Development Enterprise (房地產開發企業暫定資質證書)	April 3, 2014	April 2, 2015	provisional	Development of projects each with GFA of no more than 250,000 sq.m. as approved by the competent local authorities

As advised by our PRC legal advisor, the above certificates obtained by our PRC subsidiaries are the only qualification certificates required for our business. As all of our construction work is outsourced to third-party construction companies, it is not necessary for us to obtain the Qualification Certificate of Enterprise in Construction Industry (建築業企業資質證書).

Historical Non-compliance Incidents

We set out below details of certain non-compliance incidents during the Track Record Period. Our Controlling Shareholders have undertaken to indemnify us against any claims, losses, costs, expenses, interests, penalties or other liabilities suffered by any member of our Group, directly or indirectly, arising out of or in connection with such non-compliance incidents. In addition, Mr. Zhang Zhangqiao has undertaken to indemnify us against any claims, losses, costs, expenses, interests, penalties or other liabilities suffered by any member of our Group, directly or indirectly, arising out of or in connection with the non-compliance incidents of the Chongqing and Shijiazhuang Business and Shantou Property Management (the “**Disposed Business**”).

Lease Registration

Details of the Historical Non-compliance Incident

During the Track Record Period, we failed to register some of the lease agreements we entered into as lessor or lessee. Our PRC legal advisor has advised us that the lack of registration will not affect the validity and enforceability of these lease agreements. However, the relevant government authorities may impose a fine of up to RMB10,000 for each unregistered lease agreement. The registration of these lease agreements, of which we are the lessor, requires additional steps to be taken by the respective lessees and/or the request of the relevant government authorities for additional documents such as the business licenses and authorizations for filings of the relevant lessees, which may be beyond our control. We have been taking proactive actions to rectify such non-compliance and as of the Latest Practicable Date, all of our lease agreements we entered into had been registered with the relevant government authorities, except five newly-entered lease agreements of which we had applied to register lease agreement with relevant government authorities but had not obtained relevant confirmation for such lease registration. As of the Latest Practicable Date, we had not received any rectification order or been subject to any fine in respect of the above-mentioned non-registration of lease agreements.

Internal Control Measures to Ensure On-going Compliance

In order to ensure on-going compliance with the PRC laws and regulations relating to registration of executed lease agreements, we have established standard procedures to register lease agreements with relevant government authorities. Before execution of a lease agreement, our relevant subsidiary must obtain from the relevant lessee information and documents for completing the lease registration procedure, including the business license and authorization for filings of the lessee, and submit such information and documents with the lease agreement for the commercial property management department at our headquarters and our senior management's approval. We have designated business departments of our subsidiaries to be responsible for matters relating to lease registration and they must report monthly to the commercial property management department at our headquarters and the responsible vice president of the Company the number of leases entered into and the relevant registration status. In addition, for any lease agreement of which we fail to complete registration within three months after execution, the commercial property management department at our headquarters must investigate into such failure, evaluate its associated risks, decide whether to make any provision and report to the responsible vice president of the Company. We believe such measures are adequate and effective.

Failure to Make Social Security Insurance and Housing Provident Fund Contributions

Details of the Historical Non-compliance Incident

We did not register with the relevant authorities to make basic medical insurance and housing provident fund contributions for our employees in six of our subsidiaries in Shantou as required under PRC laws and regulations up to July 2013 due to inconsistent implementation of the PRC laws and regulations by local authorities and different levels of acceptance of social security insurance and housing provident fund contribution systems by our employees. According to the relevant PRC laws and regulations, we may be ordered to pay the social security insurance contribution overdue and be subject to an overdue penalty at a daily interest rate of 0.05% on the delinquent payment. If we fail to do so as required by the local social security authorities, we may be subject to a penalty of up to three times of the amount of the delinquent payment. In addition, according to the regulations in Shantou, we will be responsible for the medical expenses of our employees for whom we have failed to make basic medical insurance contributions in compliance with the relevant PRC laws and regulations. In respect of our failure to make housing provident fund contribution, we may be subject to a penalty of up to RMB50,000 for each of our subsidiaries involved. As a result, we may be imposed a penalty of up to RMB300,000 for the failure to make housing provident fund contribution by these six subsidiaries in Shantou. In July 2013, all these subsidiaries registered with the relevant authorities in respect of medical insurance and housing provident fund contributions and have since then made full contribution. In addition, we paid the total overdue housing provident fund contributions in July 2013. We have never been ordered by any government authorities to make contributions previously unpaid prior to the registration nor are we aware of any employee complaints or demands for payment of previously unpaid housing provident fund and medical insurance contributions. Based on our consultation with Shantou Social Security Fund Management Bureau (汕頭市社會保險基金管理局) which advised us that it would not order us to make the medical insurance contributions previously unpaid and would not impose any penalty on us, our PRC legal advisor has advised us that our risk of being ordered to make the overdue contribution or imposed any penalty is remote.

Internal Control Measures to Ensure On-going Compliance

In order to ensure on-going compliance with PRC laws and regulations relating to social security insurance and housing provident fund contributions, we have designated general administrative departments of our subsidiaries to be responsible for matters relating to social security insurance and housing provident fund contributions of those subsidiaries and report to the general managers of our subsidiaries. We have designated the human resources management center at our headquarters to be responsible for contacting the relevant government authorities on a semi-annual basis to ensure that we fulfill our obligation in respect of

the social security insurance and housing provident fund contributions in a timely manner. The human resources management department at our headquarters and the general administrative department of the relevant subsidiary will jointly investigate into any issue detected. Each of our subsidiaries must provide evidence of social security insurance and housing provident fund contributions to the human resources management center at our headquarters on a quarterly basis for its review. The human resources management department at our headquarters is responsible for investigating into any failure to provide such evidence. We believe such measures are adequate and effective.

Commencement of Construction Before Obtaining Construction Work Commencement Permit

Details of the Historical Non-compliance Incident

The construction of Phase V of Haikuotiankong Glory City with a total planned GFA of 211,611 sq.m. was commenced in mid-July 2013, before we obtained the relevant construction work commencement permit from the relevant government authority on August 5, 2013. In order to speed up its construction progress, the general contractor we engaged to undertake the construction of Phase V of Haikuotiankong Glory City, without obtaining our prior approval and confirmation, commenced the preliminary construction work (such as land leveling and installment of temporary office and construction facilities). Further, as we had not, at that time, obtained the relevant construction work commencement permit and therefore had not at that time deployed our own engineers on-site for the purpose of supervising the general contractor's construction work, we did not find out such non-compliance incident in time. According to the relevant PRC laws and regulations, we may be ordered to suspend construction and be subject to a penalty of up to 2% of the total contract value of the relevant construction contract, being RMB5.5 million. Our PRC legal advisor has advised that our risk of being imposed such penalty is remote, as we have subsequently obtained the relevant construction work commencement permit. As of the Latest Practicable Date, we had not been subject to any penalties imposed by the relevant government authority due to our early construction.

Internal Control Measures to Ensure On-going Compliance

We have established internal procedures to ensure that we will obtain all necessary permits, licenses and regulatory approvals prior to commencing any construction work in the future. We have a team of staff in each of our regional project companies responsible for obtaining these permits, licenses and approvals for property development and they are required to obtain written approval from the operation and engineering management center at our headquarters before undertaking any construction work for new projects or new project phases. The operation and engineering management center at our headquarters conducts weekly inspections on all of our construction sites through on-line remote video surveillance system to prevent commencement of construction work before obtaining all necessary permits, licenses and approvals. The operation and engineering management center at our headquarters will investigate into any issue detected and implement appropriate measures for rectification. We will also require our construction contractors in our contracts with them to commence construction work only upon obtaining all necessary permits, licenses and approvals. We believe such measures are adequate and effective.

Civil Defense Properties

Details of the Historical Non-compliance Incident

During the Track Record Period, we failed to obtain the approval from the relevant civil defense authority to use our completed civil defense properties in two of our projects with a total GFA of 60,603 sq.m. Such civil defense properties were used as car parking spaces for the original-site resettlement residential properties in our Beijing Fugui Garden and Beijing Glory City. Due to the urgency to provide car parking spaces to the resettlement residents, our property management company decided to use the civil defense properties before obtaining the requisite approval. We have been taking proactive actions to rectify such non-compliance and as of the Latest Practicable Date, we applied for but had not obtained such

BUSINESS

approval. The relevant civil defense authority may order us to cease the use of civil defense properties without the requisite government approval, impose on us a penalty of up to RMB50,000 for each project and we will be responsible for any damages that may be caused by such use. As of the Latest Practicable Date, we had not received any rectification order or been subject to any fine in respect of such non-compliance.

Internal Control Measures to Ensure On-going Compliance

In order to ensure on-going compliance with the PRC laws and regulations relating to civil defense properties, we have designated our property management company to be responsible for matters relating to government approval for civil defense properties and filing evidence of government approval for civil defense properties with the operation and engineering management center and the property management center at our headquarters. Our property management company must obtain the approval from both the operation and engineering management center and the property management center at our headquarters before using any civil defense properties. The property management center at our headquarters conducts annual inspections on applications for governmental approvals for civil defense properties and our use of civil properties and report to the operation and engineering management center at our headquarters. We believe such measures are adequate and effective.

Inter-company Loans

Details of the Historical Non-compliance Incident

During the Track Record Period, we extended a number of inter-company loans and the maximum balance of such inter-company loans reached approximately RMB127 million. The tables below set forth details of inter-company loans and repayments incurred during the Track Record Period:

Loans extended by the Disposed Business

Loans extended to Hebei Jintangu Investment Group Co., Ltd. (河北金談固投資集團股份有限公司) (formerly Hebei Daming Industrial Group Ltd. (河北大明實業集團總公司) (“Hebei Daming”))(1)

Year Ended December 31,							
Subsidiary Receiving/ Making Payments	2011				2012		
	Beginning Balance	Total Amount of Loans	Total Amount of Repayments	Closing Balance	Total Amount of Loans	Total Amount of Repayments	Closing Balance
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Shijiazhuang Glory	27,735.1	150.0 ⁽²⁾	—	27,885.1 ⁽²⁾	—	—	— ⁽²⁾

Note:

- (1) Hebei Daming is an independent third party of our Group and of our connected persons. It is an entity wholly-owned and controlled by the Tangu community resident committee of Changan District (長安區談固社區居民委員會), Shijiazhuang, Hebei Province. Shijiazhuang Glory cooperated with the Tangu community resident committee of Changan District in developing certain land parcels in Tangu, namely, Shijiazhuang Glory City. Tangu community resident committee of Changan District was responsible for demolition and resettlement in respect of these land parcels and for the relevant costs, whereas we were responsible for the subsequent construction of properties on these land parcels. Shijiazhuang Glory extended loans to Hebei Daming for the purpose of providing financial support to Tangu community resident committee of Changan District, which was in need of funding for implementing the demolition and resettlement of the land parcels to be used for the Shijiazhuang Glory City.
- (2) Such amount remained outstanding as of December 31, 2012 when we disposed of the Chongqing and Shijiazhuang Business as part of our Reorganization. As a result of the Reorganization, the total assets and liabilities of the Chongqing and Shijiazhuang Business ceased to be included in our total assets and liabilities from December 31, 2012.

BUSINESS

Loans extended to Chongqing Fuge Construction and Installment Company Limited (重慶富格建築安裝工程有限公司) (“**Chongqing Fuge**”)(1)(2)

Year Ended December 31,							
	2011				2012		
	Beginning Balance	Total Amount of Loans	Total Amount of Repayments	Closing Balance	Total Amount of Loans	Total Amount of Repayments	Closing Balance
Subsidiary Receiving/ Making Payments	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Chongqing Longxia	125,000.00	52,000.0	—	177,000.0	—	—	—
Shijiazhuang Glory	(95,000.0)	125,000.0	98,896.6	(68,896.6)	—	—	—
Shantou Property Management (Chongqing branch) . .	—	—	1,999.0	(1,999.0)	—	—	—
Total	30,000.0	177,000.0	100,895.6	106,104.4⁽³⁾	—	—	—⁽³⁾

Repayments received from Chongqing Guolong Construction Materials Company Limited (重慶國龍建材有限公司) (“**Chongqing Guolong**”)(1)(2)

Year Ended December 31,							
	2011				2012		
	Beginning Balance	Total Amount of Loans	Total Amount of Repayments	Closing Balance	Total Amount of Loans	Total Amount of Repayments	Closing Balance
Subsidiary Receiving/ Making Payments	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Chongqing Longxia	275,000.0	—	—	275,000.0	—	—	—
Shijiazhuang Glory	(125,000.0)	—	230,000.0	(355,000.0)	—	—	—
Total	150,000.0	—	230,000.0	(80,000.0)⁽³⁾	—	—	—⁽³⁾

Note:

- (1) Chongqing Guolong is primarily engaged in sales of construction materials and Chongqing Fuge is primarily engaged in construction engineering. Both Chongqing Guolong and Chongqing Fuge are independent third parties of our Group and of our connected persons and are controlled by the same person (“**Guolong and Fuge Shareholder**”). Guolong and Fuge Shareholder shared with us his business network at our early stage of entering the property development market in Chongqing. In particular, we were introduced by the Guolong and Fuge Shareholder to the transferor of land use rights of the land parcels for our Chongqing Glory City. Considering our business relationship with Guolong and Fuge Shareholder and the fact that Chongqing Guolong and Chongqing Fuge are experienced in the construction materials and construction engineering industries, we designated Chongqing Guolong and Chongqing Fuge as sub-contractors to our general construction contractors for our property development projects to provide construction materials and labor services to the general construction contractors. With a view to facilitating the progress of our projects, we provided loans to satisfy Chongqing Guolong and Chongqing Fuge’s temporary cash requirements for the procurement of construction materials and hiring laborers, with brands and specifications of construction materials designated by us, for the purpose of discharging their obligations as sub-contractors to the general construction contractors. We also believed that such arrangements would enable us to better control construction quality.
- (2) Chongqing Longxia extended loans to Chongqing Guolong and Chongqing Fuge before 2011 and Chongqing Guolong and Chongqing Fuge, as per our instruction, repaid some of these loans to Shijiazhuang Glory. For such loans which were extended by and repaid to different members of the Group, we did not offset the loans extended with the repayments received.
- (3) Such amount remained outstanding as of December 31, 2012 when we disposed of the Chongqing and Shijiazhuang Business as part of our Reorganization. As a result of the Reorganization, the total assets and liabilities of the Chongqing and Shijiazhuang Business ceased to be included in our total assets and liabilities from December 31, 2012.

BUSINESS

Loans extended by members of the Group other than the Disposed Business (the “Retained Business”)

Loans extended to Shantou Guohong Construction Limited (汕頭市國宏建築有限公司) (“Shantou Guohong”)(1)

	Year Ended December 31,						
	2011				2012		
	Beginning Balance	Total Amount of Loans	Total Amount of Repayments	Closing Balance ⁽²⁾	Total Amount of Loans	Total Amount of Repayments	Closing Balance ⁽²⁾
Subsidiary Receiving/ Making Payments	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Xinzheng Glory	—	100,505.0	—	100,505.0	—	100,505.0	—

Note:

- (1) Shantou Guohong is primarily engaged in construction engineering. It is an independent third party of our Group and of our connected persons. Shantou Guohong referred the opportunity to develop certain land parcels in Shantou with a total site area of 76,668 sq.m. to us and entered into a cooperation framework agreement with us to jointly develop such project. Please see “Financial Information — Certain Balance Sheet Items — Trade and Other Payables — Other Payable to Independent Third Parties” on page 303 of this prospectus for details of such cooperation. We extended the loans to Shantou Guohong in December 2011 to satisfy Shantou Guohong’s temporary cash requirements in relation to its business expansion in Zhengzhou and Shantou Guohong repaid all such loans by March 2012.
- (2) Please see “Financial Information — Certain Balance Sheet Items — Trade and Other Receivables, Deposits and Prepayments — Other Receivables from Independent Third Parties — Amounts due to our Retained Business — Advances to Independent Third Parties in Relation to the Development of Our Business” on page 298 of this prospectus.

Lending activities between enterprises are prohibited by the General Provisions of Loans (《貸款通則》) issued by PBOC in June 1996. Any interest received by the lender from the borrower may be forfeited by the relevant government authorities and the lender may be subject to a fine of not more than five times of such interest. All of our inter-company loans during the Track Record Period are unsecured, interest-free and repayable on demand. As such, our PRC legal advisor has advised us that no penalty will be imposed on us under the General Provisions of Loans where we are the lender. We ceased to incur any non-compliant inter-company loan in January 2012 and all non-compliant loans extended by the Retained Business were fully settled in March 2012. To the best knowledge of the Directors and according to the confirmation by Mr. Zhang Zhangqiao, all non-compliant loans extended by the Disposed Business during the Track Record Period were settled in full in January 2014. We did not have any outstanding inter-company loan as of the Latest Practicable Date and we have implemented enhanced internal control measures as set out below to ensure our on-going compliance in this regard in the future.

Our failure to comply with the relevant PRC regulations governing inter-company loans was mainly due to the lack of understanding by our senior management and Directors in respect of the restrictions on inter-company loans under the General Provisions of Loans, as we neither carry on business as a financial institution nor are engaged in the business of provision of financial services. Had our senior management and Directors been aware of such prohibition, they would not have approved such loans. The breaches were committed on an inadvertent basis due to a lack of awareness of specific regulations, whose operation is outside of our principal business scope.

Internal Control Measures to Ensure On-going Compliance

We implemented certain measures in December 2012 to further enhance our management of payments and cash flows including the implementation of Mingyuan Online Approval System (明源網上審批系統), which are part of our treasury management policies and procedures. In particular, we enhanced the supervision on payments of members of the Group exceeding RMB500,000. In addition, in December 2012, we amended the loan management policy in our management manual to expressly prohibit members of the Group from borrowing from non-financial institutions and from extending any loan to a third party. Under our enhanced authorization procedures for borrowings from banks or other financial institutions, each

subsidiary which requires borrowing must submit a detailed report, including detailed description of the proposed borrowing, the identity of the lender, the rationale for the borrowing and the proposed usage of the borrowed funds, with the subsidiary's own company chop to the capital and financial management center at our headquarters. The head of the capital and financial management center at our headquarters is responsible for reviewing and assessing such detailed report and will provide suggestion on such report, if any, to the finance department of the subsidiary. Once approved, the capital and financial management center at our headquarters will submit such borrowing application for the Board's consideration and final approval. Each borrowing requires the approval of the Board and must be evidenced by meeting minutes or written board resolution. After obtaining the Board's approval on the proposed borrowing, such subsidiary will enter into a loan agreement with the subsidiary's company chop affixed after obtaining approval of the head of the capital and financial management center, the head of legal department at our headquarters, responsible vice president of the Company and our Chairman. We conduct regular trainings for our management and finance staff of both our headquarters and subsidiaries for strict compliance of the relevant rules and procedures and our PRC legal advisor has conducted and will provide, as required, training sessions on the General Provisions of Loans to the Directors, our senior management, other key personnel and finance staff at our headquarters. The audit center, which reports to the audit committee under our Board, and the capital and financial management center at our headquarters, which reports to the responsible vice president of the Company, are responsible for monitoring and reviewing all our borrowings each month to ensure such transactions are in compliance with applicable laws and regulations. The audit center will raise any detected issue to our Board for discussion. Our Board will then evaluate the incident and implement appropriate measures for rectification. We believe such measures are adequate and effective.

Inconsistent Usage

Details of the Historical Non-compliance Incident

Our tenants of the 12 units of siheyuan (四合院) in our Beijing Glory City used to use the siheyuan for commercial purposes in accordance with the relevant lease agreements, which is inconsistent with the land use conditions specified in the relevant land use rights certificates, namely, for residential and storage purposes. The non-compliance was primarily due to our lack of in-depth understanding of the application of certain provisions of applicable laws and regulations. Pursuant to the Administrative Measures on the Lease of Commodity Houses (《商品房屋租赁管理办法》), we may be ordered to rectify the inconsistent usage and imposed with a fine of up to RMB30,000 for each unit. As the lease agreements for these units of siheyuan allow our tenants to use these properties for commercial purposes, we may also be liable for the breach of contracts should we terminate the relevant lease agreements before they expire. Pursuant to the lease agreements, we may need to compensate the lessees for their losses for our early termination. We do not expect termination of the lease agreements will have a material adverse impact on our results of operations. We have amended the relevant lease agreements, prohibiting the tenants from using the siheyuan for commercial purposes. As of the Latest Practicable Date, our tenants of all 12 units of siheyuan had ceased to use the siheyuan for commercial purposes. As of the Latest Practicable Date, we had not received any rectification order or been subject to any fine in respect of the above-mentioned non-compliance.

Internal Control Measures to Ensure On-going Compliance

We have designated the commercial property management department and the legal department at our headquarters to be responsible for reviewing lease agreements before execution to ensure that the use of properties specified in the lease agreements complies with the relevant land use rights certificates. The commercial property management department at our headquarters is also responsible for tenant management and conducts regular inspection on our tenants' use of the properties and will request any non-compliant tenant to strictly comply with the relevant land use rights certificate. We believe such measures are adequate and effective.

We do not believe our historical non-compliance incidents will have a material adverse effect on us. Save as disclosed above, we were advised by our PRC legal advisor that as of the Latest Practicable Date, we had complied with all relevant and applicable PRC laws and regulations governing our business in all material respects and had obtained all licenses, permits and certificates required to carry out our business. In particular, as of the Latest Practicable Date, we were not subject to any fine or penalty by the relevant authorities as a result of any non-compliance with the applicable laws and regulations.

Measures to Prevent Future Non-compliance

We appointed an additional independent non-executive Director with strong PRC law experience. The Directors believe that such addition would enhance the legal and compliance awareness of the Board and serve as a monitoring measure on our legal and compliance aspects. We have set up an internal control committee, which comprises two independent non-executive Directors with accounting and legal expertise and one executive Director, to meet every month to review and discuss the solutions to regulatory, compliance and internal control related matters. The internal control committee reports to our Board on a quarterly basis.

Our audit committee which comprises three independent non-executive Directors will also regularly review our internal control policies and measures for compliance with the relevant accounting, financial and Listing Rules requirements. We will, upon due and careful inquiries, disclose major view of our audit committee regarding our compliance and internal control related matters in our annual report after the Listing.

The legal department at our headquarters is responsible for overseeing all legal, compliance and internal control matters of the Group. The legal department at our headquarters comprises four PRC qualified lawyers, including Mr. Chen Hao and Mr. Pang Jun, to serve as our in-house legal counsels. Mr. Chen Hao and Mr. Pang Jun conduct meetings on a quarterly basis with the head of our audit center, who reports to the audit committee if there is any significant legal and compliance issue.

We have adopted a set of internal control manual, policies and guidelines (which covers, among others, operations and projects, cash management, treasury management and internal auditing), subject to regular review by the legal department at our headquarters to cater for our needs. In view of our business operations in different regions of the PRC, we implement internal control measures in each regional project company which reports directly to the head of legal department at our headquarters. The general managers of our regional project companies oversee the internal control in their respective regional project companies with reference to our internal control manual, policies and guidelines and report to the head of legal department at our headquarters if they identify any material internal control incident. The head of legal department at our headquarters and the relevant regional general manager will then evaluate the incident and consider appropriate rectification measures. The head of legal department at our headquarters reports to our Board on such incidents and implementation of rectification measures on a quarterly basis. We have effective lines of communication, pursuant to which department heads can identify potential non-compliance exposures and report promptly the detected problems to the legal department at our headquarters so that we can formulate and undertake rectification measures.

We will continue to provide mandatory online training courses to our employees to raise their awareness on the importance of internal control and compliance. The legal department at our headquarters updates our Board and senior management on the relevant laws, regulations, rules and industry policies each month. We have provided and will continue to provide customized training sessions to our Directors and senior management as and when appropriate, covering relevant PRC laws and regulations relating to the property development industry, the Listing Rules, our internal control policies and procedures and general risk management skills, to raise their awareness of internal legal compliance and improve their risk management skills.

In addition, we have access to external professionals to seek professional advice on any issues relating to rules, laws and regulations in the PRC and Hong Kong. In particular, we will continue to retain a PRC legal advisor to review and advise on our regulatory compliance in respect of relevant PRC laws and regulations, including changes to such laws and regulations, which may affect our business operations and internal control measures in the PRC. We have engaged Messis Capital Limited as our compliance advisor to advise the Directors and management team on matters relating to the Listing Rules. We will engage an independent internal control consultant to review our internal control systems after Listing for a period of one year to (i) conduct quarterly reviews and assessments of our internal control measures and (ii) report directly to the legal department at our headquarters. We will disclose all material findings by the internal control consultant, if any, in our annual and interim reports after Listing.

Internal Control Consultant's Review

We engaged an internal control consultant, a well reputed accounting firm and has long and successful track record in providing internal control review services to a wide range of clients, to perform assessments of the internal control systems over a number of business processes of certain entities of our Group, including our headquarters and major operating subsidiaries, to highlight the areas for improvement. The initial round of the internal control design and implementation review with the agreed testing scope was conducted in May 2013, where the internal control consultant identified and brought to our attention a number of findings and provided the relevant recommendations to us. The internal control consultant did not identify any significant exceptions from our treasury management policies and measures based on the samples tested. The internal control consultant conducted two follow-up reviews in August 2013 and January 2014. The purpose of the first follow-up review in August 2013 was to assess whether we have implemented the internal control measures recommended by the internal control consultant and whether the deficiencies identified in the initial review have been rectified. The purpose of the second follow-up review in January 2014 was to assess whether the rectification of the outstanding deficiencies not yet rectified in the reviews conducted in May and August 2013 have all been implemented. The internal control consultant followed its procedures and standards during its follow-up reviews of our internal control system. Based on the result of follow-up reviews, we demonstrated that we have rectified all material deficiencies identified by the internal control consultant and adopted and implemented all major internal control measures recommended by the internal control consultant. The internal control consultant did not identify any further deficiencies during the second follow-up review.

In addition, we engaged the internal control consultant to assess, based on the procedures agreed between the internal control consultant and us, the enhanced internal control policies and controls (the **"Enhanced Policies and Measures"**) over the business processes which are related to our historical non-compliance incidents and implemented by us in November 2013. Such review was completed in January 2014. The internal control consultant performed the following review work in relation to the Enhanced Policies and Measures:

- conducting interviews with the relevant management, staff members and personnel in charge of the key processes, and inspecting the relevant documentation in order to understand the Enhanced Policies and Measures;
- performing walkthrough tests to confirm their understanding of the relevant policies and control measures and to determine whether they have been implemented as described by our Group;
- performing sampling tests to assess whether the internal control measures are operating as described by and in accordance with our operating policies and procedures for the selected samples; and
- identifying findings based on the results of the walkthrough tests and sample tests performed in the steps mentioned above.

BUSINESS

The sample size of the review work performed by the internal control consultant is as follows:

<u>Control frequency</u>	<u>Sample size</u>
Daily or many times a day	5
Weekly, Monthly or Quarterly	2
Annually	1

Based on the available samples of transactions from November 7, 2013 to January 10, 2014, the internal control consultant did not identify any significant exceptions from the implemented Enhanced Policies and Measures. The internal control consultant noted in its follow-up reviews in August 2013 and January 2014 that we had established the internal control policies according to the recommendations of the internal control consultant, and put in place a number of internal control measures, including the Enhanced Policies and Measures, to rectify the deficiencies identified under the scope of the reviews. Based on our remediation work, including the results of the internal control consultant's follow-up reviews, no further deficiency on our internal control systems has been identified, including any deficiencies in our business processes which are related to our historical non-compliance incidents, which would render our internal control measures inadequate and ineffective, and we confirm that all the internal control deficiencies that were considered material have been rectified and addressed. On that basis, we believe that our internal control measures that are currently in place are adequate and effective.

Sponsor's View

During the Sole Sponsor's due diligence process and having taken into account the following matters as confirmed by our Directors, nothing has come to the attention of the Sole Sponsor that would cause it to believe that our internal control is inadequate and insufficient under the Listing Rules to prevent the occurrence of the above non-compliance incidents in the future and the Sole Sponsor is of the view that the Directors collectively have the experience, qualifications and competence as required under Rules 3.08 and 3.09 of the Listing Rules to manage our business and comply with the Listing Rules:

- having considered the reasons for each of the historical non-compliance incidents and the internal control measures set out in the sections headed “— Historical Non-compliance Incidents — Details of the Historical Non-compliance Incident”, “— Historical Non-compliance Incidents — Internal Control Measures to Ensure On-going Compliance” and “— Historical Non-compliance Incidents — Measures to Prevent Future Non-compliance”;
- having reviewed the internal control procedures the Group prepared and the relevant supporting documents collected from the Group;
- having discussed with the senior management on the findings and recommendations concerning the internal control system by the internal control consultant;
- having been given to understand that as disclosed in the section headed “— Internal Control Consultant's Review”, (i) the Group had established the internal control policies according to the recommendations of the internal control consultant, and put in place a number of internal control measures, including the Enhanced Policies and Measures, to rectify the deficiencies identified under the scope of the review; (ii) no further deficiency on the internal control systems, including any deficiencies in the business processes which are related to the historical non-compliance incidents, which would render the internal control measures inadequate and ineffective; and (iii) the Group believes that its internal control measures that are currently in place are adequate and effective;
- training sessions (i) provided to the Directors and senior management by the Hong Kong legal advisor to the Company on duties and responsibilities of directors and officers of a listed company in Hong Kong, focusing on the relevant requirements under the Listing Rules including

BUSINESS

continuing obligations, directors' dealing restrictions and corporate governance matters and the requirements under the SFO such as insider dealings and market misconduct and (ii) provided to the Directors, senior management and other key personnel and finance staff at the Company's headquarters on the General Provisions of Loans by the PRC legal advisor to the Company; and

- The Company's access to external professionals, such as the compliance advisor and legal advisors, to seek professional advice on any issues relating to rules, laws and regulations in the PRC and Hong Kong.

LEGAL PROCEEDINGS

As a property developer in the PRC, we are subject to legal or arbitration proceedings, disputes or claims in the ordinary course of business. During the Track Record Period, we were involved in litigation proceedings concerning the quality of our products and services or contractual arrangements with our contractors, business associates and joint venture partners. These proceedings had either been settled as of the Latest Practicable Date or are, in our view, immaterial in terms of their impact on our financial and operational conditions. Save as disclosed herein, to the best of our knowledge, there is no other litigation or claim of material importance pending or threatened against any member of our Group.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

OVERVIEW

In preparation for the Listing, our Company was incorporated as an exempted company with limited liability in the Cayman Islands on July 16, 2012, and is the holding company and listing vehicle of our Group. Immediately upon completion of the Global Offering (assuming that the Over-allotment Option is not exercised and without taking into account any Shares to be issued pursuant to the exercise of options granted under the Pre-IPO Share Option Scheme and may be granted under the Post-IPO Share Option Scheme), Alltogether, a company incorporated in the BVI and wholly-owned by Chairman Zhang, will be directly interested in approximately 84.238% of the total issued share capital of the Company. Accordingly, Alltogether and Chairman Zhang are the Controlling Shareholders of our Company.

RETAINED BUSINESS OF OUR CONTROLLING SHAREHOLDERS

Exclusion of non-real estate related business as part of the Reorganization

Immediately before the commencement of the Reorganization, Chairman Zhang controlled and managed a number of companies engaged in non-real estate related businesses within the corporate structure of our Group. These companies include Chenghai Garden Hotel Limited, Detong Shunli, Shantou Sanjin, Tonghe Leasing, Feier Site, Langfang Agricultural and Glory Commercial Management (collectively the “**Excluded Businesses**”). Among the Excluded Businesses, (1) Chenghai Garden Hotel Limited was primarily engaged in the business of hotel operation; (2) Detong Shunli, Shantou Sanjin and Langfang Agricultural had not been engaged in any actual business activity at the time of transfer of the Excluded Business; (3) Tonghe Leasing had not commenced actual business at the time of transfer of the Excluded Business and is expected to be primarily engaged in the business of financial leasing; (4) Feier Site was primarily engaged in business management services; and (5) Glory Commercial Management was primarily engaged in the provision of commercial property management services business and educational and social welfare business such as kindergarten. None of the Excluded Businesses was licensed or permitted under the PRC laws and regulations to carry out property development operations.

In order to focus on our core business as a property developer, we have disposed of the Excluded Businesses, namely, (i) Chenghai Garden Hotel Limited, Detong Shunli, Shantou Sanjin and Langfang Agricultural to Jinming Wujin, a company controlled by Chairman Zhang; (ii) Feier Site to Beijing Feier Site Agricultural Development Co., Ltd.* (北京菲爾斯特農業發展有限責任公司), the other existing shareholder of Feier Site; (iii) Tonghe Leasing to Shantou Huitong Investment Co., Ltd.* (汕頭市惠通投資有限公司), a company controlled by Ms. Zhang Youxi, Chairman Zhang’s sister; and (iv) Glory Commercial Management to Ms. Zhang Jin, our executive Director and Chairman Zhang’s daughter. The SAIC registration for the disposal of the Excluded Businesses was completed on November 14, 2013. Following the above disposals, Chairman Zhang, our Controlling Shareholder, retained the excluded businesses of Chenghai Garden Hotel Limited, Detong Shunli, Shantou Sanjin and Langfang Agricultural.

Alltogether was incorporated in the BVI on July 4, 2012 and was wholly-owned by Chairman Zhang as of the Latest Practicable Date. Apart from holding shares in the Company, Alltogether is not engaged in any other business activity.

Chairman Zhang’s other investments

Other than the aforementioned companies, Chairman Zhang also controlled the following companies: (1) Shantou Garden Hotel Management Limited* (汕頭市花園賓館管理有限公司), primarily engaged in the business of hotel management; and (2) Jinming Wujin, acting as an investment holding company without any actual business operation. None of these companies was licensed or permitted under the PRC laws and regulations to carry out property development operations.

The Directors are of the view that none of the aforementioned businesses retained by Chairman Zhang has any competition or potential competition with the core business of our Group. In addition, the

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Controlling Shareholders have entered into the Deed of Non-competition (as defined below) in favor of our Group pursuant to which the Controlling Shareholders have undertaken not to directly or indirectly be engaged by any means in any business which competes or is likely to compete, directly or indirectly, with our Group's core business in the PRC and any other places in which our Group carries on business. The Directors believe that we will not face competition from Chairman Zhang directly or indirectly. For more details about the Deed of Non-competition, please refer to the below sub-section headed “— Deed of Non-competition” in this section of the prospectus.

Each of our Directors has confirmed that he is not interested in any business (apart from the Group's businesses) that, directly or indirectly, competes or may compete with the core business of the Group.

DEED OF NON-COMPETITION

On July 5, 2013, Chairman Zhang and Alltogether (the “**Non-competition Covenantors**”) entered into a deed of non-competition (the “**Deed of Non-competition**”) in favor of our Company (for itself and on behalf of all members of our Group), pursuant to which, the Non-competition Covenantors confirmed that none of their retained businesses is in competition with the core business of the Group, and undertook not to directly or indirectly be engaged by any means in any business which competes or is likely to compete, directly or indirectly, with our Group's core business in the PRC and any other places in which our Group carries on business (the “**Competing Business**”). The Non-competition Covenantors further undertook that, during the term of the Deed of Non-Competition, if they become aware of a new business opportunity which directly or indirectly competes or is likely to compete with the Group's core business, they shall immediately notify us in writing, and shall procure that such business opportunity is first offered to us on fair and reasonable terms and conditions. The Non-competition Covenantors must not provide such new business opportunity to any of their associates. The aforesaid undertakings, however, do not apply to an investment or interest in units or shares of, inter alia, any company which engages in any Competing Business where such investment or interest does not exceed 5% of the outstanding voting shares of the relevant company and does not grant any of the Non-competition Covenantors and/or its associates (other than our Group) any right to control the composition of the board of directors or managers of such relevant company, nor any right to participate, directly or indirectly, in the management of such company.

The Deed of Non-Competition will become effective on the Listing Date, and shall remain effective until the earlier of (a) the date on which the Non-competition Covenantors directly and/or indirectly (on a consolidated basis) hold less than 30% of the issued share capital of our Company or are no longer regarded as the controlling shareholders of our Company; and (b) the date on which the Shares cease to be listed on the Stock Exchange.

In order to improve transparency and to avoid potential conflicts of interest, the Deed of Non-competition includes the following provisions:

- the independent non-executive Directors will review, at least on an annual basis, the compliance with the Deed of Non-competition by the Non-competition Covenantors;
- the Non-competition Covenantors undertook to provide all information necessary for the annual review by the independent non-executive Directors for the enforcement of the Deed of Non-competition;
- we will disclose the review by the independent non-executive Directors the compliance with, and the enforcement of, the Deed of Non-competition in our annual report or by way of announcement to the public in compliance with the requirements of the Listing Rules; and
- each of the Non-competition Covenantors will make an annual declaration in our annual report the compliance with the Deed of Non-competition in accordance with the principle of voluntary disclosure in the corporate governance report.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the following factors, we believe that we can conduct our business independently from our Controlling Shareholders and their close associates (as defined in the revised Listing Rules with effect from July 1, 2014) (excluding the Company and its subsidiaries) after the Global Offering:

Management independence

Our Board comprises four executive Directors and four independent non-executive Directors. We consider that our Board will function independently from our Controlling Shareholders because:

- (i) each Director is aware of his fiduciary duties as a Director of the Company which requires, among other things, that he acts for the benefit and in the best interests of the Company and does not allow any conflict between his duties as a Director and his personal interest;
- (ii) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between the Company and our Directors or their respective close associates (as defined in the revised Listing Rules with effect from July 1, 2014), the interested Director(s) shall abstain from voting at the relevant board meetings of the Company in respect of such transactions;
- (iii) our Board comprises eight Directors and four of them are independent non-executive Directors, which represents more than one-third of the members of the Board. Such composition is in line with the corporate governance requirements under the Listing Rules; and
- (iv) none of our Directors or members of senior management holds administrative and management positions in the companies controlled by Chairman Zhang (excluding the Company and its subsidiaries), except that Chairman Zhang is a director of Alltogether, a holding company without any actual business. Our executive Directors and members of senior management, including Chairman Zhang, will allocate substantially all of their time to our businesses and operations, and will not participate in the daily management of the retained businesses.

Financial independence

Our Group has an independent financial system and makes financial decisions according to its own business needs. We consider our Company is financially independent from our Controlling Shareholders and their respective close associates (as defined in the revised Listing Rules with effect from July 1, 2014) because:

- (i) all the amounts due to and due from our Controlling Shareholders and the companies controlled by our Controlling Shareholders, including any guarantees and indemnities provided by such companies for our benefit in securing loans, will be released or fully settled prior to Listing;
- (ii) we have an independent financial system and finance team which is responsible for our own treasury function, cash receipts and payments, and independent access to third party financing. We also have our own internal control and accounting systems, and accounting and finance department and all finance and administrative functions are being, and will be, carried out independently by us without any assistance from the Controlling Shareholders; and
- (iii) we have sufficient capital and banking facilities to operate our business independently, and have adequate internal resources and a strong credit profile to support our daily operations and independent access to third party financing. Please refer to the section headed “Financial Information — Liquidity and Capital Resources” in this prospectus.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Operational independence

Our Group is primarily engaged in the property development business. We have a complete and integrated business operation and the capacity to meet the needs of the market and to operate independently. We have full title to our assets and full control on decision-making and implementation process in our business operations. Our businesses are independent from those of the Controlling Shareholders, their controlled entities and their respective close associates (as defined in the revised Listing Rules with effect from July 1, 2014) (excluding the Group). We hold all relevant qualifications and licenses for our business operations. We own all trademarks which are material in relation to our business operations. We also own independent operating facilities for our business operations and maintain sufficient employees, capital, and facilities in relation to our operations.

The amount of transactions between our Group and the Controlling Shareholders is not excessive. All related party transactions of the Group are disclosed in Note 49 of the Accountants' Report set out in Appendix I to this prospectus. We have entered into one exempt continuing connected transaction in respect of a land lease and two non-exempt continuing connected transactions in respect of certain commercial management services. Please refer to the section headed "Connected Transactions" in this prospectus.

All retained businesses of the Controlling Shareholders do not directly or indirectly compete with the core business of our Group. We have independent access to our customers and suppliers. We have entered into the Deed of Non-Competition with the Non-competition Covenantors as protective measures pursuant to which the Non-competition Covenantors had undertaken not to compete, either directly or indirectly, with us.

Based on the above reasons, the Directors are of the view that our Group operates independently from our Controlling Shareholders.

CONNECTED TRANSACTIONS

Upon completion of the Global Offering, certain transactions between us and our connected persons will constitute connected transactions under Chapter 14A of the Listing Rules. For the avoidance of doubt, references to the rules of the Listing Rules in this section are made to the revised Chapter 14A of the Listing Rules which will come into effect on July 1, 2014. Details of our connected transactions are set out below.

CONNECTED PERSONS OF OUR GROUP

Our Company has entered into certain agreements or transactions with entities which will become connected persons of our Company upon completion of the Listing, and such agreements or transactions will, upon completion of the Listing, constitute continuing connected transactions of our Company under the Listing Rules. Such entities include:

- (i) Shantou Garden Hotel Management Limited* (汕頭市花園賓館管理有限公司) (“**Shantou Garden Hotel**”): Shantou Garden Hotel is ultimately controlled by Chairman Zhang. Therefore, Shantou Garden Hotel is a connected person of our Company by virtue of Rule 14A.07(4) of the Listing Rules; and
- (ii) Glory Commercial Management: Glory Commercial Management is owned as to 0.07% by Ms. Zhang Jin and 99.93% by Beijing Yinhe Glory Commercial Investment Company Limited* (北京銀和國瑞商業投資有限公司). Beijing Yinhe Glory Commercial Investment Company Limited* (北京銀和國瑞商業投資有限公司) is an associate of Ms. Zhang Jin. Ms. Zhang Jin is an executive Director and the daughter of Chairman Zhang. Therefore, Glory Commercial Management is a connected person of our Company by virtue of Rule 14A.07(4) of the Listing Rules.

EXEMPT CONTINUING CONNECTED TRANSACTIONS

Land Lease Agreement with Shantou Garden Hotel

Glory Management, a subsidiary of our Company, entered into a land lease agreement with Shantou Garden Hotel on July 1, 2013 the (“**Land Lease Agreement**”), pursuant to which Glory Management will lease a parcel of land for transportation use to Shantou Garden Hotel. The parcel of land is in between the hotel operated by Shantou Garden Hotel and the hotel’s parking lot. The annual rental for such land payable by Shantou Garden Hotel will be RMB30,000, which was determined based on the annual amortization of the land calculated by reference to the book value of the land as of December 31, 2012 and the remaining term of the land use rights. Our Directors are of the view that the Land Lease Agreement was entered into on normal commercial terms which are fair and reasonable. The transactions under the Land Lease Agreement constitute *de minimis* connected transactions of our Company under Chapter 14A of the Listing Rules as all applicable size test percentage ratios are less than 0.1%, and are therefore exempt from the reporting, announcement, annual review and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

CBRE, an independent property valuer, has confirmed that the terms of the lease as stated above are fair and reasonable and the annual rental under the Land Lease Agreement is in line with the prevailing market rates in the vicinity of the properties as at the lease commencement date.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Commercial Management Services Agreements with Glory Commercial Management

Major terms

Glory Commercial Management is principally engaged in the provision of commercial property management services and educational and social welfare business such as kindergarten. Before June 1,

CONNECTED TRANSACTIONS

2013, Glory Commercial Management has been providing commercial property management services to certain properties owned by Original Beijing Glory and Glory Industrial at nil consideration.

In order to regulate the above mentioned provision of services, each of Original Beijing Glory and Glory Industrial has entered into a commercial management services agreement (collectively the “**Original Commercial Management Services Agreements**” and each an “**Original Commercial Management Services Agreement**”) with Glory Commercial Management, respectively, on May 30, 2013. The principal terms of the two Original Commercial Management Services Agreements are substantially the same which are summarized below:

- *Properties to be covered by Original Commercial Management Services Agreements*

Glory Commercial Management will provide commercial management services (i) to Original Beijing Glory for the shopping center, offices, apartments, siheyuan (四合院) and street-level retail outlets of Beijing Glory City, and the commercial properties of Beijing Glory Center upon completion; and (ii) to Glory Industrial for the shopping centre and street-level retail outlets of Beijing Fugui Garden (collectively the “**Relevant Properties**”);

- *Services to be provided by Glory Commercial Management*

The scope of commercial management services includes, among others, the preparation and implementation of business proposals; the preparation of lease proposals; the design of the business positioning and the overall outline; coordination between the property owners and the lessees, such as representing the property owners to negotiate the lease agreements with the lessees, supervising and managing the decoration of the properties by the lessees and collecting the overdue rental payment from the lessees.

- *Management services fees to be charged*

Original Beijing Glory and Glory Industrial shall pay Glory Commercial Management on a monthly basis the management services fees, which are equivalent to 12% of the actual rental payment received by them from the lessees of the Relevant Properties. The amount of management services fees was determined based on prevailing market price.

- *Term of the Original Commercial Management Services Agreements*

The term of the Original Commercial Management Services Agreements is from June 1, 2013 and shall expire on May 31, 2016, subject to an automatic renewal, provided that such renewal shall be in compliance with the relevant laws, regulations and the Listing Rules.

Upon completion of the Split, Beijing Glory inherited all the properties previously owned by Original Beijing Glory. Accordingly, Beijing Glory assumed the obligations and enjoyed the rights of Original Beijing Glory under the Original Commercial Management Services Agreement.

Considering the long-term cooperation relationship between the Group and Glory Commercial Management and to support the business development of the Group, on March 26, 2014, each of Beijing Glory and Glory Industrial entered into a supplemental agreement with Glory Commercial Management (the “**Supplemental Agreement(s)**”, together with Original Commercial Management Services Agreement(s), the “**Commercial Management Services Agreement(s)**”) to amend the pricing provision under the Original Commercial Management Services Agreements. Pursuant to the Supplemental Agreements, the rate of the management services fees payable to Glory Commercial Management was reduced from 12% to 6% of the actual rental payment received by the Group from the leases of the Relevant Properties, with effect from January 1, 2014. All other major terms of the Original Commercial Management Services Agreements remained unchanged.

CONNECTED TRANSACTIONS

Annual Caps

The historical actual annual rental income from the Relevant Properties for each of the three years ended December 31, 2013 was approximately RMB180.20 million, RMB195.44 million and RMB229.57 million, respectively. We estimate that the annual rental income from the Relevant Properties for the two years ending December 31, 2015 will be approximately RMB266.30 million and RMB338.20 million, after having taken into account: (i) the expected increase in the level of rental for the Relevant Properties; and (ii) the expected increase in area available for lease. The historical management services fees for the seven months ended December 31, 2013 payable by the Group amounted to approximately RMB19.73 million under the Original Commercial Management Services Agreements. Based on such anticipated rental income to be derived from the Relevant Properties and the revised rate of the management services fees under the Supplemental Management Services Agreements, the proposed relevant annual caps for the two years ending December 31, 2015 are set out as follows:

	December 31,	
	2014	2015
	(RMB Million)	
Expenditure		
Management services fees payable by Beijing Glory and Glory Industrial	15.98	20.29

IMPLICATIONS UNDER THE LISTING RULES

The transactions contemplated under the Land Lease Agreement will constitute exempt continuing connected transactions for our Company under the Listing Rules.

The transactions under the Commercial Management Services Agreements described above will constitute non-exempt continuing connected transactions for our Company under the Listing Rules upon completion of the Listing. Pursuant to the Listing Rules, all applicable size test percentage ratios for the continuing connected transactions contemplated under the Commercial Management Services Agreements are less than 5% but the highest applicable size test is more than 0.1% on an annual basis. Accordingly, such continuing connected transactions are exempt from independent shareholders' approval but are subject to the reporting, announcement and annual review requirements under the Listing Rules.

The Directors, including the independent non-executive Directors, are of the view that it is in the interests of our Company and the Shareholders as a whole to continue with all aforementioned continuing connected transactions after the Listing. In addition, as (i) Original Beijing Glory and Glory Industrial had been using commercial management services provided by Glory Commercial Management during the Track Record Period; (ii) Glory Commercial Management, as compared with other independent service providers, is more familiar with the Relevant Properties and the commercial needs of Original Beijing Glory and Glory Industrial; and (iii) the management services fees to be charged are much favorable than those offered by other independent service providers, the Directors, including the independent non-executive Directors, are of the view that the non-exempt continuing connected transactions contemplated under the Commercial Management Services Agreements have been entered into in the ordinary and usual course of business, are on normal commercial terms which are fair and reasonable and in the interests of our Group and the Shareholders as a whole, and that the proposed annual caps set out above are fair and reasonable so far as the Shareholders as a whole are concerned.

We have applied to the Stock Exchange for, and the Stock Exchange has granted to us, a waiver from the announcement requirement under the Listing Rules in relation to the non-exempt continuing connected transactions under the Commercial Management Services Agreements. We shall comply with the reporting requirements specified in Rules 14A.68 and annual review requirements specified in Rules 14A.71 and 14A.72 in respect of the above non-exempt continuing connected transactions.

CONNECTED TRANSACTIONS

CONFIRMATION FROM THE SOLE SPONSOR

After due and careful enquires, taking into account the representation and information provided by the Company, the Sole Sponsor is of the view that our Company's non-exempt continuing connected transactions described in this section are in the ordinary and usual course of business of our Company, on normal commercial terms, are fair and reasonable and in the interests of the Shareholders as a whole, and that the proposed annual caps (where applicable) for these non-exempt continuing connected transactions referred to above are also fair and reasonable and in the interests of the Shareholders as a whole.

DIRECTORS AND SENIOR MANAGEMENT

The table below shows certain information of the board and senior management of our Company:

Name	Date of joining the Group	Age	Current Position	Roles and Responsibilities	Date of appointment as Directors/Senior Management of the Company
Zhang Zhangsun (張章筭)	April 1994	57	Chairman, Executive Director and president	Oversees our strategic planning, development, operation and management	July 2013
Ge Weiguang (葛偉光)	September 2008	49	Executive Director and vice president	Oversees our financing activities	July 2013
Ruan Wenjuan (阮文娟)	January 2000	35	Executive Director and vice president	Oversees our bidding affairs, cost management and financial management	July 2013
Zhang Jin (張瑾)	August 2006	30	Executive Director and vice president	Oversees our commercial management	July 2013
Nie Meisheng (聶梅生)	July 2013	73	Independent Non-executive Director	As independent director	July 2013
Luo Zhenbang (羅振邦)	July 2013	47	Independent Non-executive Director	As independent director	July 2013
Lai Siming (賴思明)	July 2013	56	Independent Non-executive Director	As independent director	July 2013
Chen Jingru (陳靜茹)	June 2014	49	Independent Non-executive Director	As independent director	June 2014
Dai Jie (戴傑)	November 2011	45	Vice President	Responsible for the project construction and management	July 2013
Hao Zhenhe (郝振河)	July 2001	59	Vice President	Responsible for the overall management in Langfang	July 2013
Lin Yaoquan (林耀泉)	August 2004	47	Vice President	Responsible for the overall management in Shantou	July 2013
Lin Jianfei (林建飛)	December 2012	47	Vice President	Responsible for new property development	July 2013
Li Bin (李斌)	July 1997	42	Vice President	Responsible for the overall management in Beijing	July 2013

DIRECTORS AND SENIOR MANAGEMENT

Name	Date of joining the Group	Age	Current Position	Roles and Responsibilities	Date of appointment as Directors/Senior Management of the Company
Dong Xueer (董雪兒)	October 1997	36	Chief Financial Officer	Responsible for the financial affairs	July 2013
Tian Yanchun (田燕春)	April 2005	42	Assistant to the Chairman	Responsible for the bidding and procurement affairs	July 2013
Chen Hao (陳浩)	August 2004	36	Assistant to the Chairman	Responsible for the legal compliance and contract management affairs	July 2013
Yan Shuang (閆雙)	March 2004	32	Assistant to the Chairman	Responsible for the chairman office affairs and president office affairs	July 2013
Zheng Jin (鄭瑾)	January 2010	31	Board Secretary	Responsible for the secretarial affairs	July 2013

Note: Ms. Ruan Wenjuan, our executive Director, is the spouse of Chairman Zhang. Ms. Zhang Jin, our executive Director, is the daughter of Chairman Zhang. Mr. Lin Yaoquan, our vice president, is the brother-in-law of Chairman Zhang. Save as disclosed above, none of our Directors or senior management is personally related with each other.

BOARD OF DIRECTORS

Our Board currently consists of eight Directors, comprising four executive Directors and four independent non-executive Directors. The Board is responsible for and has general powers over the management and conduct of our business.

Executive Directors

Mr. Zhang Zhangsun (張章筭) or Chairman Zhang, 57, is the founder of our Group and one of our Controlling Shareholders. Chairman Zhang also serves our executive Director and president of our Company and as the chairman of New Beijing Glory. Chairman Zhang has over 10 years of experience in real estate development, management and operation. He established our Group in April 1994 and has since led the Group in its development of real estate projects. Before he established our Group, Chairman Zhang used to work in the Shantou Commodities Bureau from 1980 to 1987. Chairman Zhang is also a member of the Chinese People's Political Consultative Committee of Beijing Municipality, a member of the standing committee of the Chinese People's Political Consultative Committee of Dongcheng District of Beijing, a representative of the National People's Congress of Shantou Municipality, an executive committee member and the vice chairman of Real Estate Chamber of Commerce of the All-China Federation of Industry and Commerce and the chairman of Chaoshan Chamber of Commerce in Beijing. He graduated from high school in Shantou in July 1969. Save as disclosed herein, Chairman Zhang has not otherwise been a director of any listed company in the three years immediately preceding the date of this prospectus.

Mr. Ge Weiguang (葛偉光), 49, serves as our executive Director and vice president of the Company and as the director of New Beijing Glory. Mr. Ge joined our Group in September 2008 and has since served as the vice president of Original Beijing Glory. Before joining us, he successively served as the deputy section chief of Daxilin Iron Mine of Xilin Steel Group Co., Ltd.* (西林鋼鐵公司大西林鐵礦), a steel manufacturing company, from August 1984 to June 1990, primarily responsible for the financial management; the deputy section chief of Heilongjiang Aluminum Foil Factory* (黑龍江鋁箔廠), an

DIRECTORS AND SENIOR MANAGEMENT

aluminum processing company, from June 1990 to June 1992, primarily responsible for the financial management; the assistant to president and deputy chief accountant of Orient Holding Co., Ltd., a listed company on the Shanghai Stock Exchange (stock code: 600811) engaged in various businesses including, among others, banking and financing businesses and precious mineral resources exploration and extraction businesses, from June 1992 to September 1995, responsible for general management of the company's accounting and financing affairs; the vice president and chief financial officer of Jinzhou Port Co., Ltd., a listed company on the Shanghai Stock Exchange (A share stock code: 600190, B share stock code: 900952) mainly engaged in port and transportation businesses, from September 1995 to April 2001, primarily responsible for accounting, investment and financing and listing affairs; the vice president and chief financial officer of Jitong Network Communications Limited* (吉通通信網路股份有限公司), a telecommunication company, from April 2001 to December 2002, primarily responsible for accounting, investment and financing and listing affairs; and the executive vice president of Oriental Garden Properties Limited* (東方家園置業有限公司), a building materials trading company, from December 2002 to April 2007, primarily responsible for assisting the president in the company's daily operation and management. Mr. Ge was awarded the qualification of accountant by the Metallurgical Industry Department of Heilongjiang Province in November 1991. He obtained a Bachelor's degree in industrial finance and accounting in August 1984 and a Master's degree in management science and engineering in July 1999 from Harbin Institute of Technology. Save as disclosed herein, Mr. Ge has not otherwise been a director of any listed company in the three years immediately preceding the date of this prospectus.

Ms. Ruan Wenjuan (阮文娟), 35, the spouse of Chairman Zhang, serves as our executive Director and vice president of the Company and as the director of New Beijing Glory. Ms. Ruan joined our Group in January 2000 and was then responsible for financial management related work in Garden Group. She successively served as the financial manager and chief financial officer in Original Beijing Glory since 2004. In August 2006, Ms. Ruan was appointed as a director and vice president in Original Beijing Glory and was primarily responsible for the cost management and financial management affairs of our Group. Ms. Ruan completed the real estate EMBA program from Tsinghua University in September 2004. Save as disclosed herein, Ms. Ruan has not otherwise been a director of any listed company in the three years immediately preceding the date of this prospectus.

Ms. Zhang Jin (張瑾), 30, the daughter of Chairman Zhang, serves as our executive Director and vice president of the Company and as the director of New Beijing Glory. Ms. Zhang joined our Group in August 2006 and served as the assistant to the chairman of Original Beijing Glory. Since August 2008, Ms. Zhang served as the vice president of Original Beijing Glory, primarily responsible for the management and operation of our commercial properties. She is also the executive director of Glory Commercial Management and chairman of Beijing Yinhe Glory Commercial Investment Co., Ltd.* (北京銀和國瑞商業投資有限公司). Ms. Zhang graduated from Holmes Institute in Australia majoring in business administration in August 2007. She also participated in the international real estate advanced leadership program in Harvard University in May 2007, the globalized city and real estate operator course in The University of Hong Kong in January 2008 and the entrepreneur development program in globalization in University of Cambridge in April 2008. Ms. Zhang was awarded "China Real Estate Top Hundred Person" (中國房地產百傑) by CIHAF China Real Estate Mainstream Media Alliance (CIHAF中國房地產主流媒體聯盟) in 2008, "China Shopping Mall Centre Top Professional of Year 2010" (中國購物中心2010年度職業精英) by PURCHASING Union Mall Development Committee (中購聯購物中心發展委員會) in 2010 and "China Commercial Properties Influential Person" (中國商業地產影響力人物) by China Commercial Real Estate Industry Development Forum (中國商業地產行業發展論壇) in 2013. Ms. Zhang is also a vice chairman of Chamber of Commerce of Dongcheng District of Beijing, council of China Commercial Real Estate Association, vice chairman of China International SME Union and member of the Chinese People's Political Consultative Committee of Dongcheng District of Beijing. Save as disclosed herein, Ms. Zhang has not otherwise been a director of any listed company in the three years immediately preceding the date of this prospectus.

DIRECTORS AND SENIOR MANAGEMENT

Independent non-executive Directors

Ms. Nie Meisheng (聶梅生), 73, serves as our independent non-executive Director. Ms. Nie has over 38 years of experience in civil engineering and construction technology. Ms. Nie is also the chairlady of Real Estate Chamber of Commerce of the All-China Federation of Industry and Commerce, a member of 12th session of China National Committee for Pacific Economic Corporation (since February 2012) and the honorary chairlady of China Real Estate Chamber of Commerce. Ms. Nie served as an independent non-executive director of four companies listed on the Stock Exchange including Neo-China Land Group (Holdings) Limited (stock code: 563), Powerlong Real Estate Holdings Limited (stock code: 1238), Road King Infrastructure Limited (stock code: 1098), Future Land Development Holdings Limited (stock code: 1030) and Ground Properties Company Limited (stock code: 989) since October 2003 (up to her resignation in July 2010), September 2009, October 2012, November 2012 and November 2013, respectively. From 1995 to 2000, she served as the director general of the Science & Technology Department and the vice president of the Science and Technology Committee of the Ministry of Construction of China. Ms. Nie served as a standing committee member of the China National Federation of Industry and Commerce from 2004 to 2008. From December 2006 to December 2011, Ms. Nie served as the economic counselor of the people's government of Jieyang, Guangdong province. Ms. Nie was elected as the deputy chairlady for the first committee of China Urban and Town Water Supply and Sewage Association in March 2007. She was awarded senior engineer of professor grade by Southwest Municipal Engineering Design & Research Institute of China in November 1990. Ms. Nie graduated from civil engineering department of Tsinghua University in January 1963, specializing in hydraulic engineering. Save as disclosed above, Ms. Nie has not otherwise been a director of any other listed company in the three years immediately preceding the date of this prospectus.

Mr. Luo Zhenbang (羅振邦), 47, serves as our independent non-executive Director. Mr. Luo is the director and senior partner of BDO China Shu Lun Pan CPAs. He has been an independent non-executive director of China Aerospace International Holding Limited (a company listed on the Stock Exchange, stock code: 31) since December 2004, China City Railway Transportation Technology Holdings Company Limited (a company listed on the Stock Exchange, stock code: 8240) since November 2012, Xinjiang Goldwind Science & Technology Co., Ltd. (a company listed on the Stock Exchange (stock code: 2208) and Shenzhen Stock Exchange (stock code: 002202)) since June 2013 and Digital China Information Service Co., Ltd. since September 2011, respectively. Mr. Luo is also a member of internal audit team of Northeast Securities Co., Ltd. Mr. Luo used to worked successively in several accounting firms, namely Ningxia CPAs* (寧夏會計師事務所), Zhongzhou CPAs* (中洲會計師事務所), Zhong Tian Xin CPAs* (中天信會計師事務所) and Tianhua CPAs* (天華會計師事務所) before he joined BDO China Shu Lun Pan CPAs in May 2008. He also used to serve as a supervisor in China Cinda Asset Management Co., Ltd. from January 2001 to December 2002 and China Greatwall Asset Management Co., Ltd. from January 2003 to December 2004. He was also an independent director of Ningxia Zhongyin Cashmere Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 982) between 2001 to 2004, Long March Launch Vehicle Technology Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 600879) between 2002 to 2008, Ningxia Orient Tantalum Industry Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 962) between 2002 to 2005, Wuzhong Instrument Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 862) between 2004 to 2005 and AVIC Heavy Machinery Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 600765) between 2010 to 2011, respectively. Mr. Luo was awarded professional qualifications as a certified public accountant by the MOF in January 1995 and a certified accountant in securities and futures industry by the MOF and CSRC in July 1997. He graduated from the School of Business of Lanzhou in June 1991 majoring in Enterprise Management and obtained the Master's degree in enterprise management and innovation from the Australia National University in July 2007. Save as disclosed herein, Mr. Luo has not otherwise been a director of any listed company in the three years immediately preceding the date of this prospectus.

Mr. Lai Siming (賴思明), 56, serves as our independent non-executive Director. Mr. Lai has been the member of the Royal Institution of Chartered Surveyors since June 1983 and the member of the Hong Kong

DIRECTORS AND SENIOR MANAGEMENT

Institute of Surveyors since August 1984. In April 1999, Mr. Lai became the fellow member of the Hong Kong Institute of Surveyors. Mr. Lai is a professional surveyor and has considerable experience in the property field. Between September 1980 to February 1994 and August 1997 to June 2002, Mr. Lai was working in Knight Frank (known as F.Y. Kan & Partners in 1980), an international property consultant firm, offering property consulting services. Mr. Lai is an independent non-executive director of Asia Commercial Holdings Limited (a company listed on the Stock Exchange, stock code: 104) since August 1998. Mr. Lai was also an independent non-executive director of The Sun's Group Limited (a company listed on the Stock Exchange, stock code: 988) from May 2002 to March 2003. Mr. Lai served as the Vice Chairman, General Practice Division of the Hong Kong Institute of Surveyors for two years (GPD Council 2001-2003). Mr. Lai obtained a Master's degree in business administration from The Chinese University of Hong Kong in November 2001. Save as disclosed herein, Mr. Lai has not otherwise been a director of any listed company in the three years immediately preceding the date of this prospectus.

Ms. Chen Jingru (陳靜茹), 49, serves as our independent non-executive Director. Ms. Chen is the global partner of DeHeng Law Offices. She has been an independent director of Dongxin Electrical Carbon Co., Ltd. (previously known as Yangmei Chemical Co., Ltd., a company listed on the Shanghai Stock Exchange, stock code: 600691) since November 2012. Ms. Chen has been working in DeHeng Law Offices since 1993 and has extensive experience in the corporate and securities aspects. Ms. Chen served as an independent director of Beijing Xiangqing Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 002306) from May 2011 to January 2014. Ms. Chen was awarded her professional qualification as a lawyer conferred by the Lawyer Qualification Committee of the PRC Ministry of Justice in March 1993. She obtained a Bachelor's degree majoring in law in July 1985 and a Master's degree majoring in law in December 1990 from Nankai University. Save as disclosed herein, Ms. Chen has not otherwise been a director of any listed company in the three years immediately preceding the date of this prospectus.

Save as disclosed herein, to the best of the knowledge information and belief of our Directors having made all reasonable enquiries, there are no other matters with respect to the appointments of our Directors and there is no information relating to our Directors that should be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

OTHER SENIOR MANAGEMENT

Mr. Dai Jie (戴傑), 45, serves as the vice president of the Company. Mr. Dai joined our Group in November 2011 and has since successively served as the regional manager of Hainan Region and the director of the group operation and construction management center of Original Beijing Glory. Mr. Dai has more than 12 years of experience in the development, operation and construction management of property development companies. Before joining us, Mr. Dai successively served as the director of construction department of New World China Land (Beijing) Limited* (香港新世界中國地產有限公司北京公司) from December 2001 to June 2010, responsible for the project development; and deputy general manager of Beijing Xinjingrun Property Co., Ltd.* (北京新京潤房地產有限公司) from July 2010 to November 2011, responsible for project development. Mr. Dai was awarded the professional qualification as an engineer by China Railway Group Limited in June 2008. He obtained a Bachelor's degree in industrial and civil construction from Beijing University of Technology in July 1993.

Mr. Hao Zhenhe (郝振河), 59, serves as the vice president of the Company and as general manager of Langfang Glory. Mr. Hao joined our Group in July 2001 and has successively served as the head of the general office and head of the planning and development department of Original Beijing Glory, the general manager of Glory Service and vice president of Original Beijing Glory. Before joining us, Mr. Hao worked at the public relationship department of the Chinese Communist Party Central Committee from April 1971 to April 2001. Mr. Hao obtained a college degree in journalism from the college of journalism of All-China Journalists Association* (中國記協新聞學院) in July 1992.

Mr. Lin Yaoquan (林耀泉), 47, Chairman Zhang's brother-in-law, serves as the vice president of the Company and as the general manager of Garden Group, Shantou Glory, Shantou Guohua, Shantou

DIRECTORS AND SENIOR MANAGEMENT

Zhoucuowen and Shantou Construction Materials. Mr. Lin joined our Group in August 2004 and has served as the vice president and regional manager of Shantou Region of Original Beijing Glory since 2009. He has also been the general manager of Shantou Industrial Materials Exchange Center* (汕頭工業材料交易中心) since 2004 and the general manager of Shantou Guohong Construction Limited (汕頭市國宏建築有限公司) since 2010. Before joining us, Mr. Lin served as a clerk of the import and export department of Jinming Wujin from April 1989 to May 1993, responsible for daily operation of the import and export department; the manager of the import and export department of Shantou Jinming Development Company* (汕頭金明發展公司) from June 1993 to February 1998, responsible for daily operation of the import and export department; general manager of Chaozhou Caitang Yaolong Stainless Steel Products Co., Ltd.* (潮州彩塘耀隆不銹鋼製品有限公司) from July 1998 to March 2004, responsible for overall management of this company. Mr. Lin graduated from high school in Shantou.

Mr. Lin Jianfei (林建飛), 47, serves as the vice president of the Company. Mr. Lin joined our Group in April 2005 and served as the assistant to the chairman and deputy general manager in Original Beijing Glory from April 2005 to April 2007. From April 2007 to December 2012, Mr. Lin resigned from our Group and served in the construction, development and management center of Eastern City of Shantou Economic Zone. In December 2012, Mr. Lin rejoined our Group and served as the vice president of Original Beijing Glory. Before joining us, he used to work in the urban planning department of Shantou, Guangdong Province from July 1998 to May 2005. Mr. Lin obtained a Bachelor's degree in city planning from Sun Yat-sen University in July 1988.

Mr. Li Bin (李斌), 42, serves as the vice president of the Company and as the chairman of Beijing Glory. Mr. Li joined our Group in July 1997 and successively served as the procurement manager, sales manager and public relationship manager of Garden Group and the deputy general manager of Hainan Glory. He has worked in Original Beijing Glory since 2002 and successively served as the secretary to the chairman and the assistant to the chairman. Mr. Li is also the vice chairman of Qianmen Branch of Dongcheng District of Beijing Federation of Industry & Commerce, the member of the Youth Federation of Dongcheng District of Beijing, a director and deputy secretary-general of Chaoshan Chamber of Commerce in Beijing. Mr. Li completed business administration programme from International Business University of Beijing in July 2006.

Ms. Dong Xueer (董雪兒), 36, serves as the chief financial officer of the Company. Ms. Dong joined our Group in October 1997 and successively served as the general accountant in Glory Management from October 1997 to January 2003, account officer in Original Beijing Glory from February 2003 to July 2008 and chief financial officer in Shenyang Dadongfang from August 2008 to February 2010. Since March 2010, Ms. Dong has served as the chief financial officer in Original Beijing Glory, responsible for its overall financial management, including but not limited to fund management, loan management, asset management and accounting computations. Ms. Dong obtained a college degree in accounting from the University of International Business and Economics in July 2006.

Ms. Tian Yanchun (田燕春), 42, serves as the assistant to the Chairman of the Company. Ms. Tian joined our Group in April 2005 and successively served as the financial manager, chief financial controller, director of the auditing center, head of the bidding and procurement center of Original Beijing Glory, responsible for the bidding and procurement affairs. Before joining us, she served as the cost engineer in Beijing Vanke Co., Ltd.* (北京萬科企業有限公司), a real estate development company, from September 1998 to September 2004, responsible for cost management. Ms. Tian was awarded the qualification as a certified cost engineer by Beijing Municipal Bureau of Personnel in October 2005. She obtained a Bachelor's degree in civil defense engineering construction from Institute of Engineering Corps, PLA University of Science* (中國人民解放軍理工大學工程兵工程學院) in July 1994.

Mr. Chen Hao (陳浩), 36, serves as the assistant to the Chairman of the Company. Mr. Chen joined our Group in September 2004 and has since served as the assistant to the chairman and chief legal officer of

DIRECTORS AND SENIOR MANAGEMENT

Original Beijing Glory, responsible for the legal compliance and contract management affairs. Before joining us, he served as the manager of China Vanke Co., Ltd.* (萬科企業股份有限公司), a real estate development company, from July 2001 to September 2004, responsible for the legal compliance affairs and business development. Mr. Chen was awarded the PRC lawyer qualification in April 2001 by the PRC Ministry of Justice. He obtained a Bachelor's degree in hydraulic and hydro-power construction engineering from Sichuan University in July 1999 and a second Bachelor's degree in intellectual property law from Peking University in July 2001.

Mr. Yan Shuang (閆雙), 32, serves as the assistant to the Chairman of the Company. Mr. Yan joined our Group in March 2004 and has since successively served as various positions in our Group, namely the security head of Glory Industrial from March 2004 to February 2005; the deputy general manager of Glory Services from February 2005 to September 2009; the deputy general manager of Glory Commercial Management from September 2009 to March 2012; and the assistant to the chairman and the director of the president office of Original Beijing Glory since March 2012. Mr. Yan was awarded a certificate in property management in June 2011 by Beijing Municipal Commission of Housing and Urban-Rural Development. He is pursuing a college degree in business administration at the School of Network and Continuing Education of Xidian University.

Ms. Zheng Jin (鄭瑾), 31, serves as the board secretary and joint company secretary of the Company. Ms. Zheng joined our Group in January 2010 and has served as the vice president of the capital and financial management center and the operation and construction management center of Original Beijing Glory since October 2010 and February 2013, respectively. Before joining us, she served as the assistant manager in KPMG Huazhen (special general partnership) from July 2007 to January 2010, responsible for auditing. Ms. Zheng was awarded the qualification as a certified public accountant by the Chinese Institute of Certified Public Accountants in August 2009. She obtained a Bachelor's degree in engineering management in July 2004 and a Master's degree in finance in June 2007 from Central University of Finance and Economics.

None of our senior management has been a director of any listed company in the three years immediately preceding the date of this prospectus.

JOINT COMPANY SECRETARIES

Ms. Zheng Jin (鄭瑾), 31, serves as our joint company secretary of the Company. Please refer to the sub-section headed “— Other senior management” of this section for her biography.

Ms. Kwong Yin Ping Yvonne (鄺燕萍), 58, serves as our joint company secretary of the Company. Ms. Kwong is a vice president of SW Corporate Services Group Limited, a specialty corporate services provider focusing on the provision of listing company secretarial and compliance services. She holds a Degree in Accountancy from the Hong Kong Polytechnic University and is a fellow of The Hong Kong Institute of Chartered Secretaries and a fellow of The Institute of Chartered Secretaries and Administrators. Ms. Kwong has extensive experience in providing company secretarial and compliance services to numerous private and listed companies. She is currently the named company secretary of Chengdu Putian Telecommunications Cable Company Limited (a company listed on the Stock Exchange, stock code: 1202) and HC International, Inc. (a company listed on the Stock Exchange, stock code: 8292) and joint company secretary of China Tianrui Group Cement Company Limited (a company listed on the Stock Exchange, stock code: 1252), IGG Inc (a company listed on the Stock Exchange, stock code: 8002), Hengshi Mining Investments Limited (a company listed on the Stock Exchange, stock code: 1370), Qinhuang Dao Port Co., Ltd. (a company listed on the Stock Exchange, stock code: 3369), China CNR Corporation Ltd. (a company listed on the Stock Exchange, stock code: 6199) and Central China Securities Co. Ltd. (a company listed on the Stock Exchange, stock code: 1375).

DIRECTORS AND SENIOR MANAGEMENT

BOARD COMMITTEE

Audit Committee

We established an audit committee on June 5, 2014 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C.3 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The audit committee consists of three independent non-executive Directors including Mr. Luo Zhenbang, Ms. Nie Meisheng and Mr. Lai Siming. The audit committee is chaired by Mr. Luo Zhenbang. The primary duties of the audit committee are to assist the Board in providing an independent view of the effectiveness of the financial reporting process, internal control and risk management system of our Group, to oversee the audit process and to perform other duties and responsibilities as assigned by the Board.

Nomination Committee

We established a nomination committee on June 5, 2014 with written terms of reference in compliance with paragraph A. 4 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The nomination committee consists of three Directors, namely Chairman Zhang, Ms. Nie Meisheng and Mr. Lai Siming. The nomination committee is chaired by Chairman Zhang. The primary duties of the nomination committee are, among other things, to review the structure, size and composition of the Board, to assess the independence of the independent non-executive Directors and to make recommendations to the Board on the appointment and re-appointment of Directors.

Remuneration Committee

We established a remuneration committee on June 5, 2014 with written terms of reference in compliance with paragraph B. 1 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The remuneration committee consists of three Directors, namely Mr. Lai Siming, Ms. Ruan Wenjuan and Mr. Luo Zhenbang. The remuneration committee is chaired by Mr. Lai Siming. The primary duties of the remuneration committee are, among other things, to make recommendations to the Board on the Company's policy and structure for all Directors' and senior management members' remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy.

Internal Control Committee

We established an internal control committee on June 5, 2014. The internal control committee consists of two independent non-executive Directors, namely Ms. Chen Jingru and Mr. Luo Zhenbang and one executive Director, namely Ms. Ruan Wenjuan. The internal control committee is chaired by Ms. Chen Jingru. The primary duties of the internal control committee are, among other things, to review and discuss the solutions to regulatory, compliance and internal control related matters and report to the Board on a quarterly basis.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

Our executive Directors and senior management receive, in their capacity as our employees, compensation in the form of salaries, bonus and other allowances and benefits in kind, including our contribution to the pension scheme in their capacity as employees, according to the law of the relevant jurisdiction.

The aggregate compensation paid to the Directors and senior management of our Company for the three years ended December 31, 2011, 2012 and 2013 were approximately RMB 15.48 million, RMB 16.83 million and RMB 19.12 million, respectively. For the details of the compensation we paid to the Directors

DIRECTORS AND SENIOR MANAGEMENT

and senior management, please refer to Note 11 and Note 49(F) to “Appendix I — Accountants’ Report” to this prospectus.

Our Company contributed approximately RMB0.06 million, RMB0.07 million and RMB 0.13 million, respectively, as pension funds for the Directors of our Company in the three years ended December 31, 2011, 2012 and 2013.

No remuneration was paid by our Group to the Directors as an inducement to join or upon joining our Group or as a compensation for loss of office during the Track Record Period. No Director has waived or has agreed to waive any emoluments during the Track Record Period.

It is estimated that the remuneration and benefits in kind, excluding any discretionary bonus payable to the Directors, that is equivalent to approximately RMB7.5 million in the aggregate will be paid and granted to our Directors by us in respect of the financial year ending December 31, 2014 under arrangements in force at the date of this prospectus.

The five highest paid individuals were all Directors of the Company for each of the three years ended December 31, 2011, 2012 and 2013, respectively.

EMPLOYEE INCENTIVE SCHEMES

We have adopted the Share Award Scheme, the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme for the benefit of our employees, including our Directors and senior management personnel subject to the terms and conditions respectively stated therein. The principal terms of the employee incentive schemes are summarized under the sections headed “Appendix VIII — Statutory and General Information” in this prospectus.

DEVIATION FROM THE CODE PROVISIONS

Chairman Zhang is the chairman of the Board and the president of the Company. The roles of both chairman and president being performed by the same person deviates from the corporate governance code in Appendix 14 to the Listing Rules. Chairman Zhang had been overseeing our strategic planning, development, operation and management since our Group was founded. The Company believes that the vesting of the roles of chairman and president in Chairman Zhang is beneficial to the business operation of the Group and will not have negative influence on the management of our Group.

COMPLIANCE ADVISOR

We have appointed Messis Capital Limited as our compliance advisor pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance advisor shall advise us on the following circumstances:

- before the publication of any regulatory announcement, circular or financial report;
- where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;
- where we propose to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate or other information in this prospectus; and
- where the Stock Exchange makes an inquiry of us regarding unusual movements in the price or trading volume of our Shares.

The term of the appointment will commence on the Listing Date and end on the date on which we distribute our annual report of our financial results for the first full financial year commencing after the Listing Date and such appointment may be extended by mutual agreement.

SUBSTANTIAL SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

Each of the following persons will, following the completion of the Global Offering (assuming that the Over-allotment Option is not exercised and without taking into account any Shares to be issued pursuant to the exercise of any options granted under the Pre-IPO Share Option Scheme or may be granted under the Post-IPO Share Option Scheme), have an interest or short position in Shares or underlying Shares which would be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

Name of Shareholder	Nature of interest	Number of Shares	Approximate percentage of interest in the Company
Chairman Zhang ^(Note)	Interest of a controlled corporation	3,716,382,300	84.238%
Alltogether	Beneficial owner	3,716,382,300	84.238%

Note: Alltogether is wholly-owned by Chairman Zhang. As such, Chairman Zhang, through Alltogether, is indirectly interested in the Shares held by Alltogether. Further, as Ms. Ruan Wenjuan, an executive Director of our Company, is the spouse of Chairman Zhang, Ms. Ruan Wenjuan is also deemed to be interested in the Shares held by Alltogether under the SFO.

Save as disclosed herein, our Directors are not aware of any person who will, after Listing, have an interest or short position in Shares or underlying Shares which would be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company.

CORNERSTONE INVESTORS

THE CORNERSTONE PLACING

We have entered into agreements with three cornerstone investors (the “**Cornerstone Investors**” and each a “**Cornerstone Investor**”) who in aggregate have agreed to subscribe for approximately HK\$717 million worth of our Shares at the Offer Price (collectively, the “**Cornerstone Placing**”). Assuming an Offer Price of HK\$2.57 (being the mid-point of the indicative Offer Price range set out in this prospectus), the total number of Shares subscribed by the Cornerstone Investors will be approximately 278,988,000 (rounding down to the nearest whole board lot), which is approximately 6.32% of the Shares outstanding upon completion of the Global Offering and 42.16% of the Offer Shares (assuming that the Over-allotment Options is not exercised in each case). Each of Beijing No. 5 Construction Engineering (as defined below) and Best Class (as defined below) and their ultimate beneficial owners is an independent third party not connected with us and none of them will be a substantial shareholder of our Company upon Listing. Sino Biopharmaceutical (as defined below) is an independent third party not connected with us and it will not be a substantial shareholder of our Company upon Listing. Save as otherwise disclosed in this section, each of the Cornerstone Investors is not a connected person of the other Cornerstone Investors. Details of the actual number of Offer Shares to be allocated to the Cornerstone Investors will be disclosed in the allotment results announcement to be issued by the Company on or around July 4, 2014.

The Cornerstone Placing forms part of the Global Offering. None of the Cornerstone Investors will subscribe for any Offer Shares under the Global Offering other than pursuant to the respective cornerstone investment agreements. The Offer Shares to be subscribed for by the Cornerstone Investors will rank *pari passu* in all respects with the fully paid Shares in issue and will be counted towards the public float of our Company. Immediately following the completion of the Global Offering, no Cornerstone Investor will have any board representation in the Company, nor will any Cornerstone Investor become our substantial shareholder.

The Joint Bookrunners and the Company have the right to reduce the number of Offer Shares to be purchased by Cornerstone Investors on a pro rata basis if required as a result of any reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering in the event of over-subscription under the Hong Kong Public Offering as described in the section headed “Structure of the Global Offering — Hong Kong Public Offering” in this prospectus.

THE CORNERSTONE INVESTORS

We set out below a brief description of each of our Cornerstone Investors:

Beijing No. 5 Construction Engineering

Beijing No. 5 Construction Engineering Group Co. Ltd (北京市第五建築工程集團有限公司) (“**Beijing No. 5 Construction Engineering**”) has agreed to subscribe for such number of Shares (rounded down to the nearest whole board lot) as may be purchased with RMB 200 million (equivalent to approximately HK\$252 million) at the Offer Price (not inclusive of brokerage fee, SFC transaction levy and Stock Exchange trading fee). Assuming a mid-point Offer Price of HK\$2.57, Beijing No. 5 Construction Engineering will subscribe for 98,054,000 Shares, which represents approximately (i) 2.22% of the Shares issued and outstanding upon completion of the Global Offering and (ii) 14.82% of the total number of Offer Shares, in each case assuming that the Over-allotment Option is not exercised.

Beijing No. 5 Construction Engineering was established in March 1953 in the PRC. As of the Latest Practicable Date, Beijing No. 5 Construction Engineering was owned as to 47% by Beijing Construction Group Limited (北京建工集團有限責任公司), 51% by Beijing Ruijingkeji Investment Co., Ltd. (北京瑞璟科技投資有限公司) and 2% by Wu Wei (武威). Its registered capital is RMB200 million. This Cornerstone Investor is one of the 500 largest construction enterprises in the PRC. Its current business structure is divided into four segments, namely, construction, real estate development, environmental protection and wood processing.

Sino Biopharmaceutical

Sino Biopharmaceutical Limited (中國生物製藥有限公司) (“**Sino Biopharmaceutical**”) has agreed to subscribe for such number of Shares (rounded down to the nearest whole board lot) as may be purchased

CORNERSTONE INVESTORS

with US\$40 million (equivalent to approximately HK\$310 million) at the Offer Price (not inclusive of brokerage fee, SFC transaction levy and Stock Exchange trading fee). Assuming a mid-point Offer Price of HK\$2.57, Sino Biopharmaceutical will subscribe for 120,622,000 Shares, which represents approximately (i) 2.73% of the Shares issued and outstanding upon completion of the Global Offering and (ii) 18.23% of the total number of Offer Shares, in each case assuming that the Over-allotment Option is not exercised.

Sino Biopharmaceutical is a limited liability company incorporated in the Cayman Islands whose shares are listed on the Stock Exchange (Stock Code: 01177). Sino Biopharmaceutical, together with its subsidiaries, is an integrated pharmaceutical enterprise. Applying advanced modernized Chinese medicinal technology, it researches, develops, manufactures and markets a vast array of health enhancing modernized Chinese medicine and chemical medicines.

Best Class

Best Class Industrial Limited (“**Best Class**”) has agreed to subscribe for such number of Shares (rounded down to the nearest whole board lot) as may be purchased with US\$20 million (equivalent to approximately HK\$155 million) at the Offer Price (not inclusive of brokerage fee, SFC transaction levy and Stock Exchange trading fee). Assuming a mid-point Offer Price of HK\$2.57, Best Class will subscribe for 60,311,000 Shares, which represents approximately (i) 1.37% of the Shares issued and outstanding upon completion of the Global Offering and (ii) 9.11% the total number of Offer Shares, in each case assuming that the Over-allotment Option is not exercised.

Best Class is a limited liability company incorporated in the British Virgin Islands which is owned as to 50% by Ms. Chia Fai and 50% by Ms. Belinda Yung Wah Tse. Best Class is primarily engaged in the international business. Ms. Chia Fai is the sister of Mr. Tse Ping, who owns 16.4% of equity interest in Sino Biopharmaceutical, another cornerstone investor of our Company, and Ms. Belinda Yung Wah Tse is the daughter of Mr. Tse Ping.

CONDITIONS PRECEDENT

The subscription obligation of each Cornerstone Investor is subject to, among other things, the following conditions precedent:

- (1) the Hong Kong Underwriting Agreement and the International Underwriting Agreement having been entered into and having become effective and unconditional (in accordance with their respective original terms or as subsequently waived or varied by agreement of the parties thereto) by no later than the time and date as specified in such agreements;
- (2) the Listing Committee having granted the approval for the listing of, and permission to deal in, the Shares and such approval or permission not having been revoked; and
- (3) neither the Hong Kong Underwriting Agreement nor the International Underwriting Agreement having been terminated.

RESTRICTIONS ON DISPOSALS BY THE CORNERSTONE INVESTORS

Beijing No. 5 Construction Engineering has agreed that, without the prior written consent of the Company and the Sole Global Coordinator, it will not, whether directly or indirectly, at any time during a period of twelve (12) months starting from the Listing Date, dispose of (as defined in the relevant cornerstone investment agreement) any of the Shares subscribed for by it pursuant to the relevant cornerstone investment agreement. Each of Sino Biopharmaceutical and Best Class has agreed that, without the prior written consent of the Company and the Sole Global Coordinator, it will not, whether directly or indirectly, at any time during a period of six (6) months starting from the Listing Date, dispose of (as defined in the relevant cornerstone investment agreement) any of the Shares subscribed for by it pursuant to the relevant cornerstone investment agreement. Each Cornerstone Investor may transfer the Shares so subscribed in certain limited circumstances, such as transfer to a wholly-owned subsidiary of such Cornerstone Investor, provided that among other things, such wholly-owned subsidiary agrees to be subject to the restrictions on disposals imposed on the Cornerstone Investor.

SHARE CAPITAL

The following sets out the authorized and issued share capital of our Company in issue and to be issued as fully paid or credited as fully paid immediately before and after the completion of the Global Offering:

Authorized share capital

	Nominal value of the Shares
	(HK\$)
10,000,000,000 Shares	0.001

Shares issued and to be issued as fully paid or credited as fully paid immediately after the completion of the Global Offering assuming the Over-allotment Option is not exercised at all:

	HK\$	Approximate Percentage of issued share capital (%)
3,750,000,000 Shares in issue at the date of this prospectus	3,750,000	85.00
661,780,000 Shares to be issued under the Global Offering	661,780	15.00
4,411,780,000 Total	<u>4,411,780</u>	<u>100.00</u>

Shares issued and to be issued as fully paid or credited as fully paid immediately after the completion of the Global Offering assuming the Over-allotment Option is exercised in full:

	HK\$	Approximate Percentage of issued share capital (%)
3,750,000,000 Shares in issue at the date of this prospectus	3,750,000	83.13
761,047,000 Shares to be issued under the Global Offering	761,047	16.87
4,511,047,000 Total	<u>4,511,047</u>	<u>100.00</u>

ASSUMPTIONS

The above tables assume that the Global Offering becomes unconditional and will be completed in accordance with the relevant terms and conditions. They have not taken into account (a) any Shares which may be issued pursuant to the exercise of any option granted or to be granted under the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme; (b) any Shares which may be allotted and issued under the general mandate given to the Directors for the issue and allotment of Shares (see the sub-section headed “— General Mandate to Issue Shares” in this section); or (c) any Shares which may be repurchased by the Company pursuant to the general mandate given to the Directors for the repurchase of Shares (see the sub-section headed “— General Mandate to Repurchase Shares” in this section).

PRE-IPO SHARE OPTION SCHEME AND POST-IPO SHARE OPTION SCHEME

We have adopted conditionally the Pre-IPO Share Option Scheme and adopted the Post-IPO Share Option Scheme. Under the Pre-IPO Share Option Scheme, certain persons have been granted Shares prior to the Listing Date. The principal terms of the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme are set out in the sections headed “Appendix VIII — Statutory and General Information” in this prospectus.

SHARE CAPITAL

RANKING

The Offer Shares are ordinary shares in the share capital of our Company and will rank *pari passu* in all respects with all Shares in issue or to be issued as set out in the above table, and will qualify and rank in full for all dividends or other distributions declared, made or paid after the date of this prospectus.

GENERAL MANDATE TO ISSUES SHARES

Subject to the fulfillment of the conditions set out in the section headed “Structure of the Global Offering” in this prospectus, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares (otherwise than pursuant to, or in consequence of, the Global Offering, a rights issue or the exercise of any subscription rights under the Pre-IPO Share Option Scheme or the Post-IPO Share Option Scheme or any script dividend scheme or similar arrangement, or any adjustment of rights to subscribe for shares under options or warrants or a special authority granted by our Shareholders) with an aggregate nominal value of not more than the sum of:

1. 20% of the aggregate nominal value of the share capital of the Company in issue immediately following the completion of the Global Offering (excluding any Shares which may fall to be issued upon the exercise of the Over-allotment Option and the options that were granted under the Pre-IPO Share Option Scheme or may be granted under the Post-IPO Share Option Scheme); and
2. the aggregate nominal amount of any share capital of the Company repurchased by the Company (if any) under the authority referred to in the sub-section headed “— General Mandate to Repurchase Shares” below.

This mandate will expire at the earlier of:

- the conclusion of the next annual general meeting of the Company;
- the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association or any other applicable laws of the Cayman Islands to be held; or
- when revoked, varied or renewed by an ordinary resolution of the Shareholders of the Company in general meeting.

For further details of this general mandate, see the section headed “Appendix VIII — Statutory and General Information — A. Further Information about Our Company — 4 Written resolutions of the Shareholder passed on June 5, 2014” in this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the fulfillment of the conditions set out in the section headed “Structure of the Global Offering” in this prospectus, our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase Shares (Shares which may be listed on the Stock Exchange or on any other stock exchange and Shares which are recognized by the SFC and the Stock Exchange for this purpose) with a total nominal value of not more than 10% of the aggregate nominal amount of the share capital of our Company in issue or to be issued immediately following completion of the Global Offering (excluding any Shares which may fall to be issued upon the exercise of the Over-allotment Option and the options that were granted under the Pre-IPO Share Option Scheme or may be granted under the Post-IPO Share Option Scheme).

This mandate only relates to repurchases made on the Stock Exchange, or any other approved stock exchange(s) on which the Shares are listed (and which is recognized by the SFC and the Stock Exchange for this purpose), and which are made in accordance with all applicable laws and/or requirements of the Listing

SHARE CAPITAL

Rules. A summary of the relevant Listing Rules is set out in the section headed “Statutory and General Information — B. Repurchase by our Company of its Shares” in Appendix VIII to this prospectus.

This mandate will expire at the earlier of:

- the conclusion of the next annual general meeting of the Company;
- the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association or any other applicable laws of the Cayman Islands to be held; or
- when revoked, varied or renewed by an ordinary resolution of the Shareholders of the Company in general meeting, whichever is the earliest.

For further details of this general mandate, see the section headed “Appendix VIII — Statutory and General Information — A. Further Information about Our Company — 4 Written resolutions of the Shareholder passed on June 5, 2014” in this prospectus.

GENERAL INFORMATION

For details of circumstances under which our Shareholders’ general meeting are required, see the section headed “Appendix VII — Summary of Memorandum and Articles of Association of our Company and Cayman Islands Company Law — 2.10. Notice of meetings and business to be conducted thereat” in this prospectus.

FINANCIAL INFORMATION

The following discussion of our financial condition and results of operations should be read in conjunction with our audited consolidated financial statements as of and for the three years ended December 31, 2011, 2012 and 2013, in each case, the related notes set out in the “Accountants’ Report” included as Appendix I to this prospectus. Our consolidated financial statements have been prepared in accordance with IFRS, which may differ in material aspects from generally accepted accounting principles in other jurisdictions.

The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. Our actual results and timing of selected events could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under “Risk Factors” in this prospectus.

OVERVIEW

We are a fast growing residential property developer with commercial property operations. We focus on developing residential projects and large-scale mixed-use complex projects in the PRC. We also selectively retain the ownership of a substantial amount of self-developed commercial properties with strategic value to generate stable and recurring rental income. In addition, we undertake primary land development projects in order to access potentially available land reserves for property development. During the Track Record Period, we achieved rapid and profitable growth. According to the Savills Report, as of March 31, 2014, in terms of completed GFA and GFA under development, we were the second largest property developer within the Second Ring Road of Beijing and the 45th largest property developer in Beijing.

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

- **Property development:** We focus on developing residential projects and large-scale mixed-use complex projects which typically consist of a combination of residential properties with a variety of commercial properties.
- **Primary land construction and development services:** We undertake primary land development projects in order to access potentially available land reserves for property development.
- **Property investment:** We selectively retain the ownership of a substantial amount of self-developed commercial properties with strategic value to generate stable and recurring rental income.
- **Property management and related services:** We provide property management services to owners of the properties developed by us as an ancillary business to improve our brand and reputation.

We have experienced significant growth in recent years. For the years ended December 31, 2011, 2012 and 2013, our revenue was RMB1,753.4 million, RMB4,276.0 million and RMB6,835.4 million, respectively, representing a CAGR of 97.4%, and our profit and total comprehensive income for the year was RMB744.4 million, RMB1,273.2 million and RMB2,770.2 million, respectively, representing a CAGR of 92.9%. In addition, for the years ended December 31, 2011, 2012 and 2013, our contracted sales amounted to RMB1,946.8 million, RMB3,283.4 million and RMB5,057.1 million, respectively. Please refer to “Business — Our Business — Summary Information Regarding Our Projects — Contracted Sales” for more details on contracted sales.

As part of our Reorganization, on December 31, 2012, we disposed of the Chongqing and Shijiazhuang Business and received the total amount of the proceeds from such disposal on the same day. Please refer to the

FINANCIAL INFORMATION

section headed “History and Reorganization” of this prospectus for details of the relevant transactions. Accordingly, the operating results of the Chongqing and Shijiazhuang Business ceased to be included in our comprehensive operating results from January 1, 2013 and the assets and liabilities of the Chongqing and Shijiazhuang Business ceased to be included in our total assets and liabilities from December 31, 2012. We did not have any property development project or land reserves in Chongqing and Shijiazhuang as of the Latest Practicable Date. The table below sets forth the key data of the Business other than Chongqing and Shijiazhuang Business and the Chongqing and Shijiazhuang Business during the years ended and as of December 31, 2011 and 2012:

	Year Ended December 31,			
	2011		2012	
	(RMB million)	(%)	(RMB million)	(%)
Revenue				
Business other than Chongqing and Shijiazhuang Business	1,152.3	65.7	1,921.1	44.9
Chongqing and Shijiazhuang Business	601.1	34.3	2,354.9	55.1
Total	1,753.4	100.0	4,276.0	100.0
Business other than Chongqing and Shijiazhuang Business*				
Gross Profit	604.1	75.7	546.0	34.7
Net Profit	698.9	93.9	738.3	58.0
Chongqing and Shijiazhuang Business (Combined)				
Gross Profit	194.1	24.3	1,029.5	65.3
Net Profit	45.5	6.1	534.9	42.0

* The calculation of the Business other than Chongqing and Shijiazhuang Business is based on the consolidated financial information of our Group deducted by the combined financial information of the Chongqing and Shijiazhuang Business as stated above.

	As of December 31,			
	2011		2012	
	(RMB million)	(%)	(RMB million)	(%)
Business other than Chongqing and Shijiazhuang Business*				
Assets	14,435.1	71.2	18,792.6	100.0
Liabilities	10,345.1	65.9	13,107.1	100.0
Chongqing and Shijiazhuang Business (Combined)				
Assets	5,849.7	28.8	—	—
Liabilities	5,344.9	34.1	—	—

* The calculation of the Business other than Chongqing and Shijiazhuang Business is based on the consolidated financial information of our Group deducted by the combined financial information of the Chongqing and Shijiazhuang Business as stated above.

BASIS OF PRESENTATION

Pursuant to our Reorganization as more fully described in the section headed “History and Reorganization” in this prospectus and in “Statutory and General Information” in Appendix VIII to this prospectus, our Company became the holding company of the subsidiaries now comprising our Group on June 29, 2013.

The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years ended December 31, 2011, 2012 and 2013 are prepared as if the current group structure had been in existence throughout the relevant periods or since their respective dates of incorporation/establishment where it is a shorter period and in accordance with the respective equity interest in the individual subsidiaries owned by Chairman Zhang. Except for Glory Management, the operating results, changes in equity and cash flows were included from the date the individual subsidiaries owned by Chairman Zhang came under common control in July 2012. The consolidated statements of financial position as of December 31, 2011, 2012 and 2013 present the assets and liabilities of the companies now comprising our Group as of the respective dates as if

FINANCIAL INFORMATION

the current group structure had been in existence on those dates and in accordance with the respective equity interest in the individual subsidiaries owned by Chairman Zhang.

All significant intra-group transactions and balances have been eliminated on consolidation.

SIGNIFICANT FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

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

Macro-economy of PRC and Regulatory Measures for the Real Estate Industry in China

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

From time to time, the PRC government adjusts its regulation of the property market depending on macroeconomic conditions to achieve policy goals, such as preventing the overheating of the property market or stimulating the property market during and after an economic downturn. Before the global financial crisis in 2008, the PRC government adopted measures to restrict the second home mortgages. Pursuant to such measures, the minimum down payment for mortgage loans for existing home owners for the purchase of additional residential properties was increased to 30% and the minimum interest rates for such mortgage loans were set at 1.1 times of the PBOC benchmark interest rates. The global financial crisis caused a slowdown in global capital and credit markets and the growth of transaction volumes and purchase prices in the PRC property market. In response to the global financial crisis, the PRC government adopted a two-year RMB4 trillion economic stimulus plan in November 2008 and other measures, such as the lowering of lending rates for residential property buyers by the PBOC. In 2009 and 2010, the property market started improving primarily in response to the economic stimulus plan as well as the abolition of certain austerity measures in the property sector. In late 2010 and 2011, various administrative bodies launched a series of measures to discourage speculation and control the growth of the PRC property market. Transaction volumes remained low and inventory levels remained high in the first half of 2012. As the PRC government did not introduce any further major tightening policies or measures during 2012, the PRC property market began to show signs of slow recovery in the second half of 2012 and 2013. From time to time, we adjust our marketing and pricing strategies in response to the changing market conditions. The performance of the property market and our business will continue to be affected by a number of macroeconomic factors, including the growth of the PRC economy, interest rates, RMB exchange rate and the political, economic and regulatory environment in the PRC.

Ability to Acquire Suitable Land for Future Development

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

FINANCIAL INFORMATION

Product Mix of Our Properties

We offer a wide range of residential properties that target the specific preferences and needs of middle- to upper-class customers. Our residential properties include high-rise and mid-rise apartments, townhouses, multi-layer garden houses, stand-alone houses and siheyuan (四合院). In addition, we also develop commercial properties primarily including retail outlets, shopping malls, offices, hotels, specialized markets and SOHO apartments. Our property development projects comprise residential projects and large-scale mixed-use complex projects which typically consist of a combination of residential properties with a variety of commercial properties. Moreover, other than growing our business in Beijing, we have also successfully expanded into other selected cities with rapid growth in China, including Haikou and Wanning in Hainan Province, Shantou and Foshan in the Pearl River Delta region, Shenyang in Liaoning Province, Zhengzhou in Henan Province, Langfang in Hebei Province and Xi'an in Shaanxi Province. The prices and gross margins of the properties developed by us are affected by a number of factors, including the types, features and locations of the properties. As a result, our results of operations and cash flows generated from operating activities may vary from period to period depending on such above-mentioned factors. In addition, our results of operations and cash flows generated from operating activities may also vary depending on prevailing market conditions when we sell our properties. The cash flows generated from our investment properties depend on local rental rates, which in turn depend on local supply and demand conditions, as well as the types of the investment properties.

Timing of Property Development

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

Land and Construction Costs

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

Access to Capital and Cost of Financing

As of December 31, 2011, 2012 and 2013, our outstanding bank and other borrowings amounted to RMB5,623.9 million, RMB5,682.8 million and RMB7,336.6 million, respectively. Bank borrowings are the most important source of funding for our property developments. As of December 31, 2011, 2012 and 2013,

FINANCIAL INFORMATION

bank borrowings accounted for 100%, 89.6% and 70.2%, respectively, of our total borrowings. For the years ended December 31, 2011, 2012 and 2013, the effective interest rate of our variable rate borrowings ranged from 5.83% to 8.55%, 5.64% to 8.65% and 6.22% to 8.00%, respectively. The effective interest rate of our fixed rate borrowings ranged from 5.40% to 6.10%, 5.40% to 10.50% and 10.04% to 12.00% for the years ended December 31, 2011, 2012 and 2013. As commercial banks in China link the interest rates on their loans to PBOC benchmark interest rates, any increase in such benchmark interest rates will increase our financing costs. Our other borrowings from non-bank financial institutions amounted to nil, RMB592.0 million and RMB2,183.3 million, respectively, as of December 31, 2011, 2012 and 2013. The proportion of loans from non-bank financial institutions in our total borrowings increased from nil as of December 31, 2011 to 10.4% as of December 31, 2012 and further to 29.8% as of December 31, 2013, as we utilized more trust financing as our alternative for bank loans, primarily because compared with bank loans, trust financings offer greater flexibility. While drawdowns on bank loans usually depend on actual construction progress, drawdowns on trust financings may be made in full in one or multiple installments as agreed with the relevant trust companies. Please refer to the section headed “Business — Alternative Financing Provided by Trust Financing Companies” in this prospectus for more details. While trust financings do not usually link their interest rates to the PBOC benchmark interest rates, they typically charge rates higher than those charged by commercial banks. For further information, please refer to “Risk Factors — Risks Relating to Our Business — Our total interest expenses for our borrowings are subject to changes in interest rates” in this prospectus. Our access to capital and cost of financing are also affected by restrictions imposed from time to time by the PRC government and by banks on lending for property development. Please refer to the sections headed “Risk Factors — Risks Relating to Our Business—We may not always be able to obtain land reserves that are suitable for development or have adequate financing to fund our land acquisitions and property developments” and “Risk Factors — Risks Relating to the Real Estate Industry in China — The PRC property market is heavily regulated and subject to frequent introduction of new regulations which may adversely affect property developers” of and “Summary of Principal Legal and Regulatory Provisions” in Appendix VI to this prospectus for details.

Primary Land Development

Apart from engaging in our property development projects, we also actively undertake primary land development projects as a strategic business in order to access potentially available land reserves. Please refer to “Business — Primary Land Development” of this prospectus for details. After completion of a primary land development project, we will engage a third-party valuer selected by the government to review the total development costs we reported and the government will generally compensate us in the amount of total assessed development costs determined by the government based on the independent valuation conducted by such valuer and a reward of a specific percentage, not exceeding 8% in the case of projects in Beijing, of the total assessed development costs and make such payment in a lump sum.

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

FINANCIAL INFORMATION

GFAs and Rental Rates of Our Investment Properties

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

Fair Value of Investment Properties

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

LAT

Our property developments are subject to LAT with respect to the appreciated value of the related land and improvements on such land. LAT applies to both domestic and foreign investors in real estate development in China, and is levied at progressive rates ranging from 30% to 60% of the appreciation of land value. During the Track Record Period, we recorded total LAT expenses of RMB432.0 million in our consolidated statements of income. Provisions for LAT are made upon recognition of revenue. As of the Latest Practicable Date, we had made all prepayments and/or full provisions for LAT in compliance with the relevant LAT laws and regulations in China as interpreted and enforced by the relevant local tax authorities. However, we cannot assure you that the relevant tax authorities will completely agree to the basis on which we have calculated our LAT liabilities for provision purposes, or that such provisions will be sufficient to cover all LAT obligations that tax authorities may ultimately impose on us. Our financial condition and results of operations may be materially adversely affected if our LAT liabilities as calculated by the relevant tax authorities are substantially higher than our provisions. We have provided more details on the PRC regulations on LAT in “Taxation and Foreign Exchange — 1. PRC Taxation — (3) Land Appreciation Tax” in Appendix V to this prospectus.

CRITICAL ACCOUNTING POLICIES

The discussion and analysis of our financial condition and operating results are based upon our consolidated financial statements as of and for the years ended December 31, 2011, 2012 and 2013, which have been prepared in accordance with IFRS. Our reported financial condition and operating results are sensitive to accounting methods, assumptions and estimates that underlie the preparation of the financial statements. We continually evaluate our estimates and assumptions and base them on historical experience and on various other factors that our Directors believe to be relevant under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results typically differ from these estimates. The estimates and

FINANCIAL INFORMATION

assumptions that may have a significant effect on the carrying amounts of assets and liabilities mainly include those related to property development activities.

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

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services rendered in the normal course of business, net of discounts and sales related taxes.

Sales of properties

We recognize revenue from sales of properties in the ordinary course of business when the respective properties have been completed and delivered to the buyers. We include deposits received from purchasers prior to meeting the above criteria for revenue recognition in the consolidated statements of financial position under current liabilities.

Revenue from construction contract

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

Rental income

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

Service income

We recognize service income when the services are provided.

Dividend income

We recognize dividend income from investments when our rights to receive payment as a shareholder have been established.

Interest income

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

Construction contract

When the outcome of a construction contract can be estimated reliably, revenue generated from our primary land development project during a specific period is recognized by multiplying the estimated total

FINANCIAL INFORMATION

contract revenue by the proportion that costs incurred during the period bear to the estimated total costs of the contract. The actual costs are recognized as profit and loss during the relevant period. When the compensation determined by the government differs from our estimated contract revenue, we will change our estimated contract revenue and such change in the estimated contract revenue will be accounted for as a change in accounting estimate. The compensation determined by the government will be used in the determination of the amount of revenue recognized as profit or loss in (i) the period when the government makes such determination and (ii) the subsequent periods of the project if the project has not been completed at the time when the government makes such determination.

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

When it is probable that total contract costs will exceed total contract revenue, we recognize the expected loss as an expense immediately. When a contract covers a number of assets, the construction of each asset is treated as a separate contract when a separate proposal has been submitted for each asset, each asset has been separately negotiated and the costs and revenues of each asset can be separately identified. A group of contracts, performed concurrently or in a continuous sequence, is treated as a single construction contract when the contracts were negotiated as a single package and they are so closely inter-related that they constitute a single project with an overall profit margin.

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

Properties under development

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

Upon completion, completed properties held for sale will be transferred to investment properties when there is a change of intention to hold the property to earn rentals and/or capital appreciation which is evidenced by commencement of an operating lease, and any difference between the fair value of the property at the date of transfer and its previous carrying amount is recognized in profit or loss.

Properties held for sale

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

Completed properties held for sale will be transferred to investment properties when there is a change of intention to hold the property to earn rentals or/and capital appreciation which is evidenced by

FINANCIAL INFORMATION

commencement of an operating lease. Any difference between the carrying amount and the fair value of the property at the date of transfer is recognized in profit or loss.

Investment properties

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

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

Taxation

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

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

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

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

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

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

For the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using the fair value model in accordance with IAS 40 Investment Property, the carrying

FINANCIAL INFORMATION

amounts of such properties are presumed to be recovered through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model of which the business objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax liabilities and deferred tax assets for such investment properties are measured using the tax rate applicable for recovery through use.

Borrowing costs

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

LAT

We are subject to land appreciation tax in the PRC. However, the implementation and settlement of the tax vary amongst different tax jurisdictions in various cities of the PRC and our certain property development projects have not finalized their land appreciation tax calculations and payments with local tax authorities in the PRC. Accordingly, significant judgment is required in determining the amount of land appreciation and its related income tax provisions. We recognize the land appreciation tax based on management's best estimates. The final tax outcome could be different from the amount initially recorded, and such difference will impact the income tax expense and the related income tax provisions in the periods in which such tax is finalized with local tax authorities.

Leasing

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

The Group as lessor

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

The Group as lessee

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

FINANCIAL INFORMATION

RESULTS OF OPERATIONS

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

	Year ended December 31,		
	2011	2012	2013
	(RMB'000)	(RMB'000)	(RMB'000)
Revenue	1,753,398	4,275,996	6,835,358
Cost of sales and services	(955,157)	(2,700,448)	(3,130,684)
Gross profit	798,241	1,575,548	3,704,674
Other gains and losses	(1,412)	1,368	268,672
Other income	11,061	56,697	8,426
Fair value gain upon transfer to investment properties	—	—	527,270
Changes in fair value of investment properties	890,358	1,043,243	384,625
Share of result of an associate	11	(65)	—
Selling expenses	(148,134)	(108,131)	(184,545)
Administrative expenses	(226,433)	(282,839)	(242,269)
Other expenses	(55,615)	(22,133)	(38,527)
Finance costs	(192,970)	(230,039)	(572,542)
Profit before taxation	1,075,107	2,033,649	3,855,784
Income tax expenses	(330,686)	(760,471)	(1,085,595)
Profit and total comprehensive income for the year	744,421	1,273,178	2,770,189
Profit and total comprehensive income for the year attributable to:			
Owners of the Company	597,001	1,029,776	2,233,812
Non-controlling interests	147,420	243,402	536,377
	744,421	1,273,178	2,770,189

Note:

The table below sets forth selected data relating to our adjusted profit before taxation during the Track Record Period after excluding the effect of (i) changes in the fair value of investment properties and (ii) changes in the fair value of held-for-trading investments:

	Year ended December 31,		
	2011	2012	2013
	(RMB'000)	(RMB'000)	(RMB'000)
Profit before taxation	1,075,107	2,033,649	3,855,784
Fair value gain upon transfer to investment properties	—	—	(527,270)
Changes in fair value of investment properties	(890,358)	(1,043,243)	(384,625)
Changes in fair value of held-for-trading investments	562	142	(628)
Profit before taxation excluding changes in fair value of investment properties and change in fair value of held for trading investments	185,311	990,548	2,943,261

FINANCIAL INFORMATION

CERTAIN INCOME STATEMENT ITEMS

Revenue

We derive our revenue primarily from sales of properties and, to a lesser extent, primary land construction and development services, rental income and property management and related services. The table below sets forth our revenue by type of business for the periods indicated:

	Year ended December 31,					
	2011		2012		2013	
	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)
Sales of properties ⁽¹⁾	1,247,028	71.1	3,537,683	82.7	4,519,666	66.1
Primary land construction and development services	150,126	8.6	353,244	8.3	2,023,202	29.6
Rental income	203,972	11.6	220,481	5.2	232,041	3.4
Property management and related services	152,272	8.7	164,588	3.8	60,449	0.9
Total	1,753,398	100.0	4,275,996	100.0	6,835,358	100.0

Note:

- (1) Our sales of properties in 2011 included the proceeds from the sale of a high-rise residential building to China Xinhua Airlines Group for a total consideration of RMB382.3 million, from which we recognized gross profit of RMB258.2 million. We subsequently repurchased this building in February 2013 for a consideration of RMB487.8 million, primarily because we believed such properties had significant potential for appreciation, while to the best knowledge of our Directors, China Xinhua Airlines Group adjusted its business strategy and decided to cease its real estate operations. We paid RMB368.9 million in cash by December 31, 2013 and paid the remainder of the consideration of RMB118.9 million by April 30, 2014. We intend to hold this building for retail sale and as of April 30, 2014, we had sold 93 units of this building with total sales proceeds of RMB669.5 million. To the best knowledge of our Directors, China Xinhua Airlines Group was founded in August 1992 and HNA Group and Shenhua Group held 60% and 40%, respectively, of the total equity interest in China Xinhua Airlines Group as of the Latest Practicable Date. To the best knowledge of our Directors, as of the Latest Practicable Date, HNA Group was the indirect controlling shareholder of Hainan HNA Real Estate Holding Co., Ltd., which, before April 5, 2014, was a substantial shareholder of Haikou Hangrui, one of our subsidiaries. As of the Latest Practicable Date, both China Xinhua Airlines Group and Shenhua Group were independent third parties of us and of our connected persons. The transactions were conducted for normal commercial purposes in the ordinary course of our business and on normal commercial terms through arm's length negotiations.

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

	Year ended December 31,	
	2011	2012
	(RMB'000)	(RMB'000)
Business other than Chongqing and Shijiazhuang Business*		
Sales of properties	661,581	1,205,367
Primary land construction and development services	150,126	353,244
Rental income	194,662	206,875
Property management and related services	145,902	155,568
Total	1,152,271	1,921,054
Chongqing and Shijiazhuang Business (Combined)		
Sales of properties	585,447	2,332,316
Primary land construction and development services	—	—
Rental income	9,310	13,606
Property management and related services	6,370	9,020
Total	601,127	2,354,942

* The calculation of the Business other than Chongqing and Shijiazhuang Business is based on the consolidated financial information of our Group deducted by the combined financial information of the Chongqing and Shijiazhuang Business as stated above.

FINANCIAL INFORMATION

Sales of Properties

As we derive a substantial portion of our revenue from sales of properties, our results of operations for a given period depend primarily on the amount of the total saleable GFA, location and type of the properties we completed and delivered during such period, market conditions and the contracted sales price of our properties. For the years ended December 31, 2011, 2012 and 2013, our overall GFA delivered was 199,199 sq.m., 578,754 sq.m. and 388,313 sq.m., respectively and our overall ASP was RMB6,260, RMB6,113 and RMB11,639, respectively. During the Track Record Period, we sold and delivered four types of properties, namely, residential, commercial, car parking spaces and storage units, as well as original-site resettlement residential properties.

The table below sets forth, by property type, for the periods indicated, the percentages of their revenue contributions to our total revenue generated from property development:

	Year ended December 31,		
	2011	2012	2013
	(%)	(%)	(%)
Residential	76.6	92.5	91.3
Commercial	19.4	5.0	8.3
Car parking spaces and storage units	2.8	2.4	0.4
Original-site resettlement residential properties ⁽¹⁾	1.2	0.1	—
Total	100.0	100.0	100.0

Note:

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

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

	Residential			Commercial		
	Revenue	GFA	ASP	Revenue	GFA	ASP
	(RMB'000)	(Sq.m.)	(RMB/Sq.m.)	(RMB'000)	(Sq.m.)	(RMB/Sq.m.)
For the year ended						
December 31,						
2011	955,018	143,379	6,661	241,881	26,015	9,298
2012	3,273,286	522,481	6,265	173,965	26,582	6,544
2013	4,126,355	357,970	11,527	373,232	25,256	14,778

FINANCIAL INFORMATION

The table below sets forth, by property type, for the periods indicated, our revenue from sales of properties, the total GFA sold and the ASP of our Business other than Chongqing and Shijiazhuang Business and Chongqing and Shijiazhuang Business:

	Residential			Commercial		
	Revenue	GFA	ASP	Revenue	GFA	ASP
	(RMB'000)	(sq.m.)	(RMB/sq.m.)	(RMB'000)	(sq.m.)	(RMB/sq.m.)
Business other than Chongqing and Shijiazhuang Business						
For the year ended December 31,						
2011	478,224	32,291	14,810	159,473	19,017	8,386
2012	1,105,577	101,260	10,918	95,822	12,646	7,577
Chongqing and Shijiazhuang Business						
For the year ended December 31,						
2011	476,794	111,088	4,292	82,408	6,998	11,776
2012	2,167,709	421,221	5,146	78,143	13,936	5,607

Primary Land Construction and Development Services

We derive revenue from providing primary land construction and development services in undertaking primary land development projects. For the years ended December 31, 2011, 2012 and 2013, we derived revenue of RMB150.1 million, RMB353.2 million and RMB2,023.2 million, respectively, from primary land construction and development services. For the years ended December 31, 2011 and 2012, revenue derived from providing primary land construction and development services were all attributable to the Business other than Chongqing and Shijiazhuang Business.

Rental Income

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

		Year ended December 31,		
		2011	2012	2013
		(RMB'000)	(RMB'000)	(RMB'000)
Location	Project (Phase)			
Business other than Chongqing and Shijiazhuang Business				
Beijing	Beijing Glory City (北京國瑞城) Phases I, II	128,248	149,852	179,876
Beijing	Beijing Fugui Garden (北京富貴園)	30,927	32,174	30,967
Shantou	Shantou Glory City (汕頭國瑞城) Phase I	21,434	23,686	20,130
Shenyang	Shenyang Glory City (瀋陽國瑞城) Phase I	14,053	1,163	1,068
Sub-total		194,662	206,875	232,041
Chongqing and Shijiazhuang Business				
Chongqing	Chongqing Glory City (重慶國瑞城) Phase I	9,310	13,606	—
Sub-total		9,310	13,606	—
Total		203,972	220,481	232,041

FINANCIAL INFORMATION

Property Management and Related Services

We provide property management services to the properties developed by us and generate fees for such services. For the years ended December 31, 2011, 2012 and 2013, our revenue generated from property management and related services was RMB152.3 million, RMB164.6 million and RMB60.4 million, respectively. For the years ended December 31, 2011 and 2012, revenue derived from property management services attribute to our Business other than Chongqing and Shijiazhuang Business amounted to RMB145.9 million and RMB155.6 million, respectively, and revenue derived from property management services attribute to our Chongqing and Shijiazhuang Business amounted to RMB6.4 million and RMB9.0 million, respectively.

Cost of Sales and Services

The table below sets forth our cost of sales and services by type of business for the periods indicated:

	Year ended December 31,					
	2011		2012		2013	
	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)
Sales of properties	712,178	74.5	2,264,317	83.8	2,847,242	91.0
Primary land construction and development services ...	147,892	15.5	343,611	12.7	216,240	6.9
Rental income	11,443	1.2	12,571	0.5	26,104	0.8
Property management and related services	83,644	8.8	79,949	3.0	41,098	1.3
Total	955,157	100.0	2,700,448	100.0	3,130,684	100.0

The table below sets forth our cost of sales and services by type of business of our Business other than Chongqing and Shijiazhuang Business and Chongqing and Shijiazhuang Business for the periods indicated:

	Year ended December 31,	
	2011	2012
	(RMB'000)	(RMB'000)
Business other than Chongqing and Shijiazhuang Business		
Sales of properties	305,145	938,894
Primary land construction and development services	147,892	343,611
Rental income	11,443	12,571
Property management and related services	83,644	79,949
Total	548,124	1,375,025
Chongqing and Shijiazhuang Business		
Sales of properties	407,033	1,325,423
Primary land construction and development services	—	—
Rental income	—	—
Property management and related services	—	—
Total	407,033	1,325,423

Sales of Properties

Our cost of sales of properties accounted for a significant portion of our cost of sales and services during the Track Record Period. Our cost of sales of properties consists primarily of the costs we incurred directly in relation to our property development activities and includes construction costs, land use rights costs and capitalized interest:

- *Construction costs.* These represent costs for the design and construction of property projects and consist primarily of fees paid to our contractors, including those responsible for civil

FINANCIAL INFORMATION

engineering, construction, landscaping, equipment installation and interior decoration, as well as infrastructure construction costs and design costs.

- *Land use rights costs.* These represent costs relating to the acquisition of rights to occupy, use and develop land, including land grant fees, demolition and resettlement costs, and other land related taxes. These costs for a particular project are influenced by a number of factors, including the location of the underlying property, market conditions, the project's plot ratios, the designated use of the underlying property, our method of acquisition and changes in PRC regulations.
- *Capitalized interest.* We capitalize a portion of our borrowing costs to the extent that such costs are directly related to the development of a particular project. Costs that are not directly attributable to the development of a project are expensed and recorded as finance costs in our consolidated statements of income and therefore fluctuations in the amount of our borrowing costs that can be capitalized from period to period will affect our finance costs.

The table below sets forth a breakdown of our cost of sales of properties for the periods indicated:

	Year ended December 31,					
	2011		2012		2013	
	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)
Construction costs	526,494	55.1	1,605,212	59.4	1,946,441	62.2
Land use rights costs	144,332	15.1	536,589	19.9	724,308	23.1
Capitalized interest	41,352	4.3	122,516	4.5	176,493	5.7
Cost of sales of properties	712,178	74.5	2,264,317	83.8	2,847,242	91.0
Cost of sales and services	955,157	100.0	2,700,448	100.0	3,130,684	100.0

For the years ended December 31, 2011, 2012 and 2013, our overall average cost of sales of properties was RMB3,575, RMB3,912 and RMB7,332, respectively. The table below sets forth, by property type, for the years indicated, the total cost of sales and services, the total GFA sold and the average cost:

	Residential			Commercial		
	Cost of sales and services	GFA	Average cost	Cost of sales and services	GFA	Average cost
	(RMB'000)	(Sq.m.)	(RMB/Sq.m.)	(RMB'000)	(Sq.m.)	(RMB/Sq.m.)
For the year ended December 31,						
2011	551,547	143,379	3,847	103,725	26,015	3,987
2012	2,086,745	522,481	3,994	102,268	26,582	3,847
2013	2,694,625	357,970	7,528	119,574	25,256	4,734

FINANCIAL INFORMATION

The table below sets forth, by property type, for the years indicated, the total cost of sales and services, the total GFA sold and the average cost of our Business other than Chongqing and Shijiazhuang Business and Chongqing and Shijiazhuang Business:

	Residential			Commercial		
	Cost of sales and services	GFA	Average cost	Cost of sales and services	GFA	Average cost
	(RMB' 000)	(sq.m.)	(RMB/sq.m.)	(RMB' 000)	(sq.m.)	(RMB/sq.m.)
Business other than Chongqing and Shijiazhuang Business						
For the year ended December 31,						
2011	204,914	32,291	6,346	81,114	19,017	4,265
2012	858,591	101,260	8,479	57,243	12,646	4,527
Chongqing and Shijiazhuang Business						
For the year ended December 31,						
2011	346,633	111,088	3,120	22,611	6,998	3,231
2012	1,228,154	421,221	2,916	45,025	13,936	3,231

Primary Land Construction and Development Services

Costs of provision of primary land construction and development services typically include cost of compensating the residents of the properties subject to demolition, land leveling and construction of infrastructure and ancillary public facilities. Please refer to the section headed “Business — Primary Land Development” of this prospectus for details. For the years ended December 31, 2011, 2012 and 2013, we incurred cost of primary land construction and development services of RMB147.9 million, RMB343.6 million and RMB216.2 million, respectively.

Gross Profit and Gross Profit Margin

Gross profit represents revenue less cost of sales and services. Our gross profit for the years ended December 31, 2011, 2012 and 2013 was RMB798.2 million, RMB1,575.5 million and RMB3,704.7 million, respectively. Our gross profit margin for the years ended December 31, 2011, 2012 and 2013 was 45.5%, 36.8% and 54.2%, respectively.

The table below sets forth the gross profit and gross profit margin by type of business for the periods indicated:

	Year ended December 31,					
	2011		2012		2013	
	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)
Sales of properties	534,850	42.9	1,273,366	36.0	1,672,424	37.0
Primary land construction and development services	2,234	1.5	9,633	2.7	1,806,962	89.3
Rental income	192,529	94.4	207,910	94.3	205,937	88.8
Property management and related services	68,628	45.1	84,639	51.4	19,351	32.0
Total	798,241	45.5	1,575,548	36.8	3,704,674	54.2

FINANCIAL INFORMATION

The table below sets forth the gross profit of our Business other than Chongqing and Shijiazhuang Business and Chongqing and Shijiazhuang Business for the periods indicated:

	Year ended December 31,	
	2011	2012
	(RMB'000)	(RMB'000)
Business other than Chongqing and Shijiazhuang Business		
Sales of properties	356,436	266,473
Primary land construction and developments services	2,234	9,633
Rental income	183,219	194,304
Property management and related services	62,258	75,619
Total	604,147	546,029
Chongqing and Shijiazhuang Business		
Sales of properties	178,414	1,006,893
Primary land construction and developments services	—	—
Rental income	9,310	13,606
Property management and related services	6,370	9,020
Total	194,094	1,029,519

Other Gains and Losses

Other gains and losses primarily consist of gains or losses from disposal of investment properties upon resettlement, allowance for doubtful debts, gains or losses from disposal of subsidiaries and changes in fair value of held-for-trading investments. We had other losses of RMB1.4 million for the year ended December 31, 2011. We had other gains of RMB1.4 million and RMB268.7 million for the years ended December 31, 2012 and 2013.

Other Income

Other income consists primarily of interest income and compensation received from tenant for early termination of the lease. In May 2009, we entered into a lease agreement with a tenant, pursuant to which the tenant agreed to lease a commercial property in Shenyang with a total GFA of 50,841 sq.m. for a period from October 31, 2009 to July 31, 2025. In December 2011, the tenant notified us that it intended to terminate the lease. In February 2012, we entered into a termination agreement with the tenant and received a lump-sum payment of RMB40.0 million from the tenant as the compensation for early termination of the lease. We subsequently leased this commercial property to another tenant. Our other income for the years ended December 31, 2011 2012 and 2013 was RMB11.1 million, RMB56.7 million and RMB8.4 million, respectively.

Fair Value Gain upon Transfer to Investment Properties

Fair value gain upon transfer to investment properties represents the fair value gain we record based on the valuation of properties upon transfer of such properties from properties held for sale to investment properties. We transferred 12 units of siheyuan (四合院) from properties held for sale to investment properties in 2013 and recorded fair value gain of RMB527.3 million upon such transfer for the year ended December 31, 2013. We did not transfer any properties from properties held for sale to investment properties in 2011 and 2012 and therefore did not recognize any fair value gain upon transfer to investment properties during such periods.

Changes in Fair Value of Investment Properties

We develop and hold certain of our commercial properties such as shopping malls, offices, specialized markets and siheyuan (四合院) as investment properties to generate rental income or for capital appreciation.

FINANCIAL INFORMATION

Our investment properties are appraised annually by CBRE, an independent property valuer. Any appreciation or depreciation in our investment property value is recognized as changes in fair value of investment properties in our consolidated statements of income. The changes in fair value of investment properties for the years ended December 31, 2011, 2012 and 2013 were RMB890.4 million, RMB1,043.2 million and RMB384.6 million, respectively.

Sensitivity analysis on fair value change of investment properties

The table below illustrates the sensitivity of the net profit attributable to our equity owners to levels of revaluation decrease on investment properties during the Track Record Period:

	Year ended December 31,											
	2011				2012				2013			
Percentage change on the key assumptions (%)	-5	-10	-15	-20	-5	-10	-15	-20	-5	-10	-15	-20
Impact on fair value of investment property (RMB in millions) . .	(116.5)	(233.9)	(353.4)	(473.7)	(139.1)	(280.3)	(422.4)	(565.4)	(164.0)	(331.1)	(495.2)	(659.2)
Percentage change on fair value of investment property (%)	-1.9	-3.9	-5.8	-7.8	-2.0	-4.0	-6.0	-8.0	-2.1	-4.1	-6.2	-8.3
Impact on net profit to our equity owners (RMB in millions) . .	(72.2)	(145.2)	(219.4)	(294.1)	(86.2)	(174.0)	(262.2)	(351.1)	(100.4)	(202.7)	(303.1)	(403.5)
Percentage of total net profit to our equity owners (%)	-12.1	-24.3	-36.8	-49.3	-8.3	-16.9	-25.5	-34.1	-4.5	-9.1	-13.6	-18.1
Net profit to our equity owners after the impact (RMB in millions) . .	524.8	451.8	377.6	302.9	943.6	855.8	767.5	678.6	2,133.4	2,031.1	1,930.7	1,830.3

Selling Expenses

Selling expenses consist primarily of advertising and publicity expenses, including advertisements on television and in newspapers, magazines and on billboards, sales commission to outside agents and sales commission to and salaries and benefits of our own employees, as well as other expenses.

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

	Year ended December 31,		
	2011	2012	2013
	(RMB'000)	(RMB'000)	(RMB'000)
Selling expenses			
Advertising and publicity expenses	105,012	53,460	119,494
Sales commission, salaries and benefits	24,471	29,219	51,467
Other expenses	18,651	25,452	13,584
Total	148,134	108,131	184,545

Administrative Expenses

Administrative expenses consist primarily of salaries and benefits of our administrative staff, office expenses, depreciation and amortization, property tax, land use tax and stamp duty, utilities and others.

FINANCIAL INFORMATION

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

	Year ended December 31,		
	2011	2012	2013
	(RMB'000)	(RMB'000)	(RMB'000)
Administrative expenses			
Salaries and benefits	88,475	133,645	96,831
Office expense	73,137	83,807	71,576
Depreciation and amortization	21,614	21,255	19,649
Property tax, land use tax and stamp duty	29,184	26,964	31,739
Utilities	7,090	7,703	7,765
Others	6,933	9,465	14,709
Total	226,433	282,839	242,269

Other expenses

Other expenses consist primarily of donations, compensation paid to our tenants and property purchasers, penalties for delayed tax payments and listing expenses. We had other expenses of RMB55.6 million, RMB22.1 million and RMB38.5 million, respectively, for the years ended December 31, 2011, 2012 and 2013. Compensation paid and penalties comprised primarily compensation paid to our tenants due to the early termination of certain leases and to our property purchasers due to the termination of a number of commercial properties sale and purchase agreements as we decided to conduct bulk sales of such commercial properties, as well as penalties paid for delay in tax payments. We incurred compensation paid and penalties of RMB5.1 million, RMB5.0 million and RMB3.9 million for the years ended December 31, 2011, 2012 and 2013, respectively. Listing expenses comprise primarily legal and professional fees with respect to the Listing. We incurred listing expenses of RMB20.8 million for the year ended December 31, 2013.

Finance Costs

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

Finance costs incurred in the years ended December 31, 2011, 2012 and 2013 were RMB193.0 million, RMB230.0 million and RMB572.5 million, respectively. The table below sets forth our finance costs for the periods indicated:

	Year ended December 31,		
	2011	2012	2013
	(RMB'000)	(RMB'000)	(RMB'000)
Interest expenses			
Interests on bank loans	346,940	479,669	368,692
Interests on other loans	—	1,449	148,305
Fair value loss on initial recognition of amount due to a connected person ⁽¹⁾ ..	—	—	293,927
Other finance cost	—	—	46,030
Total	346,940	481,118	856,954
Less: capitalized interest	(153,970)	(251,079)	(284,412)
Finance costs	192,970	230,039	572,542

Note:

(1) *Comprising fair value loss on payment in relation to termination of a pre-sale agreement entered into in July 2009 with Hainan Airlines Company Limited for the pre-sale of a high-rise residential building in Beijing Glory City. One of the associates of*

FINANCIAL INFORMATION

Hainan Airlines Company Limited was, before April 5, 2014, a substantial shareholder of Haikou Hangrui, one of our subsidiaries. We believed such properties had significant potential for appreciation, while to the best knowledge of our Directors, Hainan Airlines Company Limited adjusted its business strategy and decided to cease its real estate operations. According to the cancellation agreement we entered into with Hainan Airlines Company Limited in May 2013, we must pay Hainan Airlines Company Limited a total amount of RMB1,512.2 million (the “Settlement Amount”), comprising the deposit we received for such pre-sale in 2009 of RMB1,160.9 million and an interest of RMB351.3 million, within one year by installments. Upon signing of the cancellation agreement, we measured the Settlement Amount at fair value and recognized a loss amounting to RMB293.9 million, being the difference between the pre-sale deposit of RMB1,160.9 million and the fair value of the Settlement Amount determined using an effective interest rate of 6% per annum. In addition, during the year ended December 31, 2013, we recognized RMB46.0 million as other finance cost based on an effective interest rate of 6% per annum.

Income Tax Expenses

Income tax expenses for a given period include provisions made for LAT, PRC enterprise income tax and deferred income tax during the year. The PRC enterprise income tax for both domestic and foreign-invested enterprises has been unified at the PRC Enterprise Income Tax rate of 25% since January 1, 2008. Some of our subsidiaries were entitled to the transitional preferential tax rates ranging from 22% to 24% in 2010 and 2011. Some of our subsidiaries were subject to the PRC enterprise income tax on a verification collection basis at deemed profit representing 10% of their revenue for each of the years ended December 31, 2011, 2012 and 2013, respectively, in accordance with authorized tax valuation method approved by local tax bureau pursuant to the applicable PRC tax regulations. As of the Latest Practicable Date, we had no unresolved tax issues with the relevant tax authorities.

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

	Year ended December 31,		
	2011	2012	2013
	(RMB'000)	(RMB'000)	(RMB'000)
Current tax			
PRC enterprise income tax	185,616	189,465	695,036
Land appreciation tax (“LAT”)	33,156	240,929	157,938
Deferred tax	111,914	330,077	232,621
	330,686	760,471	1,085,595
Effective tax rate	30.8%	37.4%	28.2%

REVIEW OF HISTORICAL OPERATING RESULTS OF OUR GROUP

Year ended December 31, 2013 compared with year ended December 31, 2012

Revenue

Our revenue increased by 59.9% from RMB4,276.0 million in 2012 to RMB6,835.4 million in 2013, primarily due to a significant increase in revenue generated from sales of properties and primary land construction and development services.

Sales of Properties. Revenue generated from sales of properties increased by 27.8% from RMB3,537.7 million in 2012 to RMB4,519.7 million in 2013, primarily due to a significant increase in ASP, partially offset by a decrease in total GFA delivered. ASP increased by 90.4% from RMB6,113 per sq.m. in 2012 to RMB11,639 per sq.m. in 2013, primarily due to a significant increase in the proportion of our sales of properties of Phase II of Beijing Glory City and Eudemonia Palace in our total sales of properties as the ASP of these two projects were higher than that of any other projects, as well as the disposal of our Chongqing and Shijiazhuang Business, which had lower ASP compared with most of the projects of Business other than Chongqing and Shijiazhuang Business, at the end of 2012. Please refer to the section headed “History and Reorganization” of this prospectus for details of the relevant transactions. Total GFA delivered decreased by 32.9% from 578,754 sq.m. in 2012 to 388,313 sq.m. in 2013, primarily

FINANCIAL INFORMATION

due to our disposal of our Chongqing and Shijiazhuang Business at the end of 2012, partially offset by the increase in total GFA delivered of Business other than Chongqing and Shijiazhuang Business as a result of the completion and delivery of Eudemonia Palace, Phase II of Haikuotiankong Glory City and residential properties of Phase III of Shenyang Glory City, as well as an increase in sales of two residential buildings of Phase II of Beijing Glory City (of which one was repurchased from China Xinhua Airlines Group and the other was available for sale due to the termination of the pre-sale contract with Hainan Airlines Company Limited) and an increase in sales of Phase I and Phase II of Zhengzhou Glory City.

FINANCIAL INFORMATION

The table below sets forth information on residential and commercial properties of our main projects or project phases we sold during the periods indicated:

Project (Phase)	Location	Year ended December 31,							
		2012				2013			
		Revenue	GFA	ASP	Percentage of Revenue from Property Development	Revenue	GFA	ASP	Percentage of Revenue from Property Development
		(RMB'000)	(Sq.m.)	(RMB/Sq.m.)	(%)	(RMB'000)	(Sq.m.)	(RMB/Sq.m.)	(%)
Business other than Chongqing and Shijiazhuang Business									
Beijing Glory City (北京國瑞城)									
Phases I, II Beijing		6,890	268	25,709	0.2	839,531	15,992	52,497	18.6
Eudemonia Palace (京禧閣) Beijing		—	—	—	—	695,440	16,081	43,246	15.4
Beijing Fugui Garden (北京富貴園) . . . Beijing		9,391	550	17,075	0.3	—	—	—	—
Haidian Island Glory Garden (海甸島國瑞花園) Haikou		247,433	20,569	12,029	7.0	302,558	24,839	12,181	6.7
Haikuotiankong Glory City (海闊天空國瑞城)									
Phases I, II Haikou		719,813	57,306	12,561	20.3	1,446,397	105,285	13,738	32.0
Shenyang Glory City (瀋陽國瑞城)									
Phases II, III . . . Shenyang		66,152	9,810	6,743	1.9	428,076	79,093	5,412	9.5
Glory Garden, Yashi Garden (國瑞園, 雅仕園) Shantou		113,801	21,370	5,325	3.2	23,245	4,054	5,734	0.5
Zhengzhou Glory City (鄭州國瑞城)									
Phases I, II Xinzheng		37,919	4,032	9,405	1.1	764,340	137,883	5,543	16.9
Sub-total		1,201,399	113,905	10,547	34.0	4,499,587	383,227	11,741	99.6
Chongqing and Shijiazhuang Business									
Chongqing Glory City (重慶國瑞城)									
Phases I, II, III . Chongqing		722,135	133,068	5,427	20.4	—	—	—	—
Shijiazhuang Glory City (石家莊國瑞城) . Shijiazhuang		1,493,474	295,436	5,055	42.2	—	—	—	—
Shijiazhuang Glory Garden (石家莊國瑞園) . Shijiazhuang		30,243	6,653	4,546	0.9	—	—	—	—
Sub-total		2,245,852	435,157	5,161	63.5	—	—	—	—
Total		3,447,251	549,062	6,278	97.5	4,499,587	383,227	11,741	99.6

Sales of properties of Phase I and Phase II of Beijing Glory City increased significantly from RMB6.9 million for the year ended December 31, 2012 to RMB839.5 million for the year ended

FINANCIAL INFORMATION

December 31, 2013, primarily due to the increase in sales of two residential buildings of Phase II of Beijing Glory City (of which one was repurchased from China Xinhua Airlines Group and the other was available for sale due to the termination of the pre-sale contract with Hainan Airlines Company Limited.)

Sales of properties of Eudemonia Palace increased significantly from nil for the year ended December 31, 2012 to RMB695.4 million for the year ended December 31, 2013, primarily due to the completion and delivery of properties in Eudemonia Palace in 2013, while no properties were completed and delivered in 2012.

Sales of properties of Haidian Island Glory Garden increased from RMB247.4 million for the year ended December 31, 2012 to RMB302.6 million for the year ended December 31, 2013, primarily due to the increases in both GFA sold and ASP.

Sales of properties of Phase I and Phase II of Haikuotiankong Glory City increased from RMB719.8 million for the year ended December 31, 2012 to RMB1,446.4 million for the year ended December 31, 2013, primarily due to the completion and delivery of Phase II of Haikuotiankong Glory City in 2013.

Sales of properties of Phase II and Phase III of Shenyang Glory City increased from RMB66.2 million for the year ended December 31, 2012 to RMB428.1 million for the year ended December 31, 2013, primarily due to the completion and delivery of residential properties of Phase III of Shenyang Glory City in 2013.

Sales of properties of Glory Garden, Yashi Garden decreased from RMB113.8 million for the year ended December 31, 2012 to RMB23.2 million for the year ended December 31, 2013, primarily because most of the properties in Glory Garden, Yashi Garden were delivered in 2012.

Sales of properties of Phase I and Phase II of Zhengzhou Glory City increased from RMB37.9 million for the year ended December 31, 2012 to RMB764.3 million for the year ended December 31, 2013, primarily because we completed Phase I and Phase II of Zhengzhou Glory City in 2012 and significantly increased the sales of Phase I and Phase II of Zhengzhou Glory City as completed properties appeared to be more attractive to property purchasers. The ASP of Phase I and Phase II of Zhengzhou Glory City decreased significantly from 2012 to 2013, primarily because the properties we sold of Phase I and Phase II of Zhengzhou Glory City mainly consisted of townhouse in 2012 and high-rise apartment in 2013, and high-rise apartments of Zhengzhou Glory City had much lower prices than townhouses of Zhengzhou Glory City.

Primary Land Construction and Development Services. Revenue generated from primary land construction and development services increased significantly from RMB353.2 million in 2012 to RMB2,023.2 million in 2013 primarily due to the increases in revenue generated from primary land construction and development services for Beijing Hademen project and West Qinian Street project.

Revenue generated from primary land construction and development services for Beijing Hademen project increased significantly from RMB217.1 million in 2012 to RMB1,264.2 million in 2013, primarily because we provided original-site resettlement residential properties to existing residents in exchange for their properties subject to demolition. Upon the completion of Beijing Hademen project in 2012, the government provided us with compensation in a lump sum for such project in the amount of total assessed development costs and a reward of 5% of the total assessed development costs in 2013. Such total assessed development costs were determined by the government based on the independent valuation conducted by a third-party valuer selected by the government and engaged by us. Such total accrued development costs exceeded our actual costs incurred as the valuer took into consideration the prevailing market prices of the resettlement residential properties we provided to existing residents in exchange for their properties subject to demolition, which primarily contributed to our significant increase in revenue from primary land development from 2012 to 2013.

Revenue generated from primary land construction and development services for West Qinian Street project increased significantly from RMB136.1 million in 2012 to RMB759.0 million in 2013, primarily

FINANCIAL INFORMATION

because under the arrangement of the government, we entered into an agreement with two public service units on August 8, 2012 and April 17, 2013 for one land parcel of this project in the amount of RMB400.0 million and RMB581.5 million, respectively, and the significant portion of the amount was recorded in 2013.

Rental Income. Rental income increased slightly from RMB220.5 million in 2012 to RMB232.0 million in 2013, primarily due to an increase in total GFA leased and an increase in average rental.

Property Management and Related Services. Revenue generated from property management and related services decreased by 63.3% from RMB164.6 million in 2012 to RMB60.4 million in 2013, primarily due to the disposal of several property management companies in December 2012 and the disposal of Chenghai Hotel in March 2013, partially offset by the increase in the revenue generated by our property management services as we provided services to more properties in line with the completion and delivery of these properties.

Cost of Sales and Services

Our cost of sales and services increased by 15.9% from RMB2,700.4 million in 2012 to RMB3,130.7 million in 2013, primarily due to an increase in sales of high-rise apartments in Beijing which had relatively high average cost of sales.

Our cost of sales of properties increased significantly from RMB2,264.3 million in 2012 to RMB2,847.2 million in 2013, primarily due to an increase in the average cost of sales of properties, partially offset by a decrease in total GFA delivered. Average cost of sales of properties increased by 87.4% from RMB3,912 per sq.m. in 2012 to RMB7,332 per sq.m. in 2013, primarily due to an increase in the proportion of our sales of Phase II of Beijing Glory City and Eudemonia Palace in our total sales of properties, and to a lesser extent, an increase in the proportion of our sales of Phase I and Phase II of Haikuotiankong Glory City in our total sales of properties, as the average cost of these projects was higher than that of any other project. Total GFA delivered decreased by 32.9% from 578,754 sq.m. in 2012 to 388,313 sq.m. in 2013.

Cost of services of primary land development decreased by 37.1% from RMB343.6 million in 2012 to RMB216.2 million in 2013, primarily due to the completion of Beijing Hademen project in the second half of 2012. We incurred cost of services of Beijing Hademen project of RMB211.8 million in 2012, whereas we did not record any cost of services of Beijing Hademen project in 2013, as we had completed Beijing Hademen project before 2013 and the cost of services of primary land development is recorded in accordance with the progress of the project. For the years ended December 31, 2012 and 2013, we incurred cost of services of primary land development of RMB131.8 million and RMB216.2 million, respectively, for West Qinian Street project.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased significantly from RMB1,575.5 million in 2012 to RMB3,704.7 million in 2013. Our overall gross profit margin increased from 36.8% in 2012 to 54.2% in 2013, primarily due to a significant increase in the contribution of primary land construction and development services to our total revenue and the relatively high gross profit margin of primary land construction and development services, which was 89.3% in 2013.

Sales of Properties. The gross profit of sales of properties increased from RMB1,273.4 million in 2012 to RMB1,672.4 million in 2013. The gross profit margin of sales of properties increased slightly from 36.0% in 2012 to 37.0% in 2013.

FINANCIAL INFORMATION

The table below sets forth the gross profit and gross profit margin of residential and commercial properties of our main projects or project phases we sold during the periods indicated:

Project (Phase)	Location	2012		2013	
		Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
		(RMB'000)	(%)	(RMB'000)	(%)
Business other than Chongqing and Shijiazhuang Business					
Beijing Glory City (北京國瑞城)					
Phases I, II	Beijing	4,372	63.5	344,853	41.1
Eudemonia Palace (京禧閣)	Beijing	—	—	192,439	27.7
Beijing Fugui Garden (北京富貴園)	Beijing	227	2.4	—	—
Haidian Island Glory Garden (海甸島國瑞花園)	Haikou	81,152	32.8	90,464	29.9
Haikuotiankong Glory City (海闊天空國瑞城)					
Phases I, II	Haikou	132,076	18.3	662,641	45.8
Shenyang Glory City (瀋陽國瑞城) Phases II, III	Shenyang	18,981	28.7	128,679	30.1
Glory Garden, Yashi Garden (國瑞園，雅仕園)	Shantou	37,645	33.1	10,093	43.4
Zhengzhou Glory City (鄭州國瑞城) Phases I, II	Xinzheng	11,113	29.3	256,220	33.5
Chongqing and Shijiazhuang Business					
Chongqing Glory City (重慶國瑞城) Phases I, II, III	Chongqing	319,967	44.3	—	—
Shijiazhuang Glory City (石家莊國瑞城)	Shijiazhuang	643,236	43.1	—	—
Shijiazhuang Glory Garden (石家莊國瑞園)	Shijiazhuang	9,470	31.3	—	—

The gross profit of sales of properties of Phase I and Phase II of Beijing Glory City increased from RMB4.4 million in 2012 to RMB344.9 million in 2013, primarily in line with the increase in revenue generated from Phase I and Phase II of Beijing Glory City.

The gross profit of sales of properties of Eudemonia Palace increased from nil in 2012 to RMB192.4 million in 2013, primarily due to the completion and delivery of properties in Palace in 2013, while no properties were completed and delivered in 2012.

The gross profit of sales of properties of Haidian Island Glory Garden increased from RMB81.2 million in 2012 to RMB90.5 million in 2013, primarily due to the increase in sales of properties of this project.

The gross profit of sales of properties of Phase I and Phase II of Haikuotiankong Glory City increased from RMB132.1 million in 2012 to RMB662.6 million in 2013, primarily due to the completion and delivery of Phase II of Haikuotiankong Glory City in 2013.

The gross profit of sales of properties of Phase II and Phase III of Shenyang Glory City increased significantly from RMB19.0 million in 2012 to RMB128.7 million in 2013, primarily due to the completion and delivery of residential properties of Phase III of Shenyang Glory City in 2013.

The gross profit of sales of properties of Glory Garden, Yashi Garden decrease from RMB37.6 million in 2012 to RMB10.1 million in 2013, primarily due to we sold most of salable GFA of Glory Garden, Yashi Garden in 2012.

The gross profit of sales of properties of Phase I and Phase II of Zhengzhou Glory City increased from RMB11.1 million in 2012 to RMB256.2 million in 2013, primarily in line with the increase in revenue generated from Phase I and Phase II of Zhengzhou Glory City.

Primary Land Construction and Development Services. The gross profit of primary land construction and development services increased from RMB9.6 million in 2012 to RMB1,807.0 million in 2013. Revenue generated from primary land construction and development services for Beijing Hademen project

FINANCIAL INFORMATION

increased significantly from RMB217.1 million in 2012 to RMB1,264.2 million in 2013, primarily because we provided original-site resettlement residential properties constructed by us to existing residents in exchange for their properties subject to demolition. Upon the completion of Beijing Hademen project in 2012, the government provided us with compensation in a lump sum for such project in the amount of total assessed development costs and a reward of 5% of the total assessed development costs in 2013. Such total assessed development costs were determined by the government based on the independent valuation conducted by a third-party valuer selected by the government and engaged by us. The assessed development cost exceeded our actual costs incurred as the valuer took into consideration the prevailing market prices of the resettlement residential properties we provided to existing residents in exchange for their properties subject to demolition, which primarily contributed to our significant increase in revenue from primary land development from 2012 to 2013. Furthermore, we incurred cost of services of Beijing Hademen project of RMB211.8 million in 2012, whereas we did not record any cost of services of Beijing Hademen project in 2013, as we had completed Beijing Hademen project before 2013 and the cost of services of primary land development is recorded in accordance with the progress of the project. Therefore, the gross profit margin of primary land construction and development services increased from 2.7% in 2012 to 89.3% in 2013.

The table below sets forth the gross profit and gross profit margin of our primary land development projects during the periods indicated:

Project	Location	Year ended December 31,			
		2012		2013	
		Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
		(RMB'000)	(%)	(RMB'000)	(%)
Beijing Hademen project	Beijing	5,293	2.4	1,264,205	100.0
West Qinian Street project	Beijing	4,340	3.2	542,757	71.5

Other Gains and Losses

Other gains increased significantly from RMB1.4 million in 2012 to RMB268.7 million in 2013, primarily due to the acquisition by Shantou City Land Reserve Center of the land parcels for Phase II of Shantou Glory City in May 2013, which resulted in a gain of RMB265.7 million.

Other Income

Other income decreased by 85.2% from RMB56.7 million in 2012 to RMB8.4 million in 2013, primarily because Shenyang Dadongfang received the compensation of RMB40.0 million from its tenant due to the early termination of tenancy in 2012.

Fair Value Gain upon Transfer to Investment Properties

Fair value gain upon transfer to investment properties increased from nil in 2012 to RMB527.3 million in 2013, as we transferred 12 units of siheyuan (四合院) from properties held for sale to investment properties and recorded fair value gain of RMB527.3 million upon such transfer in 2013.

FINANCIAL INFORMATION

Changes in Fair Value of Investment Properties

Changes in fair value of investment properties decreased by 63.1% from RMB1,043.2 million in 2012 to RMB384.6 million in 2013, primarily due to a slowdown of increase in market value of commercial properties. The table below sets forth our changes in fair value of investment properties during the periods indicated:

Location	Project (Phase)	Year ended December 31,	
		2012	2013
		(RMB'000)	(RMB'000)
Business other than Chongqing and Shijiazhuang Business			
Beijing	Beijing Glory City (北京國瑞城) Phases I, II	882,768	354,425
Beijing	Beijing Fugui Garden (北京富貴園)	81,000	13,000
Shantou	Shantou Glory City (汕頭國瑞城) Phase I	55,600	17,000
Shenyang	Shenyang Glory City (瀋陽國瑞城) Phase I	20,400	200
Sub-total		1,039,768	384,625
Chongqing and Shijiazhuang Business			
Chongqing	Chongqing Glory City (重慶國瑞城) Phase I	3,475	—
Sub-total		3,475	—
Total		1,043,243	384,625

Share of Result of an Associate

We had negative share of result of an associate of RMB65,000 in 2012, primarily due to the loss incurred by a joint venture, whereas our share of result of an associate was nil in 2013.

Selling Expenses

Selling expenses increased by 70.7% from RMB108.1 million in 2012 to RMB184.5 million in 2013, primarily due to an increase in the marketing efforts to promote the pre-sale of our high-rise apartments in Eudemonia Palace and sale of our high-rise apartments in Beijing Glory City in Beijing.

Administrative Expenses

Administrative expenses decreased by 14.3% from RMB282.8 million in 2012 to RMB242.3 million in 2013, primarily due to the disposal of our regional project companies in Chongqing and Shijiazhuang at the end of 2012.

Other Expenses

Other expenses increased from RMB22.1 million in 2012 to RMB38.5 million in 2013, primarily due to an increase in listing expenses. Listing expenses increased from nil in 2012 to RMB20.8 million in 2013, because we commenced our efforts to prepare for an initial public offering in early 2013.

Finance Costs

Finance costs increased significantly from RMB230.0 million in 2012 to RMB572.5 million in 2013, primarily because we recorded fair value loss of RMB293.9 million on payment in relation to our termination in May 2013 of a pre-sale agreement with Hainan Airlines Company Limited for the pre-sale of a high-rise residential building entered into in July 2009. In addition, we recognized interest expense of RMB46.0 million relating to such payment as other finance cost in 2013. The increase in finance costs is also attribute to the increase in interest on other loans. Interest on other loans increased from RMB1.4 million in 2012 to RMB148.3 million in 2013, primarily due to an increase in the size of trust financing, as we utilized more trust financing as our alternative for financing, primarily because trust financing is more flexible in use of proceeds compared with bank loans. In addition, we entered into two trust financing arrangements in December 2012, and as a result, we only recorded interest on such trust financing arrangements for a short period in 2012.

FINANCIAL INFORMATION

Income Tax Expenses

Income tax expenses increased from RMB760.5 million in 2012 to RMB1,085.6 million in 2013, primarily due to an increase in taxable profit. The effective tax rate decreased from 37.4% in 2012 to 28.2% in 2013, primarily due to a significant increase in the contribution of primary land construction and development services to our total revenue as provision of primary land construction and development services is not subject to LAT.

Profit and Total Comprehensive Income for the Year and Net Profit Margin

As a result of the foregoing, our profit and total comprehensive income for the year increased significantly from RMB1,273.2 million in 2012 to RMB2,770.2 million in 2013. Our net profit margin increased from 29.8% in 2012 to 40.5% in 2013.

Year ended December 31, 2012 compared with year ended December 31, 2011

Revenue

Our revenue increased by 143.9% from RMB1,753.4 million in 2011 to RMB4,276.0 million in 2012, primarily due to a significant increase in revenue generated from sales of properties.

Sales of Properties. Revenue generated from sales of properties increased by 183.7% from RMB1,247.0 million in 2011 to RMB3,537.7 million in 2012, primarily due to a significant increase in total GFA delivered, partially offset by a slight decrease in ASP. Total GFA delivered increased by 190.5% from 199,199 sq.m. in 2011 to 578,754 sq.m. in 2012. ASP decreased slightly by 2.3% from RMB6,260 per sq.m. in 2011 to RMB6,113 per sq.m. in 2012, primarily due to a decrease in the proportion of our sales of properties of Beijing Glory City in our total sales of properties as the ASP of Beijing Glory City was higher than that of any other projects.

Our Business other than Chongqing and Shijiazhuang Business contributed approximately 53.1% and 34.1%, respectively, of our total sales of properties for the year ended December 31, 2011 and 2012. Our Chongqing and Shijiazhuang Business contributed approximately 46.9% and 65.9%, respectively, of our total sales of properties for the years ended December 31, 2011 and 2012.

FINANCIAL INFORMATION

The table below sets forth information on residential and commercial properties of our main projects or project phases we sold during the years indicated:

Project (Phase)	Location	Year ended December 31,							
		2011				2012			
		Revenue	GFA	ASP	Percentage of Revenue from Property Development	Revenue	GFA	ASP	Percentage of Revenue from Property Development
		(RMB'000)	(Sq.m.)	(RMB/Sq.m.)	(%)	(RMB'000)	(Sq.m.)	(RMB/Sq.m.)	(%)
Business other than Chongqing and Shijiazhuang Business									
Beijing Glory City (北京國瑞城) Phases I, II Beijing		447,266	17,185	26,026	35.9	6,890	268	25,709	0.2
Beijing Fugui Garden (北京富貴園) . . . Beijing		12,903	1,705	7,568	1.0	9,391	550	17,075	0.3
Haidian Island Glory Garden (海甸島國瑞花園) Haikou		—	—	—	—	247,433	20,569	12,029	7.0
Haikuotiankong Glory City (海闊天空國瑞城) Phase I Haikou		—	—	—	—	719,813	57,306	12,561	20.3
Shenyang Glory City (瀋陽國瑞城) Phase II Shenyang		103,194	16,618	6,210	8.3	66,152	9,810	6,743	1.9
Glory Garden, Yashi Garden (國瑞園, 雅仕園) Shantou		74,334	15,799	4,705	6.0	113,801	21,370	5,325	3.2
Zhengzhou Glory City (鄭州國瑞城) Phase I Xinzheng		—	—	—	—	37,919	4,032	9,405	1.1
Sub-total		637,697	51,307	12,429	51.2	1,201,399	113,905	10,547	34.0
Chongqing and Shijiazhuang Business									
Chongqing Glory City (重慶國瑞城) Phases I, II, III . Chongqing		83,474	7,388	11,299	6.7	722,135	133,068	5,427	20.4
Shijiazhuang Glory City (石家莊國瑞城) . Shijiazhuang		—	—	—	—	1,493,474	295,436	5,055	42.2
Shijiazhuang Glory Garden (石家莊國瑞園) . Shijiazhuang		475,728	110,698	4,298	38.1	30,243	6,653	4,546	0.9
Sub-total		559,202	118,086	4,736	44.8	2,245,852	435,157	5,161	63.5
Total		1,196,899	169,393	7,066	96.0	3,447,251	549,062	6,278	97.5

Business other than Chongqing and Shijiazhuang Business. Sales of properties of Phase I and Phase II of Beijing Glory City decreased significantly from RMB447.3 million for the year ended December 31, 2011 to RMB6.9 million for the year ended December 31, 2012, primarily because we sold most of salable GFA of Phase I of Beijing Glory City by the end of 2011.

FINANCIAL INFORMATION

Sales of properties of Haidian Island Glory Garden increased from nil for the year ended December 31, 2011 to RMB247.4 million for the year ended December 31, 2012, primarily because we completed Haidian Island Glory Garden and delivered a total GFA of 20,569 sq.m. in Haidian Island Glory Garden in 2012.

Sales of properties of Phase I of Haikuotiankong Glory City increased from nil for the year ended December 31, 2011 to RMB719.8 million for the year ended December 31, 2012, primarily because we completed Phase I of Haikuotiankong Glory City and delivered a total GFA of 57,306 sq.m. in Phase I of Haikuotiankong Glory City in 2012.

Sales of properties of Phase II of Shenyang Glory City decreased by 35.9% from RMB103.2 million for the year ended December 31, 2011 to RMB66.2 million for the year ended December 31, 2012, primarily because we sold a significant portion of salable GFA of Phase II of Shenyang Glory City by the end of 2011.

Sales of properties of Glory Garden, Yashi Garden increased by 53.2% from RMB74.3 million for the year ended December 31, 2011 to RMB113.8 million for the year ended December 31, 2012, primarily because we completed and deliver Yashi Garden in December 2011.

Sales of properties of Phase I of Zhengzhou Glory City increased from nil for the year ended December 31, 2011 to RMB37.9 million for the year ended December 31, 2012, primarily because we completed Phase I of Zhengzhou Glory City in the second half of 2012.

Chongqing and Shijiazhuang Business. Sales of properties of Phases I, II, III of Chongqing Glory City increased significantly from RMB83.5 million for the year ended December 31, 2011 to RMB722.1 million for the year ended December 31, 2012, primarily because we completed Phase III of Chongqing Glory City in May 2012.

Sales of properties of Shijiazhuang Glory City increased from nil for the year ended December 31, 2011 to RMB1,493.5 million for the year ended December 31, 2012, primarily because we completed Shijiazhuang Glory City in 2012.

Sales of properties of Shijiazhuang Glory Garden decreased significantly from RMB475.7 million for the year ended December 31, 2011 to RMB30.2 million for the year ended December 31, 2012, primarily because we sold most of salable GFA of Shijiazhuang Glory Garden by the end of 2011.

Primary Land Construction and Development Services. Revenue generated from primary land construction and development services increased by 135.3% from RMB150.1 million in 2011 to RMB353.2 million in 2012, primarily due to an increase in the primary land development cost incurred in line with the increase in our primary land development activities.

Revenue generated from primary land construction and development services for Beijing Hademen project increased significantly from RMB77.7 million in 2011 to RMB217.1 million in 2012 in line with the construction and development progress of this project.

Revenue generated from primary land construction and development services for West Qinian Street project increased significantly from RMB72.4 million in 2011 to RMB136.1 million in 2012 in line with the construction and development progress of this project.

Rental Income. Our rental income increased by 8.1% from RMB204.0 million in 2011 to RMB220.5 million in 2012, primarily due to an increase in total GFA leased and an increase in average rental.

Property Management and Related Services. Revenue generated from property management and related services increased by 8.1% from RMB152.3 million in 2011 to RMB164.6 million in 2012, primarily due to an increase in the total GFA of properties under management.

FINANCIAL INFORMATION

Cost of Sales and Services

Our cost of sales and services increased by 182.7% from RMB955.2 million in 2011 to RMB2,700.4 million in 2012, primarily due to an increase in the cost of sales of properties.

Our cost of sales of properties increased significantly from RMB712.2 million in 2011 to RMB2,264.3 million in 2012, primarily due to an increase in GFA delivered, and to a lesser extent, an increase in our average cost of sales of properties. Our average cost of sales of properties increased by 9.4% from RMB3,575 per sq.m. in 2011 to RMB3,912 per sq.m. in 2012, primarily due to an increase in the proportion of our sales of properties in Haikou in our total sales of properties as the average cost of our projects in Haikou was higher than that of any other project, except Beijing Glory City.

Cost of services of primary land development increased by 132.3% from RMB147.9 million in 2011 to RMB343.6 million in 2012, primarily in line with our primary land development progress. For the years ended December 31, 2011 and 2012, we incurred cost of services of RMB77.2 million and RMB211.8 million, respectively, for Beijing Hademen project. For the years ended December 31, 2011 and 2012, we incurred costs of services of RMB70.7 million and RMB131.8 million, respectively, for West Qinian Street project.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased by 97.4% from RMB798.2 million in 2011 to RMB1,575.5 million in 2012. Our overall gross profit margin decreased from 45.5% in 2011 to 36.8% in 2012, primarily due to an increase in sale of projects and phases with lower gross profit margin in 2012 compared with that of 2011.

Sales of Properties. The gross profit of sales of properties increased from RMB534.9 million in 2011 to RMB1,273.4 million in 2012. The gross profit margin of sales of properties decreased from 42.9% in 2011 to 36.0% in 2012, primarily due to a decrease in the proportion of the sales of properties of Beijing Glory City in our total sales of properties as the gross profit margin of Beijing Glory City was higher than that of any other project.

Our Business other than Chongqing and Shijiazhuang Business contributed approximately 66.6% and 20.9%, respectively, of our total gross profit of sales of properties for the year ended December 31, 2011 and 2012. Our Chongqing and Shijiazhuang Business contributed approximately 33.4% and 79.1%, respectively, of our total gross profit of sales of properties for the years ended December 31, 2011 and 2012.

FINANCIAL INFORMATION

The table below sets forth the gross profit and gross profit margin of residential and commercial properties of our main projects or project phases of our Business other than Chongqing and Shijiazhuang Business and Chongqing and Shijiazhuang Business we sold during the periods indicated:

Project (Phase)	Location	Year ended December 31,			
		2011		2012	
		Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
		(RMB'000)	(%)	(RMB'000)	(%)
<i>Business other than Chongqing and Shijiazhuang Business</i>					
Beijing Glory City (北京國瑞城) Phases I, II	Beijing	295,458	66.1	4,372	63.5
Beijing Fugui Garden (北京富貴園)	Beijing	2,470	19.1	227	2.4
Haidian Island Glory Garden (海甸島國瑞花園)	Haikou	—	—	81,152	32.8
Haikuotiankong Glory City (海闊天空國瑞城) Phase I	Haikou	—	—	132,076	18.3
Shenyang Glory City (瀋陽國瑞城) Phase II	Shenyang	36,602	35.5	18,981	28.7
Glory Garden, Yashi Garden (國瑞園，雅仕園)	Shantou	17,139	23.1	37,645	33.1
Zhengzhou Glory City (鄭州國瑞城) Phase I	Xinzheng	—	—	11,113	29.3
<i>Chongqing and Shijiazhuang Business</i>					
Chongqing Glory City (重慶國瑞城) Phases I, II, III	Chongqing	59,863	71.7	319,967	44.3
Shijiazhuang Glory City (石家莊國瑞城)	Shijiazhuang	—	—	643,236	43.1
Shijiazhuang Glory Garden (石家莊國瑞園)	Shijiazhuang	130,095	27.3	9,470	31.3

Business other than Chongqing and Shijiazhuang Business. The gross profit of sales of properties of Phase I and Phase II of Beijing Glory City decreased significantly from RMB295.5 million for the year ended December 31, 2011 to RMB4.4 million for the year ended December 31, 2012, primarily due to a decrease in the sales of properties of Phase I and Phase II of Beijing Glory City.

The gross profit of sales of properties of Haidian Island Glory Garden increased from nil for the year ended December 31, 2011 to RMB81.2 million for the year ended December 31, 2012, primarily due to the revenue generated from Haidian Island Glory Garden as a result of completion and delivery of properties in this project in 2012, while there were no properties completed and delivered in this project in 2011.

The gross profit of sales of properties of Phase I of Haikuotiankong Glory City increased from nil for the year ended December 31, 2011 to RMB132.1 million for the year ended December 31, 2012, primarily due to the revenue generated from Phase I of Haikuotiankong Glory City as a result of completion and delivery of properties in this project in 2012, while there were no properties completed and delivered in this project in 2011.

The gross profit of sales of properties of Phase II of Shenyang Glory City decreased by 48.1% from RMB36.6 million for the year ended December 31, 2011 to RMB19.0 million for the year ended December 31, 2012, primarily because the properties we sold of Shenyang Glory City mainly consisted of residential apartments in 2012 and commercial properties in 2011, and residential apartments have lower gross profit margin than that of commercial properties in Shenyang Glory City.

The gross profit of sales of properties of Glory Garden, Yashi Garden increased from RMB17.1 million for the year ended December 31, 2011 to RMB37.6 million for the year ended December 31, 2012, primarily due to the increase in the revenue generated from Yashi Garden.

The gross profit of sales of properties of Phase I of Zhengzhou Glory City increased from nil for the year ended December 31, 2011 to RMB11.1 million for the year ended December 31, 2012, primarily because we completed Phase I of Zhengzhou Glory City in the second half of 2012.

Chongqing and Shijiazhuang Business. The gross profit of sales of properties of Phases I, II, III of Chongqing Glory City increased significantly from RMB59.9 million for the year ended December 31, 2011

FINANCIAL INFORMATION

to RMB320.0 million for the year ended December 31, 2012, primarily due to the increase in the sales of properties of Phases I, II, III of Chongqing Glory City.

The gross profit of sales of properties of Shijiazhuang Glory City increased significantly from nil for the year ended December 31, 2011 to RMB643.2 million for the year ended December 31, 2012, primarily because we completed Shijiazhuang Glory City in 2012.

The gross profit of sales of properties of Shijiazhuang Glory Garden decreased significantly from RMB130.1 million for the year ended December 31, 2011 to RMB9.5 million for the year ended December 31, 2012, primarily because we sold most of salable GFA of Shijiazhuang Glory Garden by the end of 2011.

Primary Land Construction and Development Services. The gross profit of primary land construction and development services increased from RMB2.2 million in 2011 to RMB9.6 million in 2012. The gross profit margin of primary land construction and development services remained relatively stable at 1.5% in 2011 and 2.7% in 2012.

The table below sets forth the gross profit and gross profit margin of our primary land development projects during the periods indicated:

Project	Location	Year ended December 31,			
		2011		2012	
		Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
		(RMB'000)	(%)	(RMB'000)	(%)
Beijing Hademen project	Beijing	534	0.7	5,293	2.4
West Qinian Street project	Beijing	1,700	2.3	4,340	3.2

Other Gains and Losses

We recognized other losses of RMB1.4 million in 2011, whereas we had other gains of RMB1.4 million in 2012.

Other Income

Our other income increased significantly from RMB11.1 million in 2011 to RMB56.7 million in 2012, primarily because we received RMB40.0 million from a tenant as compensations for its early termination of a lease agreement with us in 2012.

FINANCIAL INFORMATION

Changes in Fair Value of Investment Properties

Our changes in fair value of investment properties increased by 17.2% from RMB890.4 million in 2011 to RMB1,043.2 million in 2012, primarily due to increases in the rentals of our investment properties as a result of strong market demand for commercial properties and our efforts to improve the operations of our investment properties. The table below sets forth our changes in fair value of investment properties during the periods indicated:

Location	Project (Phase)	Year ended December 31,	
		2011	2012
		(RMB'000)	(RMB'000)
Business other than Chongqing and Shijiazhuang Business			
Beijing	Beijing Glory City (北京國瑞城) Phases I, II	770,533	882,768
Beijing	Beijing Fugui Garden (北京富貴園)	63,000	81,000
Shantou	Shantou Glory City (汕頭國瑞城) Phase I	36,400	55,600
Shenyang	Shenyang Glory City (瀋陽國瑞城) Phase I	17,000	20,400
Sub-total		886,933	1,039,768
Chongqing and Shijiazhuang Business			
Chongqing	Chongqing Glory City (重慶國瑞城) Phase I	3,425	3,475
Sub-total		3,425	3,475
Total		890,358	1,043,243

Share of Result of an Associate

We had negative share of result of an associate of RMB65,000 in 2012 primarily due to the loss incurred by a joint venture, whereas we had share of result of an associate of RMB11,000 in 2011.

Selling Expenses

Our selling expenses decreased by 27.0% from RMB148.1 million in 2011 to RMB108.1 million in 2012, primarily due to a decrease in advertising and publicity expenses as we reduced our marketing activities in Shijiazhuang in 2012 since most of the purchase and sale agreements for our properties in Shijiazhuang were signed in 2011. This decrease was partially offset by an increase in sales commissions to outside agents primarily due to an increase in our sales of properties.

Administrative Expenses

Our administrative expenses increased by 24.9% from RMB226.4 million in 2011 to RMB282.8 million in 2012, primarily due to an increase in our administrative staff headcount in line with the expansion of our operations and an increase in average salaries and benefits of our administrative staff.

Other Expenses

Our other expenses decreased by 60.3% from RMB55.6 million in 2011 to RMB22.1 million in 2012, primarily due to a decrease in donations and a decrease in penalty for delayed tax payment.

Finance Costs

Our finance costs increased by 19.2% from RMB193.0 million in 2011 to RMB230.0 million in 2012, primarily due to an increase in our interest expenses as a result of an increase in effective interest rate and an increase in the average balance of our borrowings. The increase in the effective interest rate on our bank

FINANCIAL INFORMATION

borrowings was primarily due to an increase in the PBOC benchmark rates and the tightened credit policies imposed by banks towards PRC property developers.

Income Tax Expenses

Our income tax expenses increased by 130.0% from RMB330.7 million in 2011 to RMB760.5 million in 2012, primarily due to the increase in our LAT as a result of an increase in our sales. The effective tax rate increased from 30.8% in 2011 to 37.4% in 2012, primarily due to an increase in profit before taxation.

Profit and Total Comprehensive Income for the Year and Net Profit Margin

As a result of the foregoing, our profit and total comprehensive income for the year increased by 71.0% from RMB744.4 million in 2011 to RMB1,273.2 million in 2012. Our net profit margin decreased from 42.5% in 2011 to 29.8% in 2012.

REVIEW OF HISTORICAL OPERATING RESULTS OF OUR BUSINESS OTHER THAN CHONGQING AND SHIJIAZHUANG BUSINESS

Year ended December 31, 2012 compared with year ended December 31, 2011

Revenue

Revenue derived from our Business other than Chongqing and Shijiazhuang Business increased by 66.7% from RMB1,152.3 million for the year ended December 31, 2011 to RMB1,921.1 million for the year ended December 31, 2012, primarily due to an increase in the revenue generated from sales of properties.

Sales of Properties. Sales of properties by our Business other than Chongqing and Shijiazhuang Business increased by 82.2% from RMB661.6 million for the year ended December 31, 2011 to RMB1,205.4 million for the year ended December 31, 2012, primarily due to a significant increase in total GFA delivered by our Business other than Chongqing and Shijiazhuang Business, partially offset by a slight decrease in ASP of our Business other than Chongqing and Shijiazhuang Business. Total GFA delivered by our Business other than Chongqing and Shijiazhuang Business increased by 106.4% from 59,110 sq.m. in 2011 to 121,979 sq.m. in 2012. ASP of the Business other than Chongqing and Shijiazhuang Business decreased by 11.7% from RMB11,189 per sq.m. in 2011 to RMB9,882 per sq.m. in 2012, primarily due to a decrease in the proportion of our sales of properties of Beijing Glory City in our total sales of properties as the ASP of Beijing Glory City was higher than that of any other projects. For detailed discussion of the projects, please see “— Review of Historical Operating Results of Our Group.”

Primary Land Construction and Development Services. Revenue generated from primary land construction and development services of our Business other than Chongqing and Shijiazhuang Business increased by 135.3% from RMB150.1 million in 2011 to RMB353.2 million to 2012, primarily due to an increase in the primary land development cost incurred in line with the increase in our primary land development activities.

Rental Income. Our rental income of our Business other than Chongqing and Shijiazhuang Business increased by 6.3% from RMB194.7 million in 2011 to RMB206.9 million to 2012, primarily due to an increase in the GFA leased and an increase in average rental of our Business other than Chongqing and Shijiazhuang Business.

Property Management and Related Services. Revenue generated from property management and related services of our Business other than Chongqing and Shijiazhuang Business increased by 6.6% from RMB145.9 million in 2011 to RMB155.6 million in 2012, primarily due to an increase in the GFA of properties under management of our Business other than Chongqing and Shijiazhuang Business.

FINANCIAL INFORMATION

Gross Profit

Gross profit of our Business other than Chongqing and Shijiazhuang Business decreased by 9.6% from RMB604.1 million for the year ended December 31, 2011 to RMB546.0 million for the year ended December 31, 2012, primarily due to a decrease in the proportion of the gross profit of Beijing Glory City in the total gross profit of our Business other than Chongqing and Shijiazhuang Business as the gross profit margin of Beijing Glory City was higher than that of any other projects. For detailed discussion of the projects, please see “— Review of Historical Operating Results of Our Group.”

Net Profit

Net profit of our Business other than Chongqing and Shijiazhuang Business increased by 5.6% from RMB698.9 million for the year ended December 31, 2011 to RMB738.3 million for the year ended December 31, 2012.

SUMMARY CONSOLIDATED FINANCIAL POSITION

	As of December 31,		
	2011	2012	2013
	(RMB'000)	(RMB'000)	(RMB'000)
Assets			
Current assets	13,721,754	11,379,926	14,267,765
Non-current assets	6,563,042	7,412,685	8,199,638
	20,284,796	18,792,611	22,467,403
Liabilities			
Current liabilities	10,069,020	8,283,901	8,451,791
Non-current liabilities	5,621,011	4,823,212	7,919,633
	15,690,031	13,107,113	16,371,424
Net assets	4,594,765	5,685,498	6,095,979
Total equity	4,594,765	5,685,498	6,095,979

Our total assets decreased by 7.4% from RMB20,284.8 million as of December 31, 2011 to RMB18,792.6 million as of December 31, 2012, primarily because the assets of the Chongqing and Shijiazhuang Business ceased to be included in our total assets from December 31, 2012. Our total assets increased by 19.6% from RMB18,792.6 million as of December 31, 2012 to RMB22,467.4 million as of December 31, 2013, primarily due to the increase in properties under development for sale and investment properties, partially offset by the decrease in amounts due from customers for contract work and amounts due from related parties.

Our total liabilities decreased by 16.5% from RMB15,690.0 million as of December 31, 2011 to RMB13,107.1 million as of December 31, 2012, primarily because the liabilities of the Chongqing and Shijiazhuang Business ceased to be included in our total liabilities from December 31, 2012. Our total liabilities increased by 24.9% from RMB13,107.1 million as of December 31, 2012 to RMB16,371.4 million as of December 31, 2013, primarily due to the increase in trade and other payables and bank and other borrowings, partially offset by the decrease in deposits received from pre-sale of properties.

FINANCIAL INFORMATION

The table below sets forth the assets and liabilities of our Business other than Chongqing and Shijiazhuang Business and Chongqing and Shijiazhuang Business as of December 31, 2011 and 2012:

	As of December 31,			
	2011		2012	
	(RMB million)	(% of our total assets/liabilities)	(RMB million)	(% of our total assets/liabilities)
Business other than Chongqing and Shijiazhuang Business*				
Assets	14,435.1	71.2	18,792.6	100.0
Liabilities	10,345.1	65.9	13,107.1	100.0
Chongqing and Shijiazhuang Business (Combined)				
Assets	5,849.7	28.8	—	—
Liabilities	5,344.9	34.1	—	—

* The calculation of the Business other than Chongqing and Shijiazhuang Business is based on the consolidated financial information of our Group deducted by the combined financial information of the Chongqing and Shijiazhuang Business as stated above.

Assets of our Business other than Chongqing and Shijiazhuang Business increased by 30.2% from RMB14,435.1 million as of December 31, 2011 to RMB18,792.6 million as of December 31, 2012, primarily due to the increase in the properties under development for sale and properties held for sale of our Business other than Chongqing and Shijiazhuang Business.

Liabilities of our Business other than Chongqing and Shijiazhuang Business increased by 26.7% from RMB10,345.1 million as of December 31, 2011 to RMB13,107.1 million as of December 31, 2012, primarily due to the increase in deposits received from pre-sale of properties in Shenyang Glory City and Zhengzhou Glory City and the increase in trade and other payables in line with the construction progress of Haikuotiankong Glory City and Haidian Island Glory Garden.

NET CURRENT ASSETS

As of December 31, 2011, 2012 and 2013 and April 30, 2014, our net current assets were RMB3,652.7 million, RMB3,096.0 million, RMB5,816.0 million and RMB6,869.6 million, respectively.

FINANCIAL INFORMATION

The table below sets forth our assets and liabilities as of the dates indicated:

	As of December 31,			As of April 30,
	2011	2012	2013	2014
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Current assets				
Inventories	6,833	8,145	93	85
Deposits paid for land acquisition	1,296,240	851,000	314,160	25,000
Properties under development for sale	6,339,723	4,960,386	9,967,028	11,223,209
Properties held for sale	1,035,960	1,556,039	1,739,494	1,176,967
Trade and other receivables, deposits and prepayments	1,580,914	556,680	389,494	1,089,605
Amounts due from customers for contract work	1,144,322	1,355,114	889,261	934,008
Taxation recoverable	61,054	75,303	59,003	102,474
Amounts due from related parties	1,508,881	882,158	4,265	1,423
Held-for-trading investments	2,980	3,010	80	80
Restricted bank deposits	155,581	328,718	60,033	60,842
Bank balances and cash	589,266	803,373	844,854	775,793
	13,721,754	11,379,926	14,267,765	15,389,486
Current liabilities				
Trade and other payables	2,858,119	2,205,191	4,679,785	3,334,189
Deposits received from pre-sale of properties	4,739,105	3,499,225	1,648,241	2,437,024
Amounts due to related parties	915,660	80,668	297,740	39,796
Taxation payable	336,132	167,937	713,889	817,882
Bank and other borrowings — due within one year	1,220,004	2,330,880	1,112,136	1,890,960
	10,069,020	8,283,901	8,451,791	8,519,851
Net current assets	3,652,734	3,096,025	5,815,974	6,869,635

CERTAIN BALANCE SHEET ITEMS

Properties under Development for Sale

The value of our properties under development for sale was RMB6,339.7 million, RMB4,960.4 million and RMB9,967.0 million as of December 31, 2011, 2012 and 2013, respectively. As of December 31, 2011, 2012 and 2013, we had pledged properties under development for sale with a carrying amount of RMB1,449.0 million, RMB2,306.7 million and RMB1,767.5 million, respectively, to secure bank and other borrowings.

FINANCIAL INFORMATION

The table below sets forth the breakdown of the value of properties under development for sale by project (phase) as of the dates indicated:

		As of December 31,		
		2011	2012	2013
Location	Project (Phase)	(RMB'000)	(RMB'000)	(RMB'000)
Business other than Chongqing and Shijiazhuang Business				
Beijing	Eudemonia Palace (京禧閣)	117,720	393,806	37,570
Beijing	Beijing Glory City (北京國瑞城) Phase I	78,644	97,503	138
Beijing	Beijing Glory City (北京國瑞城) Phase II	409,690	450,281	351,710
Beijing	Beijing Glory Center (北京國瑞中心)	—	—	3,177,360
Haikou	Haikuotiankong Glory City (海闊天空國瑞城)	1,013,291	964,532	1,025,559
Haikou	Glory Riverview Garden (國瑞•江畔花園)	223,956	226,090	253,978
Haikou	Haikou West Coast Glory (海口西海岸國瑞)	118,171	117,960	118,251
Haikou	Haidian Island Glory Garden (海甸島國瑞花園)	251,195	18,077	—
Wanning	Wanning Glory City (萬寧國瑞城)	180,981	238,094	315,899
Shenyang	Shenyang Glory City (瀋陽國瑞城) Phase II	563,321	635,460	176,978
Shenyang	Shenyang Glory City (瀋陽國瑞城) Phase III	2,775	3,113	1,788,124
Shenyang	Shenyang Glory City (瀋陽國瑞城) Phase IV	5,978	513,274	52,213
Zhengzhou	Zhengzhou Glory City (鄭州國瑞城)	499,663	451,357	507,334
Langfang	Yongqing Glory City (永清國瑞城) Phase I	285,203	300,558	358,610
Langfang	Yongqing Glory City (永清國瑞城) Phase II	528,545	545,336	192,629
Langfang	Yongqing Glory City (永清國瑞城) Phase III	—	—	208,639
Langfang	Yongqing Glory City (永清國瑞城) Phase IV	—	—	253,577
Shantou	Shantou Glory City (汕頭國瑞城) Phase II	—	—	710,050
Xi'an	Xi'an Glory International Financial Center (西安國瑞國際金融中心)	—	—	409,636
Foshan	Foshan Guohua New Capital (佛山國華新都)	—	—	5,768
Other projects	Early stage work performed	2,954	4,945	23,005
Sub-total		4,282,087	4,960,386	9,967,028
Chongqing and Shijiazhuang Business				
Chongqing	Chongqing Glory City (重慶國瑞城) Phase II	—	—	—
Chongqing	Chongqing Glory City (重慶國瑞城) Phase III	427,434	—	—
Shijiazhuang	Shijiazhuang Yixing Glory City (石家莊義興國瑞城)	105,006	—	—
Shijiazhuang	Shijiazhuang Glory City (石家莊國瑞城)	1,177,250	—	—
Shijiazhuang	Wujin City (五金城)	33,447	—	—
Shijiazhuang	Longxi City (龍溪城)	149,586	—	—
Shijiazhuang	Fugui City (富貴城)	90,087	—	—
Shijiazhuang	Xiaojiaying (肖家營)	50,000	—	—
Shijiazhuang	Shijiazhuang Guosha (石家莊國廈)	24,826	—	—
Sub-total		2,057,636	—	—
		6,339,723	4,960,386	9,967,028

Our properties under development for sale generally reflect the value of properties we have under construction at the given balance sheet date and therefore are significantly affected by project development schedules. Completed and undelivered properties are transferred from properties under development for sale to properties held for sale or investment properties.

Our properties under development for sale decreased by 21.8% from RMB6,339.7 million as of December 31, 2011 to RMB4,960.4 million as of December 31, 2012, primarily due to the decrease in the properties under development for sale of the Chongqing and Shijiazhuang Business, partially offset by the increase in the properties under development for sale of our Business other than Chongqing and Shijiazhuang Business. The properties under development for sale of the Chongqing and Shijiazhuang Business decreased from RMB2,057.6 million as of December 31, 2011 to nil as of December 31, 2012, primarily because the properties under development for sale of the Chongqing and Shijiazhuang Business

FINANCIAL INFORMATION

ceased to be included in our total properties under development for sale from December 31, 2012. The properties under development for sale of our Business other than Chongqing and Shijiazhuang Business increased from RMB4,282.1 million as of December 31, 2011 to RMB4,960.4 million as of December 31, 2012, primarily due to the increase in the GFA under construction of Eudemonia Palace and Phase IV of Shenyang Glory City.

Our properties under development for sale increased by 100.9% from RMB4,960.4 million as of December 31, 2012 to RMB9,967.0 million as of December 31, 2013, primarily due to our acquisition of the land parcel for Beijing Glory Center in February 2013 and increase in property development cost in Phase III of Shenyang Glory City.

Properties Held for Sale

The value of our properties held for sale was RMB1,036.0 million, RMB1,556.0 million and RMB1,739.5 million as of December 31, 2011, 2012 and 2013, respectively. Properties held for sale are completed properties that have not been contracted for sales or completed properties that have been contracted for sales but have not been delivered to purchasers. As of December 31, 2011, 2012 and 2013, we had pledged properties held for sale of RMB147.8 million, RMB52.0 million and RMB1,110.7 million, respectively, to secure bank and other borrowings.

The table below sets forth the breakdown of the value of properties held for sale by project (phase) as of the dates indicated:

Location	Project (Phase)	As of December 31,		
		2011	2012	2013
		(RMB'000)	(RMB'000)	(RMB'000)
Business other than Chongqing and Shijiazhuang Business				
Beijing	Beijing Glory City (北京國瑞城) Phase I	115,855	94,101	93,122
Beijing	Beijing Glory City (北京國瑞城) Phase II	222,908	220,451	181,962
Beijing	Eudemonia Palace (京禧閣)	—	—	276,434
Beijing	Beijing Fugui Garden (北京富貴園)	33,492	30,296	30,312
Haikou	Haikuotiankong Glory City (海闊天空國瑞城)	—	344,988	636,690
Haikou	Haidian Island Glory Garden (海甸島國瑞花園)	—	288,678	92,301
Shenyang	Shenyang Glory City (瀋陽國瑞城) Phase II	265,505	240,306	172,680
Zhengzhou	Zhengzhou Glory City (鄭州國瑞城)	—	313,027	202,279
Shantou	Glory Garden, Yashi Garden (國瑞園·雅仕園)	100,463	24,192	5,809
Langfang	Yongqing Glory City(永清國瑞城) Phase I	—	—	47,905
Sub-total		738,223	1,556,039	1,739,494
Chongqing and Shijiazhuang Business				
Chongqing	Chongqing Glory City (重慶國瑞城) Phase I	19,685	—	—
Chongqing	Chongqing Glory City (重慶國瑞城) Phase II	201,123	—	—
Shijiazhuang	Shijiazhuang Yixing Glory City (石家莊義興國瑞城)	76,929	—	—
Sub-total		297,737	—	—
		1,035,960	1,556,039	1,739,494

During the Track Record Period, our properties held for sale generally grew in line with the increase in our property development activities.

Our properties held for sale increased by 50.2% from RMB1,036.0 million as of December 31, 2011 to RMB1,556.0 million as of December 31, 2012, primarily due to the increase in the properties held for sale of our Business other than Chongqing and Shijiazhuang Business, partially offset by the decrease in the properties held for sale of the Chongqing and Shijiazhuang Business. The properties held for sale of our Business other than Chongqing and Shijiazhuang Business increased by 110.8% from RMB738.2 million as of December 31, 2011 to RMB1,556.0 million as of December 31, 2012, primarily due to the increase in the

FINANCIAL INFORMATION

completed, but not delivered GFA of Haikuotiankong Glory City, Haidian Island Glory Garden and Zhengzhou Glory City. We had properties held for sale of the Chongqing and Shijiazhuang Business of RMB297.7 million as of December 31, 2011, whereas we did no record any properties held for sale of the Chongqing and Shijiazhuang Business as of December 31, 2012, primarily due to the disposal of our Chongqing and Shijiazhuang Business.

Our properties held for sale increased by 11.8% from RMB1,556.0 million as of December 31, 2012 to RMB1,739.5 million as of December 31, 2013, primarily due to the completion of Eudemonia Palace and Phase II of Haikuotiankong Glory City.

Investment Properties

Our investment properties were RMB6,042.0 million, RMB6,992.9 million and RMB7,985.5 million as of December 31, 2011, 2012 and 2013, respectively. As of December 31, 2011, 2012 and 2013, we had pledged investment properties with a carrying amount of RMB5,532.5 million, RMB6,519.3 million and RMB7,355.1 million, respectively, to secure bank and other borrowings.

The table below sets forth the breakdown of the values of investment properties by project (phase) as of the dates indicated:

Location	Project (Phase)	As of December 31,		
		2011	2012	2013
		(RMB'000)	(RMB'000)	(RMB'000)
<i>Business other than Chongqing and Shijiazhuang Business</i>				
Beijing	Beijing Glory City (北京國瑞城) Phases I, II	4,496,000	5,369,700	6,332,100
Beijing	Beijing Fugui Garden (北京富貴園)	742,000	823,000	836,000
Shantou	Shantou Glory City (汕頭國瑞城) Phase I	413,400	469,000	486,000
Shenyang	Shenyang Glory City (瀋陽國瑞城) Phase I	310,800	331,200	331,400
Sub-total		5,962,200	6,992,900	7,985,500
<i>Chongqing and Shijiazhuang Business</i>				
Chongqing	Chongqing Glory City (重慶國瑞城) Phase I	79,755	—	—
Sub-total		79,755	—	—
		6,041,955	6,992,900	7,985,500

Our investment properties increased by 15.7% from RMB6,042.0 million as of December 31, 2011 to RMB6,992.9 million as of December 31, 2012, primarily due to the increase in the investment properties of the Business other than Chongqing and Shijiazhuang Business. The investment properties of our Business other than Chongqing and Shijiazhuang Business increased by 17.3% from RMB5,962.2 million as of December 31, 2011 to RMB6,992.9 million as of December 31, 2012, primarily due to an increase in the rentals of commercial properties as a result of market demand.

Our investment properties increased by 14.2% from RMB6,992.9 million as of December 31, 2012 to RMB7,985.5 million as of December 31, 2013, primarily due to the transfer of 12 units of siheyuan (四合院) of Beijing Glory City from properties held for sale to investment properties in the second quarter of 2013.

FINANCIAL INFORMATION

Deposits Paid for Land Acquisition

Deposits paid for land acquisition represent deposit paid for public tenders, auctions or listing-for-bidding of land use rights in the PRC. The table below sets forth the breakdown of the deposits paid for land acquisition by project (phase) as of the dates indicated:

		As of December 31,		
		2011	2012	2013
Location	Project (Phase)	(RMB'000)	(RMB'000)	(RMB'000)
Business other than Chongqing and Shijiazhuang Business				
Shenyang	Shenyang Glory City (瀋陽國瑞城) Phase III	311,189	311,189	—
Shenyang	Shenyang Glory City (瀋陽國瑞城) Phase IV	837,133	473,731	—
Shantou	Shantou Glory City (汕頭國瑞城) Phase II	5,000	5,000	5,000
Foshan	Guohua Zhiye (國華置業)	15,143	61,080	309,160
Sub-total		1,168,465	851,000	314,160
Chongqing and Shijiazhuang Business				
Chongqing	Chongqing Ruiao (重慶瑞奧)	127,775	—	—
Sub-total		127,775	—	—
		1,296,240	851,000	314,160

Deposits paid for land acquisition decreased by 34.3% from RMB1,296.2 million as of December 31, 2011 to RMB851.0 million as of December 31, 2012, primarily due to the decrease in the deposits paid for land acquisition of our Business other than Chongqing and Shijiazhuang Business and Chongqing and Shijiazhuang Business. Deposits paid for land acquisition of our Business other than Chongqing and Shijiazhuang Business decreased by 27.2% from RMB1,168.5 million as of December 31, 2011 to RMB851.0 million as of December 31, 2012, primarily due to the decrease in deposits we paid for acquiring land for Phase IV of Shenyang Glory City as the deposits were transferred to prepaid lease payments upon the execution of the land grant contracts for the relevant land parcels subsequent to our winning of the relevant bids. We had deposits paid for land acquisition of the Chongqing and Shijiazhuang Business of RMB127.8 million as of December 31, 2011, whereas we did not record any deposits paid for land acquisition of the Chongqing and Shijiazhuang Business as of December 31, 2012, primarily due to the disposal of our Chongqing and Shijiazhuang Business.

Deposits paid for land acquisition decreased by 63.1% from RMB851.0 million as of December 31, 2012 to RMB314.2 million as of December 31, 2013, primarily due to the transfer from deposits paid for land acquisition of the deposits paid for Phase III and Phase IV of Shenyang Glory City as we entered into land grant contracts for Phase III and Phase IV of Shenyang Glory City.

FINANCIAL INFORMATION

Trade and Other Receivables, Deposits and Prepayments

We had total trade and other receivables, deposits and prepayments of RMB1,580.9 million, RMB556.7 million and RMB389.5 million as of December 31, 2011 and 2012 and 2013, respectively. The table below sets out the breakdown of our trade and other receivables, deposits and prepayments as of the dates indicated:

	As of December 31,		
	2011	2012	2013
	(RMB'000)	(RMB'000)	(RMB'000)
Trade receivables, net of allowance	38,033	38,928	169,074
Advances to contractors and suppliers	519,108	209,193	107,747
Other receivables from independent third parties ⁽¹⁾	934,754	242,705	17,510
Other receivables and prepayment, net of allowance	13,621	15,895	44,665
Prepaid lease payment — current portion	738	772	393
Deposits	74,660	49,187	50,105
	1,580,914	556,680	389,494

Notes:

- (1) Other receivables from independent parties are of non-trade nature, unsecured, interest free and repayable on demand. As of December 31, 2011, we had outstanding other receivables of RMB20.0 million arising from the disposal of Wan Ning Longsheng, which is subsequently settled in 2012.

Trade Receivables

Trade receivables comprise primarily rental receivables, receivables from sales of properties and receivables from primary land construction and development services. Pursuant to our lease agreements with our tenants, rental payment is required to be settled in advance with no credit period being granted to the tenants. We normally do not grant credit period to our customers purchasing our properties. However, we may grant credit period of up to 12 months to certain credit-worthy customers on a case-by-case basis. With respect to compensation for provision of primary land construction and development services in respect of Beijing Hademen project and West Qinian Street project, we grant a credit period of up to 365 days from the agreement date. There is no industry standard for the credit period of a primary land development project because the credit periods of these projects are negotiated between the developers and the government on a case-by-case basis.

Trade receivables remained relatively stable from December 31, 2011 to December 31, 2012. Trade receivables increased significantly from RMB38.9 million as of December 31, 2012 to RMB169.1 million as of December 31, 2013, primarily due to receivables from banks of mortgage loans in relation to sales of properties in certain buildings of Phase II of Beijing Glory City. We confirmed with such banks to ensure that they have granted all the approvals for these mortgage loans before delivering the properties to property purchasers.

The table below is an aging analysis of our trade receivables as of the dates indicated:

	As of December 31,		
	2011	2012	2013
	(RMB'000)	(RMB'000)	(RMB'000)
0 to 60 days	11,268	4,646	129,255
61 to 365 days	8,422	22,833	29,969
1-2 years	17,190	5,426	5,114
Over 2 years	1,153	6,023	4,736
	38,033	38,928	169,074

FINANCIAL INFORMATION

As of April 30, 2014, RMB125.8 million of our trade receivables as of December 31, 2013 had been subsequently settled by relevant customers, and there had not been a significant change in credit quality for the remaining unsettled trade receivables (net of provision) and the amounts are still considered recoverable.

The table below is an aging analysis of our overdue receivables:

	As of December 31,		
	2011	2012	2013
	(RMB'000)	(RMB'000)	(RMB'000)
Less than 1 year	4,419	5,172	6,033
1-2 years	17,190	5,426	5,114
Over 2 years	1,153	6,023	4,736
	<u>22,762</u>	<u>16,621</u>	<u>15,883</u>

As of December 31, 2011, 2012 and 2013, our overdue but not impaired trade receivables were RMB22.8 million, RMB16.6 million and RMB15.9 million, respectively. We do not hold any collateral over these balances. Our allowance for doubtful debts on trade receivables was RMB1.3 million, RMB4.1 million and RMB4.1 million, respectively, as of December 31, 2011, 2012 and 2013.

Our trade receivable turnover days were 8 days, 3 days and 6 days in 2011, 2012 and 2013, respectively, which are relatively stable during the Track Record Period. We calculate the trade receivables turnover days based on the average ending balance of trade receivables divided by revenue for the relevant year multiplied by the number of days in the relevant year.

Advance to Contractors and Suppliers

Advances to contractors and suppliers mainly represent prepaid construction fees to contractors and prepayments to suppliers for construction materials. Advances to contractors and suppliers decreased by 59.7% from RMB519.1 million as of December 31, 2011 to RMB209.2 million as of December 31, 2012, primarily due to the disposal of our subsidiaries in Chongqing and Shijiazhuang, which had advance to contractors and suppliers at the time of disposal. Please refer to the section headed “History and Reorganization” of this prospectus for details of the relevant transactions. Advances to contractors and suppliers decreased by 48.5% from RMB209.2 million as of December 31, 2012 to RMB107.7 million as of December 31, 2013, primarily due to the transfer of advances to contractors and suppliers in relation to Eudemonia Palace project to cost as we completed Eudemonia Palace in 2013.

FINANCIAL INFORMATION

Other Receivables from Independent Third Parties

Other receivables from independent third parties comprise primarily advances from some of our subsidiaries to their former shareholders before being acquired by us and advances to independent third parties in relation to the development of our business, including acquisition of project companies and new projects and facilitating the progress of our existing projects. Other receivables from independent parties are of non-trade nature, unsecured, interest free and repayable on demand. The table below sets forth the breakdown of other receivables from independent third parties as of the dates indicated:

Amounts due to our Retained Business

Advances from our subsidiaries to their former shareholders before being acquired by us

Counterparty	As of December 31,			As of the Latest Practicable Date
	2011	2012	2013	
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Hainan Detong Group Co., Ltd. (海南德通集團有限公司) (formerly Sanya Detong Investment Development Company Limited (三亞德通投資發展有限公司)) ⁽¹⁾	33,671	—	—	—
Hainan HNA Real Estate (Group) Co., Ltd. (海南海航地產控股 (集團) 有限公司) (formerly Hainan HNA Real Estate Holding Co., Ltd. (海南海航地產控股有限公司)) (“Hainan HNA Real Estate”) ⁽²⁾	32,851	32,851	—	—
Hainan HNA Real Estate ⁽³⁾	49,996	49,996	—	—
	116,518	82,847	—	—

Note:

- (1) Represents receivables from the former shareholder of our project company for Haidian Island Glory Garden project incurred before such project company was acquired by us. Please see “History and Reorganization — Our Corporate History and Development” for details of the acquisition.
- (2) Represents receivables from the former shareholders of our project company for Haikou West Coast Glory project incurred before such project company was acquired by us. Please see “History and Reorganization — Our Corporate History and Development” for details of the acquisition.
- (3) Represents receivables from the former shareholder of our project company for Haikuotiankong Glory City project incurred before such project company was acquired by us. Please see “History and Reorganization — Our Corporate History and Development” for details of the acquisition.

Advances to independent third parties in relation to the development of our business

Counterparty	As of December 31,			As of the Latest Practicable Date
	2011	2012	2013	
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Hainan Detong Group Co., Ltd. (海南德通集團有限公司) (formerly Sanya Detong Investment Development Company Limited (三亞德通投資發展有限公司)) (“Hainan Detong”) ⁽¹⁾	5,000	—	—	—
Beijing Hengyihuirui Property Development Company Limited (北京恒懿匯瑞房地產開發有限公司) (“Beijing Hengyihuirui”) ⁽²⁾	—	75,027	—	—
Beijing Hongyuyue Investment Consulting Company Limited (北京鴻雨鉞投資顧問有限公司) (“Beijing Hongyuyue”) ⁽³⁾	—	20,000	—	—
Shantou Guohong ⁽⁴⁾	100,505	—	—	—
Wanning Finance Bureau (萬寧市財政局) ⁽⁵⁾	58,348	24,429	17,510	17,510
Total Branding Limited ⁽⁶⁾	40,395	40,402	—	—
	204,248	159,858	17,510	17,510

FINANCIAL INFORMATION

Note:

- (1) Hainan Detong is an independent third party of our Group and of our connected persons. Pursuant to an agreement we entered into with Hainan Detong in July 2009, Hainan Detong agreed to refund us RMB65 million in respect of a previously proposed cooperation project that was not carried out. Hainan Detong fully settled such amount in 2012.
- (2) Beijing Hengyihuirui is primarily engaged in property development. It is an independent third party of our Group and of our connected persons. With the assistance of Beijing Hengyihuirui, we acquired the land use rights for Eudemonia Palace project, the land parcel of which was part of Zhongshili dangerous old houses renovation project (忠實里危舊房改造項目). We incurred advances with Beijing Hengyihuirui for the development of Eudemonia Palace project since 2010 and we settled all such advances in October 2012. Please see “Business — Our Property Development Projects — Beijing — Eudemonia Palace” for details of Eudemonia Palace project. We entered into a framework cooperation agreement with Beijing Hengyihuirui in January 2013 to establish a joint venture to develop another land parcel in Zhongshili with a planned GFA of 23,000 sq.m. (“Zhongshili subsequent project”). Pursuant to such agreement, Beijing Hengyihuirui was responsible for coordination for land acquisition and we were responsible for the costs for land acquisition. As we subsequently expected the plot ratio of Zhongshili subsequent project to decrease significantly due to expected adjustment in district planning by the local government, we did not believe it would be economically feasible to proceed with such project. Therefore, we entered into an agreement with Beijing Hengyihuirui to terminate our cooperation in respect of Zhongshili subsequent project and settled all our advances in June 2013.
- (3) We established Tonghe Leasing with Beijing Hongyuyue in September 2012 and Beijing Hongyuyue was the minority shareholder. The controlling shareholder of Beijing Hongyuyue is experienced in the financial leasing industry. We established Tonghe Leasing with Beijing Hongyuyue to be engaged in financial leasing business and Tonghe Leasing applied for financial leasing license soon after its incorporation. However, considering the difficulty in obtaining the financial leasing license issued by MOFCOM which normally requires substantial time, at the same time, we decided to jointly acquire a company with financial leasing qualification and Beijing Hongyuyue was responsible for identifying a potential target company. We prepaid Beijing Hongyuyue RMB20 million in September 2012 for such potential acquisition. As part of the Reorganization, we disposed of the equity interest we held in Tonghe Leasing in June 2013. As a result, we terminated the acquisition plan in June 2013 and Beijing Hongyuyue returned such amount in June 2013.
- (4) Such amount is in relation to inter-company loans we extended to Shantou Guohong. Please see “Business — Regulatory Compliance — Historical Non-compliance Incidents — Inter-company Loans” for details.
- (5) Wanning Finance Bureau is a local government authority. It is an independent third party of our Group and of our connected persons. We entered into an agreement with Wanning Municipal People’s Government (萬寧市人民政府) to undertake the construction of a landscape road with a length of 12.9 kilometers. We agreed to pay for the relevant development costs in advance, which will be reimbursed by the local government upon completion of construction. We believed completion of construction of such road would significantly facilitate transportation to the land parcels of our Wanning Glory City project and we intended to acquire the land use rights of such land parcels through listing-for-sale at that time. As of the Latest Practicable Date, we had not completed the construction of the landscape road.
- (6) Total Branding Limited was incorporated in Hong Kong. It is an independent third party of our Group and of our connected persons. The controlling shareholder of Total Branding Limited is a business acquaintance of Chairman Zhang. We engaged foreign design firms to provide design services for our property development projects and such foreign design firms required payment of design fees in foreign currencies. Foreign exchange settlement in China normally requires substantial time. In order to facilitate our payment of design fees to the foreign design firms without delaying our development progress, we prepaid design fees to Total Branding Limited for its subsequent payment of design fees to foreign design firms on our behalf, or asked Total Branding Limited to pay design fees in advance on our behalf which we subsequently reimbursed Total Branding Limited for.

Amounts due to our Disposed Business

Advances to independent third parties in relation to the development of our business

<u>Counterparty</u>	<u>As of December 31,</u>	
	<u>2011</u>	<u>2012</u>
	<u>(RMB’000)</u>	<u>(RMB’000)</u>
Chongqing Guolong ⁽²⁾	275,003	— ⁽¹⁾
Chongqing Fuge ⁽²⁾	177,000	— ⁽¹⁾
Tangu community resident committee of Changan District (長安區談固社區居民委員會) ⁽³⁾	131,100	— ⁽¹⁾
Hebei Daming ⁽⁴⁾	27,885	— ⁽¹⁾
Shijiazhuang Yixing Industrial Company Limited (石家莊義興實業公司) (“Shijiazhuang Yixing”) ⁽⁵⁾ ...	3,000	— ⁽¹⁾
	<u>613,988</u>	<u>—⁽¹⁾</u>

Note:

- (1) As part of our Reorganization, we disposed of the Chongqing and Shijiazhuang Business on December 31, 2012. Accordingly, other receivables from independent third parties of the Chongqing and Shijiazhuang Business ceased to be included in our total other receivables from independent third parties from December 31, 2012.

FINANCIAL INFORMATION

- (2) *Chongqing Longxia extended advances to Chongqing Guolong and Chongqing Fuge before 2011 and Chongqing Guolong and Chongqing Fuge, as per our instruction, repaid some of these advances to Shijiazhuang Glory. For such advances which were extended by and repaid to different members of the Group, we did not offset the advances extended with the repayments received. As of January 1, 2011, the outstanding balance of advances extended by Chongqing Longxia to Chongqing Fuge and the outstanding balance of advances extended by Chongqing Longxia to Chongqing Guolong was RMB125.0 million and RMB275.0 million, respectively. In addition, Chongqing Longxia extended inter-company loans of RMB52.0 million to Chongqing Fuge in 2011. Please see “Business — Regulatory Compliance — Historical Non-compliance Incidents — Inter-company Loans” for details. Therefore, as of December 31, 2011, our receivables from Chongqing Fuge amounted to RMB177.0 million and our receivables from Chongqing Guolong amounted to RMB275.0 million, which also includes RMB2,608, being the bank charges incurred with respect to the loans we extended to Chongqing Guolong and Chongqing Fuge.*
- (3) *Tangu community resident committee of Changan District is a self-governing organization in Shijiazhuang, Hebei Province. It is an independent third party of our Group and of our connected persons. Shijiazhuang Glory cooperated with the Tangu community resident committee of Changan District in developing certain land parcels in Tangu, namely, Shijiazhuang Glory City project. Tangu community resident committee of Changan District was responsible for demolition and resettlement in respect of these land parcels and for the relevant costs, whereas we were responsible for the subsequent construction of properties on these land parcels. Shijiazhuang Glory extended such advances for the purpose of providing financial support to the committee, which was in need of funding for implementing its demolition and resettlement of the land parcels to be used for our Shijiazhuang Glory City project.*
- (4) *Shijiazhuang Glory extended advances to Hebei Daming before 2011 and as of January 1, 2011, RMB27.7 million was outstanding. Such amount remained outstanding as of December 31, 2011. In addition, Shijiazhuang Glory extended inter-company loans of RMB150,000 to Hebei Daming in 2011. Please see “Business — Regulatory Compliance — Historical Non-compliance Incidents — Inter-company Loans” for details. Therefore, our receivables from Hebei Daming as of December 31, 2011 amounted to RMB27.9 million.*
- (5) *Shijiazhuang Yixing is an independent third party of our Group and of our connected persons and is controlled by the local self-governing organization in Yitang village, Shijiazhuang, Hebei Province. Shijiazhuang Glory cooperated with the local self-governing organization in developing certain land parcels in Yitang, namely, Shijiazhuang Glory Garden project. The local self-governing organization was responsible for demolition and resettlement in respect of these land parcels, whereas we were responsible for the relevant costs and subsequent construction of properties on these land parcels. Shijiazhuang Glory prepaid Shijiazhuang Yixing RMB3 million in 2008 for the demolition and resettlement work.*

Other receivables from independent third parties decreased by 74.0% from RMB934.8 million as of December 31, 2011 to RMB242.7 million as of December 31, 2012, primarily due to the disposal of our Chongqing and Shijiazhuang Business. As of December 31, 2011, other receivables from independent third parties relating to our Chongqing and Shijiazhuang Business amounted to RMB614.0 million respectively, representing 65.7% of our total other receivables from independent third parties. We disposed of our Chongqing and Shijiazhuang Business at the end of 2012. As the result, we did not have outstanding other receivables from independent third parties relating to our Chongqing and Shijiazhuang Business as of December 31, 2012. Please refer to the sections headed “History and Reorganization” of this prospectus for details of the relevant transactions and “Business — Regulatory Compliance” for details of the non-compliance in relation to inter-company loans. Other receivables from independent third parties decreased by 92.8% from RMB242.7 million as of December 31, 2012 to RMB17.5 million as of December 31, 2013, primarily due to increased repayment from our counterparties.

Other Receivables and Prepayments, net of allowance

Other receivables and prepayments, net of allowance, mainly represent utilities we pay on behalf of our property purchasers in advance.

Deposits

Deposits comprise primarily refundable good faith deposits we pay to independent third parties in connection with potential projects we intend to undertake.

Amounts due from Customers for Contract Work

Amounts due from customers for contract work comprise the amounts relating to our primary land development projects. Amounts due from customers for contract work increased from RMB1,144.3 million

FINANCIAL INFORMATION

as of December 31, 2011 to RMB1,355.1 million as of December 31, 2012, primarily due to an increase in primary land construction and development services provided in respect of Beijing Hademen project and West Qinian Street project. Amounts due from customers for contract work decreased from RMB1,355.1 million as of December 31, 2012 to RMB889.3 million as of December 31, 2013, primarily because we received RMB400.0 million from a public service unit for one land parcel of West Qinian Street project in 2013.

Amounts due from Related Parties

The table below sets forth our amounts due from related parties as of the dates indicated:

	As of December 31,		
	2011	2012	2013
	(RMB'000)	(RMB'000)	(RMB'000)
Non-trade balances ⁽¹⁾	1,500,936	878,260	4,265
Trade balances ⁽²⁾	7,945	3,898	—
Total	<u>1,508,881</u>	<u>882,158</u>	<u>4,265</u>

Note:

(1) Balances are of non-trade nature, unsecured, interest free and repayable on demand.

(2) Balances are of trade nature, unsecured, interest free and repayable on demand.

We will discontinue all of the non-trade related party transactions after the Listing. Our Directors confirm that all non-trade balances due from related parties as of December 31, 2013 have subsequently been settled in May 2014.

Trade and Other Payables

As of December 31, 2011, 2012 and 2013, we had total trade and other payables in the amount of RMB2,902.8 million, RMB2,249.3 million and RMB4,729.1 million, respectively. The table below sets out the breakdown of our current trade and other payables of the dates indicated:

	As of December 31,		
	2011	2012	2013
	(RMB'000)	(RMB'000)	(RMB'000)
Trade payable	1,346,355	1,096,778	2,331,703
Bills payable	2,310	—	—
Deposits received ⁽¹⁾	318,932	456,154	523,922
Rental received in advance	25,771	26,012	42,770
Payable for acquisition of subsidiaries	481,869	549,869	467,011
Other payables to independent third parties	704,691	96,843	—
Other payables to connected person	—	—	1,120,046
Accrued payroll	3,442	3,330	21,713
Deed tax, business and other tax payable	8,487	1,766	173,960
Other payables and accruals	10,919	18,531	47,962
	<u>2,902,776</u>	<u>2,249,283</u>	<u>4,729,087</u>

Note:

(1) Comprise current and non-current deposits received. Pursuant to the relevant agreements, certain deposits received are not expected to be refunded within twelve months after the end of each reporting period and are therefore classified as non-current asset. As of December 31, 2011, 2012 and 2013, we had non-current deposits received of RMB44.7 million, RMB44.1 million and RMB49.3 million, respectively.

FINANCIAL INFORMATION

Trade and Bills Payable

Trade and bills payables comprise land acquisition cost, construction costs and other project-related expenses payable. The change in balance of our trade and bills payables during the Track Record Period was mainly due to the project development progress. Trade and bills payables increased significantly from RMB1,096.8 million as of December 31, 2012 to RMB2,331.7 million as of December 31, 2013, primarily due to an increase in the GFA we commenced construction of Haikuotiankong Glory City.

The average credit period of our trade and bills payable is approximately 180 days. The table below is an aging analysis of trade and bills payable based on invoice date, as of the dates indicated:

	As of December 31,		
	2011	2012	2013
	(RMB'000)	(RMB'000)	(RMB'000)
0 to 60 days	1,055,693	910,933	1,055,862
61 to 365 days	228,202	107,535	1,190,485
1-2 years	15,391	55,120	72,792
Over 2 years	47,069	23,190	12,564
	1,346,355	1,096,778	2,331,703

Our trade payables turnover days were 453 days, 165 days and 200 days in 2011, 2012 and 2013, respectively. We calculate the trade payables turnover days based on the average ending balance of trade payables divided by cost of sales for the relevant year multiplied by the number of days in the relevant year. Most of our trade payables during the Track Record Period were due to construction contractors. The trade payable turnover days were relatively long, as our contractors are typically paid according to milestones in construction and the construction periods of our projects were relatively long. Our trade payables turnover days fluctuated during the Track Record Period in line with the construction periods of our different projects. Please refer to the section headed “Business — Project Development Management — Our Standardized Property Development Process — Contracting, Procurement, Project Management and Quality Control — Contracting and Procurement” in this prospectus for the details.

As of April 30, 2014, RMB497.3 million of our trade payables as of December 31, 2013 had been subsequently settled with relevant suppliers and contractors. Our Directors confirm that during the Track Record Period and as of the Latest Practicable Date there was no material default in payment of trade and non-trade payables.

Deposits Received

Deposits received mainly comprise (i) good faith deposits received from our property purchasers; (ii) performance guarantee deposits received from our tenants; and (iii) bidding deposits and performance guarantee deposits received from our contractors and suppliers. Deposits received increased by 43.1% from RMB318.9 million as of December 31, 2011 to RMB456.2 million as of December 31, 2012, primarily due to our good faith deposits received from Haikuotiankong Glory City (Phase V). Deposits received increased by 14.8% from RMB456.2 million as of December 31, 2012 to RMB523.9 million as of December 31, 2013, primarily due to an increase in our properties for sale of Phase II of Beijing Glory City.

Rental Received in Advance

Rental received in advance represents rentals paid in advance by our tenants. During the Track Record Period, our rental received in advance remained relatively stable.

Payable for Acquisition of Subsidiaries

Payable for acquisition of subsidiaries represents the consideration payable for our acquisition of subsidiaries. Payable for acquisition of subsidiaries increased from RMB481.9 million as of December 31,

FINANCIAL INFORMATION

2011 to RMB549.9 million as of December 31, 2012, primarily due to an unpaid consideration of RMB68.0 million. In November 2012, Original Beijing Glory acquired the remaining 30% equity interest in Shenyang Dadongfang for a consideration of RMB68.0 million from its non-controlling equity holder. Such amount payable was unsecured, interest free and payable on demand and remained outstanding as of December 31, 2012.

Payable for acquisition of subsidiaries decreased from RMB549.9 million as of December 31, 2012 to RMB467.0 million as of December 31, 2013, primarily due to the payment of a portion of consideration for acquisition of the equity interest in Hainan HNA and the payment of above-mentioned consideration of RMB68.0 million, partially offset by the unpaid consideration for the acquisition of equity interest in Shaanxi Huawei. In 2010, Hainan Glory acquired the entire equity interest in Hainan HNA from independent third parties for a total consideration of RMB466.9 million. Such amount payable was interest free, unsecured and payable on demand and remained outstanding as of December 31, 2012. We paid a portion of the consideration, amounting to RMB344.9 million, for the acquisition of equity interest in Hainan HNA in 2013. In October 2013, Original Beijing Glory acquired the entire equity interest in Shaanxi Huawei for a consideration of RMB450.0 million. During the year ended December 31, 2013, we paid a portion of consideration amounting to RMB120.0 million and had unpaid consideration of RMB330.0 million outstanding as of December 31, 2013. The amount is unsecured, interest free and repayable on demand.

Other Payable to Independent Third Parties

Other payables to independent third parties comprise primarily advances from independent third parties in relation to the development of our business. Other payables to independent parties are of non-trade nature, unsecured, interest free and repayable on demand. The table below sets forth the breakdown of other payables to independent third parties as of the dates indicated:

Amounts due from our Retained Business

Advances from independent third parties in relation to the development of our business

Counterparty	As of December 31,			As of the Latest Practicable Date
	2011	2012	2013	
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Beijing Hengyihuirui ⁽¹⁾	38,550	—	—	—
Property purchasers ⁽²⁾	7,682	—	—	—
Xinzheng Land and Resource Bureau (新鄭市國土資源局) ⁽³⁾	—	—	—	—
Shanghai Rengong Industrial Company Limited (上海任功實業有限公司) ⁽⁴⁾	11,000	—	—	—
Shantou Guohong Construction Limited (汕頭市國宏建築有限公司)(“Shantou Guohong”) ⁽⁵⁾	7,000	—	—	—
Shantou Huanan Metal Supermarket Company Limited (汕頭華南金屬超市有限公司)(“Shantou Huanan Metal”) ⁽⁶⁾	3,209	3,209	—	—
Total Branding Limited ⁽⁷⁾	51,758	52,056	—	—
Tsang How Investments Limited ⁽⁸⁾	18,000	18,000	—	—
	<u>137,199</u>	<u>73,265</u>	<u>—</u>	<u>—</u>

Note:

- (1) Please see footnote (2) to the table set out in the section headed “— Trade and Other Receivables, Deposits and Prepayments — Other Receivables from Independent Third Parties — Amounts Due to Our Retained Business — Advances to Independent Third Parties in Relation to the Development of Our Business.”
- (2) We assisted some purchasers of the properties we developed in applying for property ownership certificates and received fees from these individual property purchasers in advance in respect of such application under the relevant PRC regulations. All these property purchasers are independent third parties of our Group and of our connected persons.

FINANCIAL INFORMATION

- (3) Xinzheng Land and Resource Bureau is a local government authority. It is an independent third party of our Group and of our connected persons. As of December 31, 2010, we had entered into the relevant land grant contracts for acquiring the land use rights of our Zhengzhou Glory City project but had not yet obtained the relevant land use rights certificates. Therefore, we withheld the relevant deed tax and recorded under other payables to independent third parties. We paid such deed tax in September 2011.
- (4) Shanghai Rengong is an independent third party of our Group and of our connected persons. Shanghai Rengong entered into an agreement with us in October 2011 with the intention to purchase some of the retail outlets in our Glory Garden project as long-term investment properties. Shanghai Rengong paid a deposit of RMB11 million to us in November 2011 in accordance with the agreement. However, as we failed to reach agreement with Shanghai Rengong on the sale, we returned such deposit to Shanghai Rengong by May 2012.
- (5) Shantou Guohong is an independent third party of our Group and of our connected persons. Shantou Guohong referred us to the opportunity to develop certain land parcels in Shantou with a total site area of 76,668 sq.m. Shantou Guohong entered into a framework cooperation agreement with us for this project in September 2010 and transferred RMB10 million to us in accordance with such agreement to finance the preliminary expenses to be incurred for this project. Pursuant to such framework cooperation agreement, Shantou Guohong was responsible for demolition and resettlement in respect of these land parcels and we were responsible for the relevant costs. As Shantou Guohong failed to reach agreement with the local self-governing organization and existing residents on the relevant land parcels in respect of demolition and resettlement, Shantou Guohong proposed and we subsequently reached agreement with Shantou Guohong to terminate such cooperation in December 2012. We returned such advances by December 2012.
- (6) Shantou Huanan Metal is primarily engaged in sales of metal construction materials. It is an independent third party of our Group and of our connected persons. Shantou Huanan Metal intended to lease an entire home furnishing and decoration materials retail center in our Shantou Glory City project and cooperate with us in developing an electronic trading platform for metal construction materials. Shantou Huanan Metal was responsible for all the relevant costs and we were responsible for setting up such platform. Shantou Huanan Metal prepaid us RMB3.2 million to finance our preliminary expenses incurred for setting up such platform, including advertising and system development costs. As we failed to reach agreement with Shantou Huanan Metal on the lease, we decided not to proceed with such cooperation and settled such amount in June 2013.
- (7) Please see footnote (7) to the table set out in the section headed “— Trade and Other Receivables, Deposits and Prepayments — Other Receivables from Independent Third Parties — Amounts Due to Our Retained Business — Advances to Independent Third Parties in Relation to the Development of Our Business.”
- (8) Tsang How Investments Limited is an independent third party of our Group and of our connected persons and was a former shareholder of Glory Management before it subsequently transferred its equity interest in Glory Management to us for a consideration of RMB18 million. We paid such consideration in March 2013.

Advances to our subsidiary from its former shareholder before being acquired by us

Counterparty	As of December 31,			As of the Latest Practicable Date
	2011	2012	2013	
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Hainan Airlines Holding Co., Ltd. (海南航空控股有限公司) ⁽¹⁾	3,939	3,939	—	—
	<u>3,939</u>	<u>3,939</u>	<u>—</u>	<u>—</u>

Note:

- (1) Represents payables to the former shareholder of our project company for Haikou West Coast Glory project incurred before such project company was acquired by us. Please see “History and Reorganization — Our Corporate History and Development” for details of the acquisition.

Other advances from independent third parties

Counterparty	As of December 31,			As of the Latest Practicable Date
	2011	2012	2013	
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Beijing Yuejinshunhe Investment Consulting Company Limited (北京躍進順和投資顧問有限公司) (“Beijing Yuejinshunhe”) ⁽¹⁾	2,017	—	—	—
	<u>2,017</u>	<u>—</u>	<u>—</u>	<u>—</u>

FINANCIAL INFORMATION

Note:

- (1) Beijing Yuejinshunhe was a subsidiary of Shantou Huitong Investment Co., Ltd. (汕頭市惠通投資有限公司) (“**Shantou Huitong**”), a company controlled by Chairman Zhang before April 17, 2013 and by Ms. Zhang Youxi, Chairman Zhang’s sister, after April 17, 2013. Shantou Huitong was our connected person as of the Latest Practicable Date. In September 2010, Shantou Huitong transferred 100% of the equity interest it held in Beijing Yuejinshunhe to an independent third party for a consideration of RMB2 million. Shantou Huitong instructed Original Beijing Glory to accept such payment on its behalf as Shantou Huitong and Original Beijing Glory were under common control at that time. We settled such amount in December 2012.

Amounts due from our Disposed Business

Advances from independent third parties in relation to the development of our business

Counterparty	As of December 31,	
	2011	2012
	(RMB’000)	(RMB’000)
Chongqing Guolong ⁽²⁾	355,000	— ⁽¹⁾
Chongqing Fuge ⁽²⁾	70,896	1,999 ⁽¹⁾
Niu Haijuan (牛海娟) ⁽³⁾	101,000	— ⁽¹⁾
Huang Ying (黃瑛) ⁽⁴⁾	17,640	17,640 ⁽¹⁾
Beijing Hengyihuirui ⁽⁵⁾	17,000	— ⁽¹⁾
	561,536	19,639⁽¹⁾

Note:

- (1) As part of our Reorganization, we disposed of the Chongqing and Shijiazhuang Business on December 31, 2012 and we disposed of Shantou Property Management in April 28, 2013. Accordingly, other payables to independent third parties of the Chongqing and Shijiazhuang Business ceased to be included in our total other payables to independent third parties from December 31, 2012 and other payables to independent third parties of Shantou Property Management were included in our total other payables to independent third parties as of December 31, 2012.
- (2) Chongqing Longxia extended advances to Chongqing Guolong and Chongqing Fuge before 2011 and Chongqing Guolong and Chongqing Fuge, as per our instruction, repaid some of these advances to Shijiazhuang Glory. For such advances which were extended by and repaid to different members of the Group, we did not offset the advances extended with the repayments received. As of January 1, 2011, the outstanding balance of repayments received from Chongqing Fuge to Shijiazhuang Glory and the outstanding balance of repayments received from Chongqing Guolong to Shijiazhuang Glory was RMB95.0 million and RMB125.0 million, respectively. In addition, in 2011, Shijiazhuang Glory extended inter-company loans of RMB125.0 million to Chongqing Fuge and as per our instruction, Chongqing Fuge repaid RMB98.9 million to Shijiazhuang Glory and RMB2.0 million to Shantou Property Management, while Chongqing Guolong repaid RMB230.0 million to Shijiazhuang Glory. Please see “Business — Regulatory Compliance — Historical Non-compliance Incidents — Inter-company Loans” for details. Therefore, as of December 31, 2011, our payables to Chongqing Fuge amounted to RMB70.9 million and our payables to Chongqing Guolong amounted to RMB355.0 million.
- (3) Ms. Niu Haijuan is an independent third party of our Group and of our connected persons. Ms. Niu Haijuan extended cash advances to our project companies in Chongqing and Shijiazhuang to satisfy the temporary cash requirements of these project companies in relation to their project development. We engaged a company controlled by Ms. Niu Haijuan as our construction materials supplier. Ms. Niu Haijuan also provided sales agency services to us.
- (4) Ms. Huang Ying is an independent third party of our Group and of our connected persons. Ms. Huang Ying extended cash advance to our property management company in Chongqing to satisfy its working capital requirement. We engaged a company controlled by Ms. Huang Ying as our construction materials supplier.
- (5) Beijing Hengyihuirui transferred RMB17 million to Shijiazhuang Glory in November 2011 to demonstrate its good faith for cooperation in a development project in Shijiazhuang, with a site area of 270,000 sq.m. Both parties intended to establish a joint venture to develop such project. As of December 31, 2012 when we disposed of the Chongqing and Shijiazhuang Business as part of our Reorganization, we had not entered into any agreement for such project.

Other payables to independent third parties decreased by 86.3% from RMB704.7 million as of December 31, 2011 to RMB96.8 million as of December 31, 2012, primarily due to the disposal of our Chongqing and Shijiazhuang Business. As of December 31, 2011, other payables to independent third parties relating to our Chongqing and Shijiazhuang Business amounted to RMB561.5 million, representing

FINANCIAL INFORMATION

79.7% of our total other payables to independent third parties. As the result of the disposal of our Chongqing and Shijiazhuang Business, we did not have outstanding other payables to independent third parties relating to our Chongqing and Shijiazhuang Business as of December 31, 2012. Please refer to the section headed “History and Reorganization” of this prospectus for details of the relevant transactions and “Business — Regulatory Compliance” for details of the non-compliance in relation to inter-company loans. Other payables to independent third parties decreased significantly from RMB96.8 million as of December 31, 2012 to nil as of December 31, 2013, primarily as a result of the disposal of the subsidiary which had such payables.

Other Payables to Connected Person

As of December 31, 2013, we had outstanding payables of RMB1,120.0 million in relation to termination in May 2013 of a pre-sale agreement entered into in July 2009 with Hainan Airlines Company Limited for the pre-sale of a high-rise residential building in Beijing Glory City. Please see “— Certain Income Statement Items — Finance Costs” for more details.

Deposits Received From Pre-sale of Properties

Deposits received from pre-sale of properties comprise deposits property purchasers paid, for which the pre-sale of properties has been commenced but the construction of such properties has not been completed. Property purchasers pay considerations for properties pre-sold in accordance with the terms of relevant sales agreements. Deposits received from pre-sale of properties decreased by 26.2% from RMB4,739.1 million as of December 31, 2011 to RMB3,499.2 million as of December 31, 2012, primarily due to the disposal of our subsidiaries in Chongqing and Shijiazhuang, which had deposits received from pre-sale of properties at the time of disposal. Please refer to the section headed “History and Reorganization” of this prospectus for details of the relevant transactions. Deposits received from pre-sale of properties decreased from RMB3,499.2 million as of December 31, 2012 to RMB1,648.2 million as of December 31, 2013, primarily due to the completion and delivery of Eudemonia Palace as well as certain buildings of Phase II of Beijing Glory City and Phase II of Haikuotiankong Glory City.

Amounts due to Related Parties

The table below sets forth our amounts due to related parties as of the dates indicated:

	As of December 31,		
	2011	2012	2013
	(RMB'000)	(RMB'000)	(RMB'000)
Non-trade balances ⁽¹⁾	915,660	80,668	284,164
Trade balances ⁽²⁾	—	—	13,576
Total	<u>915,660</u>	<u>80,668</u>	<u>297,740</u>

Note:

(1) Balances are of non-trade nature, unsecured, interest free and repayable on demand.

(2) Balances are of trade nature, unsecured, interest free and repayable on demand.

We will discontinue all of the non-trade related party transactions after the Listing. Our Directors confirmed that all non-trade balances due to the related parties as of December 31, 2013 have been subsequently settled in May 2014.

LIQUIDITY AND CAPITAL RESOURCES

We have financed our working capital, capital expenditures and other capital requirements primarily through internally generated funds and bank borrowings and to a lesser extent, trust financings.

FINANCIAL INFORMATION

Cash Flows

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

	Year ended December 31,		
	2011	2012	2013
	(RMB'000)	(RMB'000)	(RMB'000)
Net cash (used in) generated from operating activities	(1,531,172)	37,675	32,901
Net cash (used in) generated from investing activities	(232,316)	(502,183)	355,037
Net cash (used in) generated from financing activities	1,126,389	678,615	(346,457)
Net increase (decrease) in cash and cash equivalents	(637,099)	214,107	41,481
Cash and cash equivalents at beginning of the year	1,226,365	589,266	803,373
Cash and cash equivalents at end of the year	589,266	803,373	844,054

Cash flows (used in) generated from operating activities

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

For the year ended December 31, 2013, we had net cash generated from operating activities of RMB32.9 million, consisting primarily of (i) profit before taxation of RMB3,855.8 million, and (ii) a decrease in trade and other receivables of RMB1,487.4 million, primarily due to the receipt of compensation for our Beijing Hademen project, and (iii) an increase in trade and other payables of RMB771.1 million as a result of the increase in development cost of various projects and phases, partially offset by (i) an increase in properties under development for sale and properties held for sale of RMB4,578.6 million, reflecting the increase in our property development activities, and (ii) a decrease in deposits received from pre-sale of properties of RMB1,851.0 million, as a result of the completion and delivery of Eudemonia Palace as well as certain buildings of Phase II of Beijing Glory City and Phase II of Haikuotiankong Glory City.

For the year ended December 31, 2012, we had net cash generated from operating activities of RMB37.7 million, consisting primarily of (i) profit before taxation of RMB2,033.6 million, and (ii) an increase in trade and other payables of RMB1,194.1 million as a result of the increase in our property development activities, partially offset by (i) an increase in properties under development for sale and properties held for sale of RMB1,637.7 million, mainly reflecting the increase in the GFA we commenced construction of Shijiazhuang Glory City and Haikuotiankong Glory City, and (ii) a decrease in deposits received from the pre-sale of properties of RMB1,239.9 million.

For the year ended December 31, 2011, we had net cash used in operating activities of RMB1,531.2 million, consisting primarily of (i) an increase in properties under development for sale and properties held for sale of RMB2,300.0 million, mainly as a result of the acquisition of the land of Shenyang Glory City (Phase III) and Yongqing Glory City and (ii) an increase of deposits paid for land acquisition of RMB647.2 million, partially offset by (i) an increase in deposits received from the pre-sale of properties of RMB1,592.4 million, as a result of the commencement of the pre-sale of Haikuotiankong Glory City (Phase I), and (ii) profit before taxation of RMB1,075.1 million.

Cash flows (used in) generated from investing activities

Cash generated from investing activities consists primarily of the disposal of land use rights and subsidiaries, withdrawal of restricted bank deposits and repayment from related parties and independent

FINANCIAL INFORMATION

parties. Cash used in investing activities primarily consists of acquisition of subsidiaries, placement of restricted bank deposits and advances to related parties and independent third parties. Please refer to “— Certain Balance Sheet Items” and Note 49 of the Accountants’ Report set out in Appendix I to this prospectus for details of the amounts due to and from independent third parties and related parties.

For the year ended December 31, 2013, we had net cash generated from investing activities of RMB355.0 million, consisting primarily of (i) repayment from independent third parties of RMB901.4 million, and (ii) withdrawal of restricted bank deposits of RMB501.3 million, partially offset by (i) new advance to independent third parties of RMB736.0 million, and (ii) placement of restricted bank deposits of RMB410.5 million.

For the year ended December 31, 2012, we had net cash used in investing activities of RMB502.2 million, consisting primarily of (i) net cash outflow on disposal of subsidiaries of RMB429.0 million relating to the disposal of our Chongqing and Shijiazhuang Business, and (ii) placement of restricted bank deposits of RMB216.7 million, partially offset by (i) withdrawal of restricted bank deposits of RMB147.9 million, and (ii) repayment from independent third parties of RMB134.4 million. For the net cash outflow on disposal of subsidiaries, please refer to Note 42 to the “Accountants’ Report” included as Appendix I to this prospectus for additional information.

For the year ended December 31, 2011, we had net cash used in investing activities of RMB232.3 million, consisting primarily of (i) new advance to independent third parties of RMB410.9 million, and (ii) advance to related parties of RMB102.7 million, partially offset by repayment of related parties of RMB235.0 million.

Cash flows (used in) generated from financing activities

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

For the year ended December 31, 2013, we had net cash used in financing activities of RMB346.5 million, consisting primarily of (i) repayment of bank loans of RMB2,344.2 million, (ii) dividends paid to equity holders of RMB1,307.8 million, (iii) interest paid of RMB494.3 million, and (iv) repayment of other loans of RMB477.8 million, partially offset by (i) new bank loans of RMB2,588.0 million, and (ii) new other loans of RMB2,069.1 million.

For the year ended December 31, 2012, we had net cash generated from financing activities of RMB678.6 million, consisting primarily of (i) new bank loans of RMB1,847.8 million, and (ii) new other loans of RMB592.0 million, partially offset by (i) repayment of bank loans of RMB1,283.2 million, and (ii) interest paid of RMB477.4 million.

For the year ended December 31, 2011, we had net cash generated from financing activities of RMB1,126.4 million, consisting primarily of (i) new bank loans of RMB2,100.2 million, (ii) advance from independent third parties of RMB517.2 million, and (iii) advance from related parties of RMB212.4 million, partially offset by (i) repayment of bank loans of RMB1,254.3 million, and (ii) interest paid of RMB347.4 million.

Our Negative Net Operating Cash Flow

We recorded negative net cash flow from operating activities of RMB1,531.2 million for the year ended December 31, 2011. Our negative net cash flow from operating activities was primarily attributable to our land acquisitions for land parcels of Shenyang Glory City and Yongqing Glory City and our continued business expansion in 2011.

FINANCIAL INFORMATION

Capital Resources and Working Capital Sufficiency

Property development requires substantial capital investment for land acquisition and construction and it may take many months or years before positive cash flows can be generated. To date, we have funded our growth principally from internally generated funds and bank borrowings and, to a lesser extent, trust financings. Our financing methods vary from project to project and are subject to limitations imposed by PRC regulations and monetary policies.

In the near future, we plan to fund our capital expenditure (including primarily land acquisition costs and construction costs) from a combination of (i) a portion of our cash receipts from sales of properties and rental income and (ii) external borrowings. After Listing, we also plan to use approximately 60%, or HK\$962.0 million, of the net proceeds from the Global Offering to finance our property development projects and approximately 30%, or approximately HK\$481.0 million, of the net proceeds from the Global Offering for seeking and acquiring suitable land parcels. Please refer to the section headed “Future Plans and Use of Proceeds” in this prospectus for details. Our Directors believe that our actual cash receipts will be greater than the total capital expenditure.

As of December 31, 2013, the total commitments in respect of our properties under development amounted to RMB3,501.0 million.

Taking into account the estimated net proceeds from the Global Offering, available facilities from bank and non-bank financial institutions and cash flows from our operations, our Directors are of the view that we have sufficient working capital for our present requirements and for at least the next 12 months from the date of this prospectus.

We intend to continue to fund our future development and debt servicing costs from existing financial resources and cash generated from operations. We may also raise additional funds through debt or equity offerings in the future to finance all or a portion of our future development, for debt servicing or for other purposes. Our ability to obtain adequate financing to satisfy our debt service requirements may be limited by our financial condition and operating results and the liquidity of international and domestic financial markets. Any failure by us to achieve timely rollover or refinancing of our short-term debt may result in our inability to meet our obligations in connection with debt service, accounts payable and/or other liabilities when they become due and payable.

Management’s Plan to Service our Indebtedness, Capital Commitments and Development Plans

We intend to service our indebtedness, capital commitments and development cost by:

- proactively executing our sales plan and generating sufficient operating cash flows from sales and pre-sales of our properties;
- strategically increasing the proportion of investment properties in our property portfolio to increase our cash flows from rental income;
- ensuring sufficient banking facilities granted by the commercial banks in the PRC to support our development plan; and
- diversifying our sources of financing and seeking long-term financing opportunities including bond and equity issuing.

We believe the above measures will enable us to have sufficient working capital to service our indebtedness, capital commitments and development cost after the Listing. We have no intention to rely on trust financing arrangements as an important source of funding for our property developments after the Listing.

FINANCIAL INFORMATION

Contractual Obligations and Capital Commitments

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

	As of December 31,		
	2011	2012	2013
	(RMB'000)	(RMB'000)	(RMB'000)
Contracted but not provided for in the Financial Information:			
— Expenditure in respect of properties under development	1,325,172	1,775,920	3,500,991

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

	As of December 31,		
	2011	2012	2013
	(RMB'000)	(RMB'000)	(RMB'000)
Within one year	165,359	190,659	208,985
In the second to the fifth year inclusive	376,115	397,032	385,522
After the fifth year	522,903	512,717	326,733
Total	1,064,377	1,100,408	921,240

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

INDEBTEDNESS

Bank and Other Borrowings

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

	As of December 31,			As of
	2011	2012	2013	April 30,
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Bank loans, secured	5,623,667	5,090,280	5,153,300	6,521,960
Bank loans, unsecured	200	500	—	—
Other loans, secured	—	592,000	2,183,260	2,171,310
Other loans, unsecured	—	—	—	446,000
	5,623,867	5,682,780	7,336,560	9,139,270
The borrowings are repayable:				
— Within one year	1,220,004	2,330,880	1,112,136	1,890,960
— More than one year, but not exceeding two years	2,053,577	912,136	3,358,364	3,547,500
— More than two years, but not exceeding five years	1,332,190	1,690,764	2,146,060	2,879,660
— More than five years	1,018,096	749,000	720,000	821,150
	5,623,867	5,682,780	7,336,560	9,139,270
Less: Amount due within one year shown under current liabilities	(1,220,004)	(2,330,880)	(1,112,136)	(1,890,960)
Amount due after one year	4,403,863	3,351,900	6,224,424	7,248,310

Our outstanding current and non-current bank and other loans amounted to RMB5,623.9 million, RMB5,682.8 million and RMB7,336.6 million as of December 31, 2011, 2012 and 2013, respectively. Our current and non-current bank and other loans increased steadily during the Track Record Period, primarily

FINANCIAL INFORMATION

due to the increase in our property development activities. As of April 30, 2014, we had current and non-current bank and other loans of RMB9,139.3 million.

For the years ended December 31, 2011, 2012 and 2013, the effective interest rate of our variable rate borrowings ranged from 5.83% to 8.55%, 5.64% to 8.65% and 6.22% to 8.00%, respectively. The effective interest rate of our fixed rate borrowings ranged from 5.40% to 6.10%, 5.40% to 10.50% and 10.04% to 12.00% for the years ended December 31, 2011, 2012 and 2013. The effective interest rates of our bank borrowings remained relatively stable from December 31, 2013 to April 30, 2014. Bank borrowings are one of the most important source of funding for our property developments. As of December 31, 2011, 2012 and 2013, bank borrowings accounted for 100%, 89.6% and 70.2%, respectively, of our total borrowings. The increase in the effective interest rate on our bank borrowings was primarily due to an increase in the PBOC benchmark rates and the tightened credit policies imposed by banks towards PRC property developers. Other loans comprise loans from non-bank financial institutions. As of December 31, 2011, 2012 and 2013, our other loans from non-bank financial institutions amounted to nil, RMB592.0 million and RMB2,183.3 million respectively. The proportion of loans from finance companies and trust financing arrangements in our total borrowings increased from nil as of December 31, 2011 to 10.4% as of December 31, 2012 and further to 29.8% as of December 31, 2013, as we utilized more trust financing as our alternative for bank loans, primarily because compared with bank loans, trust financings offer greater flexibility. While drawdowns on bank loans usually depend on actual construction progress, drawdowns on trust financings may be made in full in one or multiple installments as agreed with the relevant trust companies, which provide better cash position and liquidity. Please refer to the section headed “Business — Alternative Financing Provided by Trust Financing Companies” in this prospectus for more details. We entered into two and three trust financing arrangements with the total principal amount of RMB520.0 million and RMB2,069.1 million in 2012 and 2013, respectively. As of December 31, 2013, the outstanding amount of our borrowings from trust financing arrangements amounted to RMB2,183.3 million, which accounted for 29.8% of the balance of our total bank and other borrowings as of December 31, 2013. Please refer to Note 35 to the “Accountants’ Report” included as Appendix I to this prospectus for additional information of our loan from non-bank financial institutions.

Bank loans have been and will continue to be, our primary source of borrowings. The increase in the average effective interest rate on our bank and other loans during the Track Record Period was primarily due to an increase in the PBOC benchmark rates and the tightened credit policies imposed by banks towards PRC property developers. While trust financing companies do not usually link their interest rates to the PBOC benchmark interest rates, they typically charge rates higher than those charged by commercial banks. For further information, please refer to “Risk Factors — Risks Relating to Our Business — Our total interest expenses for our borrowings are subject to changes in interest rates” in this prospectus.

All of our bank and other loans are denominated in Renminbi.

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

	As of December 31,			As of April 30,
	2011	2012	2013	2014
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Investment properties	5,532,523	6,519,323	7,355,065	7,571,800
Properties under development for sale	1,448,979	2,306,663	1,767,542	6,628,038
Properties held for sale	147,780	52,000	1,110,650	650,013
Property, plant and equipment	86,426	93,786	51,587	50,292
Prepaid lease payment	24,389	28,026	2,269	2,176
Restricted bank deposits	2,862	800	1,200	200
Total	7,242,959	9,000,598	10,288,313	14,902,519

FINANCIAL INFORMATION

In addition, as of April 30, 2014, trust loans with outstanding amount of RMB112.8 million from Sichuan Trust were secured by Shantou Construction Materials' rights to future operating income from Phase I of Shantou Glory City. As of April 30, 2014, trust loans with outstanding amount of RMB489.5 million from Minmetals were secured by 100% of the equity interest in Shantou Glory.

Certain of our loan agreements are subject to a number of customary affirmative and/or negative covenants, such as restrictions on change of control and disposition of material assets, as well as financial ratios, such as debt-to-equity ratio, with which we must comply. For further information, please refer to the sections headed "Business — Alternative Financing Provided by Trust Financing Companies — Our Trust Financing Arrangements" and "Risk Factors — Risks Relating to Our Business — We are subject to risks associated with certain covenants or restrictions under our bank borrowings arrangements, which may adversely affect our business, financial condition and results of operations" in this prospectus.

Indebtedness

As of April 30, 2014, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this prospectus, we had outstanding indebtedness of RMB9,167.0 million, consisting of bank and other borrowings of RMB9,139.3 million and amounts due to related parties of RMB27.7 million, which is unsecured. As of April 30, 2014, we had nil un-utilized banking facility.

Our Directors have confirmed that during the Track Record Period and as of the Latest Practicable Date:

- there was no default in payment or material breach of other covenants under our loan agreements or other payables and banking facilities;
- we were not subject to any loan recall or early repayment request by our lenders; and
- we did not, nor do we expect to, encounter any difficulty in obtaining external borrowings necessary for our operations.

Except as disclosed in this prospectus, we did not have any outstanding debt securities issued and outstanding or authorized or otherwise created but unissued, term loans, other borrowings or indebtedness in the nature of borrowing including bank overdrafts, liabilities under acceptances (other than normal trade bills), acceptance credits, hire purchase commitments, mortgages and charges, material contingent liabilities or guarantees outstanding as of April 30, 2014.

Financial Guarantees and Contingent Liabilities

In line with market practice, we have entered into arrangements with various banks for the provision of mortgage financing to our customers. We do not conduct independent credit checks on the purchasers, but rely on credit checks conducted by relevant banks. As with other property developers in the PRC, the banks usually require us to guarantee our customers' obligations to repay the mortgage loans on the properties. The guarantee period normally lasts until the bank receives the strata-title building ownership certificate (分戶產權證) from the customer as security of the mortgage loan granted. As of April 30, 2014, our outstanding guarantees in respect of the mortgages of our customers amounted to RMB1,867.8 million. If a purchaser defaults under a mortgage loan during the term of the respective guarantee, we are obligated to repay all debt owed by such purchaser to the mortgagee bank under the loan. Under such circumstances, we are entitled to forfeit the down payment received and sell the repossessed properties. During the Track Record Period, we did not encounter any incident of default by purchasers. To the best of our knowledge, the recent real estate financing measures promulgated by the PRC government have not caused any increasing trend of mortgage payment default by our customers. Please refer to "Business — Project Development Management — Our Standardized Property Development Process — Completion, Delivery and After-sales Services — Customers Payment Arrangements" for more details of our guarantees provided to mortgage loans taken by purchasers of the properties that we develop.

FINANCIAL INFORMATION

Financial guarantees are contingent liabilities not recorded in our financial statements. Please refer to Note 46 to the “Accountants’ Report” included as Appendix I to this prospectus for additional information.

The table below sets forth our financial guarantees as of the dates indicated:

	As of December 31,			As of
	2011	2012	2013	April 30,
	(RMB’000)	(RMB’000)	(RMB’000)	2014
Mortgage loan guarantees provided by the Group to banks in favor of its customers	845,634	1,012,171	1,634,119	1,867,772

Except as disclosed in “— Indebtedness” above, we did not have outstanding mortgages, charges, debentures, loan capital, bank overdrafts, loans, debt securities or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances or acceptance credits or any guarantees or other material contingent liabilities outstanding as of April 30, 2014. Save as disclosed above, there has been no material change in our indebtedness and contingent liabilities since April 30, 2014.

KEY FINANCIAL RATIOS

The table below sets forth certain financial ratios for the years indicated:

		As of December 31,		
	Notes	2011	2012	2013
Profitability ratios				
Revenue growth	1	N/A	144%	60%
Net profit growth	2	N/A	71%	118%
Return on equity	3	18%	25%	47%
Liquidity ratio				
Current ratio	4	1.36	1.37	1.69
Capital adequacy ratio				
Gearing ratio	5	122%	100%	120%
Net debt to equity ratio	6	105%	79%	106%
Interest coverage ratio	7	6.57	9.84	7.73
Commitment to equity ratio	8	29%	31%	57%
Contingent liability to equity ratio	9	18%	18%	27%

Notes:

- The calculation of the revenue growth is based on revenue for the year divided by revenue for the previous year, minus one and multiplied by 100%.
- The calculation of net profit growth is based on net profit for the year divided by net profit for the previous year, minus one and multiplied by 100%.
- The calculation of return on equity is based on profit and total comprehensive income for the year divided by total average equity and multiplied by 100%.
- The calculation of current ratio is based on current assets divided by current liabilities.
- The calculation of gearing ratio is based on interest-bearing debt divided by total equity and multiplied by 100%.
- The calculation of net debt to equity ratio is based on total interest-bearing debt less bank balances, cash and restricted cash divided by total equity and multiplied by 100%.
- The calculation of interest coverage ratio is based on profit before taxation plus finance costs for the years ended December 31, 2011, 2012 and 2013, divided by finance costs.
- The calculation of commitment to equity ratio is based on the commitment of our Group (being the amount contracted for purposes of acquisition of land use rights expenditures and property development expenditures but not provided in our audited financial statements contained in the Accountants’ Report included as Appendix I to this prospectus) divided by total equity and multiplied by 100%.
- The calculation of contingent liability to equity ratio is based on the contingent liability commitment of our Group (being the amount of the outstanding guarantees of the mortgage loans provided to our customers’ by banks in the PRC) divided by total equity and multiplied by 100%.

FINANCIAL INFORMATION

Return on Equity

Our return on equity slightly increased from 18% in 2011 to 25% in 2012. Our return on equity increased from 25% in 2012 to 47% in 2013, primarily due to the significant increase in profit and total comprehensive income for the year in 2013.

Current Ratio

Our current ratio remained relatively stable from December 31, 2011 to December 31, 2012. As of December 31, 2011 and 2012, we had a current ratio of 1.36 and 1.37, respectively. Our current ratio increased from 1.37 as of December 31, 2012 to 1.69 as of December 2013, primarily due to the increase in our current assets as a result of the increase in properties under development for sale.

Gearing Ratio

Our gearing ratio decreased from 122% as of December 31, 2011 to 100% as of December 31, 2012, primarily due to an increase in the total equity as a result of the increase in our profit and total comprehensive income for the year. Our gearing ratio increased from 100% as of December 31, 2012 to 120% as of December 31, 2013, primarily due to an increase in interest-bearing debt in line with our increased property development business.

Net Debt to Equity Ratio

Our net debt to equity ratio decreased from 105% as of December 31, 2011 to 79% as of December 31, 2012, primarily due to an increase in the total equity as a result of the increase in our profit and total comprehensive income for the year. Our net debt to equity ratio increased from 79% as of December 31, 2012 to 106% as of December 31, 2013, primarily due to an increase in interest-bearing debt in line with our increased property development business.

Interest Coverage Ratio

As of December 31, 2011, 2012 and 2013, our interest coverage ratio amounted to 6.57, 9.84 and 7.73, respectively. The fluctuation was generally in line with that in our profit before interest and tax expenses and financial expenses over the same years.

Commitment to Equity Ratio

Our commitment to equity ratio remained relatively stable from 29% as of December 31, 2011 to 31% as of December 31, 2012. Our commitment to equity ratio increased from 31% as of December 31, 2012 to 57% as of December 31, 2013, primarily due to the increase in our commitment in line with our increased property development business.

Contingent Liability to Equity Ratio

Our contingent liability to equity ratio remained stable at 18% from December 31, 2011 to December 31, 2012. Our contingent liability to equity ratio increased from 18% as of December 31, 2012 to 27% as of December 31, 2013, primarily due to the increase in outstanding guarantees.

LISTING EXPENSES

We will incur listing expenses in connection with the Listing, which include professional fees, underwriting commissions and other fees. Listing expenses to be borne by our Group are estimated to be HK\$123.8 million (based on the mid-point of our indicative price range for the Global Offering). Listing expenses of approximately HK\$26.3 million had been incurred as of December 31, 2013. Listing expenses of approximately HK\$97.5 million are expected to be incurred after December 31, 2013, of which HK\$35.7 million is expected to be charged to our statement of profit or loss and other comprehensive income and HK\$61.8 million is expected to be accounted for as a deduction from equity. The listing expenses above are the latest practicable estimate for reference only and the actual amount may differ from the estimate. Our Directors do not expect such expenses to have a material adverse impact on our results of operations for the year ending December 31, 2014.

FINANCIAL INFORMATION

QUALITATIVE AND QUANTITATIVE DISCLOSURE ABOUT MARKET RISK

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

Credit Risk

The carrying amounts of bank deposits, and trade and other receivables included in the consolidated statements of financial position represent our maximum exposure to credit risk in relation to our financial assets. We have policies in place to ensure that sales of properties are made to buyers with appropriate financial strength and with the appropriate percentage of down payment. In addition, we reserve the right to cancel the sales contracts in the event that the buyers default in payment and put the underlying properties back to the market for re-sale. The credit risk from sales of properties is therefore limited. Other receivables mainly comprise receivables from related parties and deposits made in the ordinary course of business. We closely monitor these other receivables to ensure actions taken to recover these balances in the case of any risk of default.

The credit risk on amounts due from related parties is limited as our related parties are in good financial position. As of December 31, 2011 and 2012, we had concentration of credit risk relating to our amounts due from Jinming Wujin, which accounted for 58% and 91%, respectively, of our total amounts due from related parties. Other than the amounts due from related parties and Beijing Municipal People's Government, we have no significant concentration of credit risk on our receivables from counterparties and customers, with exposure spread over a number of counterparties and customers. Other than deposits with several banks with high credit ratings, we do not have any other significant concentration of credit risk on liquid funds. The credit risk on bank deposits is limited because the counterparties are mainly State-owned banks and with high credit ratings in the PRC.

Interest Rate Risk

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

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

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

Foreign Exchange Rate Risk

We conduct our business primarily in Renminbi. We are exposed to foreign exchange rate risk on bank deposits. On July 21, 2005, the PRC Government changed its policy of pegging the value of the Renminbi to the US dollar. Under the new policy, the Renminbi is permitted to fluctuate with a narrow and managed band against a basket of certain foreign currencies. This change in policy has resulted in a gradual appreciation of the Renminbi against the US dollar and, in turn, the Hong Kong dollar which value is linked to the US dollar. The PRC Government may take further actions that could cause future exchange rates to vary significantly from current or historical exchange rates. A depreciation in the Renminbi would (i) adversely affect the value of any dividends we pay to our Shareholders outside the PRC and (ii) require us to use more Renminbi funds to service the same amount of any foreign currency debt. An appreciation in

FINANCIAL INFORMATION

the Renminbi, however, would adversely affect the value of the proceeds we will receive from the Global Offering or any capital contributions in foreign currency if they are not converted into Renminbi in a timely manner. We do not have a foreign currency hedging policy. However, our Directors monitor our foreign exchange exposure closely and may, depending on the circumstances and trend of foreign currencies, consider adopting a significant foreign currency hedging policy in the future.

Liquidity Risk

The capital-intensive nature of our business exposes us to liquidity risk. We are exposed to liquidity risk if we are unable to raise sufficient funds to meet our capital commitments. To manage the liquidity risk, we monitor and maintain a level of cash and cash equivalents considered adequate by our management to finance our operations and mitigate the effects of fluctuations in cash flows. In doing so, our management monitors capital on the basis of the gearing ratio to ensure adequate undrawn banking facilities and monitors the utilization of borrowings to ensure compliance with loan covenants.

SUBSEQUENT EVENTS

Please refer to the relevant disclosures made in the section headed “Summary — Recent Developments” and “Waivers from Strict Compliance with the Listing Rules” in this prospectus and under heading “Events After the Reporting Period” set out in the accountants’ report included in Appendix I to this prospectus for events that took place subsequent to December 31, 2013.

OFF-BALANCE SHEET ARRANGEMENTS

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

DIVIDEND POLICY

Subject to the Companies Law and our Articles of Association, through a general meeting we may declare dividends in any currency but no dividend shall be declared in excess of the amount recommended by the Board. Our Articles of Association provide that dividends may be declared and paid out of our profit, realized or unrealized, or from any reserve of our Company lawfully available for distribution including share premium.

Except insofar as the rights attaching to, or the terms of issue of, any Share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the Shares in respect whereof the dividend is paid but no amount paid up on a Share in advance of calls shall for this purpose be treated as paid up on the Share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the Shares during any portion or portions of the period in respect of which the dividend is paid. Our Directors may deduct from any dividend or other monies payable to any member or in respect of any Shares all sums of money (if any) presently payable by him to us on account of calls or otherwise. In addition, the declaration of dividends is subject to the discretion of our Directors, and the amounts of dividends actually declared and paid will also depend upon the following factors:

- our general business conditions;
- our financial results;
- our capital requirements;
- interests of our Shareholders; and
- any other factors which the Board may deem relevant.

FINANCIAL INFORMATION

Our future dividend payments to our Shareholders will also depend upon the availability of dividends received from our subsidiaries in the PRC. PRC laws require that dividends be paid out of the net profit calculated according to PRC accounting principles, which differs in certain aspects from IFRS. PRC laws also require enterprises located in the PRC to set aside part of their net profit as statutory reserves before they distribute the net proceeds. These statutory reserves are not available for distribution as cash dividends. Furthermore, distributions from our subsidiaries may be restricted if they incur debts or losses or as a result of any restrictive covenants in bank credit facilities, convertible bond instruments or other agreements that we or our subsidiaries may enter into in the future.

Our Directors will declare dividends, if any, in Hong Kong dollars with respect to Shares on a per Share basis and will pay such dividends in Hong Kong dollars. Any final dividend for a financial year will be subject to our Shareholders' approval.

For the year ended December 31, 2012, Original Beijing Glory and Glory Industrial declared and paid dividend of RMB250.0 million to their then non-controlling shareholders. The dividend was paid to offset our other receivables.

For the year ended December 31, 2013, Garden Group declared dividend of RMB2,350.0 million to its shareholder, all of which had been paid as of April 30, 2014.

We currently intend to distribute to our Shareholders 20% to 30% of any net distributable profit derived during the year, excluding net fair value gains or losses on investment properties, for the fiscal year ending December 31, 2014 and onwards. We will re-evaluate our dividend policy annually.

DISTRIBUTABLE RESERVES

As of December 31, 2013, our distributable reserves were RMB1,914.5 million.

DISCLOSURE PURSUANT TO RULES 13.13 TO 13.19 OF THE LISTING RULES

Except as otherwise disclosed in this prospectus, we confirm that, as of the Latest Practicable Date, we were not aware of any circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

FINANCIAL INFORMATION

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following is an illustrative statement of unaudited pro forma adjusted consolidated net tangible assets of our Group which has been prepared in accordance with paragraph 29 of Chapter 4 of the Listing Rules for the purpose of illustrating the effect of the Global Offering on the consolidated net tangible assets of the Group attributable to owners of the Company as if the Global Offering had taken place on December 31, 2013. The statement of unaudited pro forma adjusted consolidated net tangible assets of the Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the financial position of the Group as at December 31, 2013 or at any future dates following the Global Offering. It is prepared based on the consolidated net tangible assets of the Group as of December 31, 2013 contained in the “Accountants’ Report” in Appendix I to this prospectus and adjusted as described below:

	Consolidated net tangible assets of the Group attributable to owners of the Company as of December 31, 2013	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company	Unaudited pro forma adjusted consolidated net tangible assets per share
	RMB'000 (Note 1)	RMB'000 (Notes 2 & 4)	RMB'000 (Note 6)	RMB HK\$ equivalent (Notes 3 & 4)
Based on offer price of HK\$2.30 per Offer Share	4,786,506			
Based on offer price of HK\$2.84 per Offer Share	4,786,506			

Notes:

- (1) The adjusted consolidated net tangible assets of the Group attributable to owners of the Company as of December 31, 2013 have been calculated based on the audited consolidated net assets of the Group attributable to owners of the Company as of December 31, 2013 of approximately RMB4,788,414,000 as set out in the Accountants’ Report set forth in Appendix I to this prospectus after deducting intangible assets of approximately RMB1,908,000 (net of the portion attributable to non-controlling interests of RMB475,000 as of December 31, 2013).
- (2) The estimated net proceeds from the Global Offering are based on indicative Offer Prices of HK\$2.30 and HK\$2.84 per Offer Share, respectively, after deducting underwriting fees and other related expenses to be incurred by the Company. Estimated net offering proceeds do not take into account any shares that the Company may issue upon the exercise of the Over-allotment Option, any shares that have granted under the Share Award Scheme or any shares which may be issued upon the exercise of any options which has been granted under the Pre-IPO Share Option Scheme or may be granted under the Post-IPO Share Option Scheme.
- (3) We calculated the unaudited pro forma adjusted consolidated net tangible assets per share after the adjustments referred to in the preceding paragraphs and on the basis of 4,411,780,000 shares which comprise 3,750,000,000 shares in issue as at December 31, 2013 and 661,780,000 shares to be issued under the Global Offering assuming that the Global Offering had been completed on December 31, 2013. The unaudited pro forma adjusted consolidated net tangible assets per share do not take into account any shares that the Company may issue upon the exercise of the Over-allotment Option, any shares that have granted under the Share Award Scheme or any shares which may be issued upon the exercise of any options which has been granted under the Pre-IPO Share Option Scheme or may be granted under the Post-IPO Share Option Scheme.
- (4) The translation of Renminbi into Hong Kong dollars or Hong Kong dollars into Renminbi has been made at the rate of RMB0.79310 to HK\$1.00, the PBOC Rate prevailing on June 9, 2014. No representation is made that Renminbi/Hong Kong dollars amounts have been, could have been or could be converted into Hong Kong dollars/Renminbi at that rate or at other rates or at all.
- (5) The land and buildings included in property, plant and equipment and prepaid lease payments of the Group were valued by CBRE and the valuation report in respect of which is set out in Appendix III to this prospectus. According to the valuation report, such property interests of the Group as at March 31, 2014 amounted to approximately RMB266,600,000, while the aggregate carrying amount of the land and buildings included in property, plant and equipment and prepaid lease payments of the Group as at March 31, 2014 was approximately RMB102,572,000. Had such property interests been stated at revaluation, additional annual depreciation and amortization of RMB13,994,000 (excluding tax effect) will therefore be charged. The surplus on revaluation will not be reflected in the Group’s consolidated financial statements in subsequent years as the Group has elected to state the property interests at cost model.

FINANCIAL INFORMATION

- (6) *No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company to reflect any trading results or other transactions of the Group that were entered into subsequent to December 31, 2013.*

DIRECTORS' CONFIRMATION ON NO MATERIAL ADVERSE CHANGE

There was no interruption in our business that may have or has had a significant effect on our financial condition in the last 12 months. Our Directors have confirmed that they have performed sufficient due diligence on our Company to ensure that, up to the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects since December 31, 2013, and there is no event since December 31, 2013 which would materially affect the information shown in the "Accountants' Report", the text of which is set out in Appendix I to this prospectus.

RELATED PARTY TRANSACTIONS

With respect to the related party transactions set out in Note 49 in the Accountants' Report in Appendix I to this prospectus, our Directors confirm that these transactions were conducted on normal commercial terms and/or on terms not less favorable than terms available from independent third parties, which are considered fair, reasonable and in the interest of our shareholders as a whole.

PROPERTY INTERESTS AND PROPERTY VALUATION

An independent property valuer, has valued our property interests as of March 31, 2014 and is of the opinion that the value of our property interests as of such date was an aggregate amount of RMB25,765.7 million (the value attributable to our Group was RMB20,390.6 million). The full text of the letter, summary of valuation and valuation certificates with regard to such property interests are set out in "Property Valuation Report" in Appendix III to this prospectus.

PROPERTY VALUATION RECONCILIATION

The texts of its letter, summary of valuations and the valuation certificates are set out in Appendix III to this prospectus.

FINANCIAL INFORMATION

The table below sets forth the reconciliation between the net book value of our properties as of December 31, 2013 as extracted from our Accountants' Report as included in Appendix I to this prospectus and the Property Valuation Report as included in Appendix III to this prospectus respectively as of March 31, 2014.

	RMB'000
Net book value of our properties as of December 31, 2013	
— Investment properties	7,985,500
— Properties held under development for sale	9,967,028
— Properties held for sale	1,739,494
— Properties held for own use ⁽¹⁾	102,541
— Prepaid lease payments	2,268
Net book value of our properties as of December 31, 2013	19,796,831
Add: Fair value change of investment properties during the period from January 1, 2014 to March 31, 2014	(20,700)
Add: Additions during the period from January 1, 2014 to March 31, 2014 (unaudited)	1,059,736
Less: Disposal during the period from January 1, 2014 to March 31, 2014 (unaudited)	(521,802)
Less: Depreciation of buildings held for self use and release of prepaid lease payments during the period from January 1, 2014 to March 31, 2014 (unaudited)	(2,237)
Net book value of our properties as of March 31, 2014	20,311,828
Net valuation surplus, before income tax and LAT	78,810
Valuation of properties attributable to us as of March 31, 2014, as set forth in the Property Valuation Report in Appendix III respectively	<u>20,390,638</u>

Note:

(1) Approximately RMB5.0 million of the property, plant and equipment and prepaid lease payment were excluded from the valuation in Appendix III to this prospectus and were therefore also excluded from this reconciliation.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

Please see the section headed “Business — Our Strategies” in this prospectus for a detailed description of our future plans.

USE OF PROCEEDS

We estimate that we will receive net proceeds from the Global Offering of approximately HK\$1,603.3 million, assuming that the Over-allotment Option is not exercised, after deducting the underwriting commissions and other estimated offering expenses payable by our Company and assuming an initial public Offer Price of HK\$2.57 per Share, being the mid-point of the indicative Offer Price range set forth on the cover page of this prospectus. We intend to use these proceeds from the Global Offering for the following purposes:

- approximately 60%, or approximately HK\$962.0 million, is expected to be used in our property development projects, out of which:
 - approximately 40%, or approximately HK\$641.3 million, is expected to be used in the development of our Beijing Glory Center, Shenyang Glory City Phase IV and Haikuotiankong Glory City Phases IV and V projects, which include high-rise and ultra high-rise landmark Grade A office buildings; and
 - the remaining 20%, or approximately HK\$320.7 million, is expected to be used in our other property development projects including development of Zhengzhou Glory City Phase VI and Yongqing Glory City Phase IV;
- approximately 30%, or approximately HK\$481.0 million, is expected to be used in our land reserves by seeking and acquiring suitable land parcels in cities in which we are currently operating and target cities in the future, especially in Pearl River Delta; and
- the remaining 10% or approximately HK\$160.3 million, will be used for our general corporate and working capital purposes.

As of the Latest Practicable Date, we had not identified any targeted land parcels for future development. For details relating to our site selection and project acquisition process and criteria, please refer to the section headed “Business — Project Development Management — Our standardized property development process” in this prospectus.

To the extent that the net proceeds of the Global Offering derived from unused capital are not immediately applied to the above purposes, we intend to deposit the proceeds in interest-bearing bank accounts, such as short-term savings accounts or basic short-term currency market instruments, with licensed commercial banks and/or authorized financial institutions.

In the event that the Offer Price is set at the high-end of the proposed Offer Price range and that the Over-allotment Option is not exercised, we will receive net proceeds of approximately HK\$1,775.7 million. The additional net proceeds of approximately HK\$172.4 million will be allocated to the above uses on a pro rata basis. In the event that the Offer Price is set at the high-end of the proposed Offer Price range and the Over-allotment Option is exercised in full, we will receive net proceeds of approximately HK\$ 2,048.8 million and the additional net proceeds of approximately HK\$ 445.5 million arising from the exercise of the Over-allotment Option will also be allocated to the above uses on a pro rata basis.

In the event that the Offer Price is set at the low-end of the proposed Offer Price range and that the Over-allotment Option is not exercised, we will receive net proceeds of approximately HK\$ 1,430.7 million. The net proceed will be reduced by approximately HK\$ 172.6 million and will be deducted from the above uses on a pro rata basis. In the event that the Offer Price is set at the low-end of the proposed

FUTURE PLANS AND USE OF PROCEEDS

Offer Price range and that the Over-allotment Option is exercised in full, the Company will receive net proceeds of approximately HK\$1,652.1 million and the net proceed will be increased by approximately HK\$48.8 million and will be allocated to the above uses on a pro rata basis.

To the extent our net proceeds are not sufficient to fund the purposes set out above, we intend to fund the balance through a variety of means, including cash generated from operations and bank financing.

In the event that our Company is unable to repatriate the net proceeds of the Global Offering to China, we may consider using the proceeds to acquire PRC property projects through the offshore acquisition of their offshore holding entities, if any. However, such offshore acquisition structure and the full implementation of the intended use of proceeds may be subject to then applicable PRC laws and regulations. As advised by our PRC legal advisers, as of the Latest Practicable Date, there are no PRC laws and regulations that may prevent us from undertaking such offshore acquisitions.

UNDERWRITING

UNDERWRITERS

International Underwriters

Joint Lead Managers

BOCI Asia Limited
China Merchants Securities (HK) Co., Limited

Co-managers

Chief Securities Limited
KGI Asia Limited
President Securities (Hong Kong) Limited
South China Securities Limited

Hong Kong Underwriters

Joint Lead Managers

BOCI Asia Limited
China Merchants Securities (HK) Co., Limited

UNDERWRITING ARRANGEMENTS, COMMISSIONS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Public Offering, our Company is offering the Hong Kong Offer Shares (subject to adjustment) for subscription by the public in Hong Kong subject to the terms and conditions of this prospectus and the Application Forms. Pursuant to the Hong Kong Underwriting Agreement, and conditional upon, among other things, the Listing Committee granting the Listing of, and permission to deal in, our Shares in issue and the Offer Shares to be issued as mentioned in this prospectus (including any additional Offer Shares which may be issued pursuant to the exercise of the Over-allotment Option and any Shares which may be issued upon the exercise of any options granted under Pre-IPO Share Option Scheme and or to be granted under the Post-IPO Share Option Scheme) subject to such customary conditions that may be imposed by the Stock Exchange and certain other conditions including the Offer Price being determined by the company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) by entering into the Price Determination Agreement on or before the Price Determination Date, the Hong Kong Underwriters have agreed severally (not jointly or jointly and severally) to subscribe or procure subscribers to subscribe for, their respective applicable proportions of the Hong Kong Offer Shares which are being offered but are not taken up under the Hong Kong Public Offering.

Grounds for termination

The obligations of the Hong Kong Underwriters to subscribe or procure subscribers to subscribe for the Hong Kong Offer Shares under the Hong Kong Underwriting Agreement are subject to termination at any time prior to 8:00 a.m. on the Listing Date. The Sole Global Coordinator (for itself and on behalf of the Underwriters) shall be entitled to, upon giving notice in writing to our Company, terminate the Hong Kong Underwriting Agreement with immediate effect upon the occurrence of any of the following events:

- (a) there has come to the notice of the Sole Global Coordinator that:
 - (i) any statement contained in any of this prospectus, the Application Forms, the formal notice, the PHIP and/or any notices, announcements, advertisements, communications issued or used by or on behalf of the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) and the offering circulars was,

UNDERWRITING

- when it was issued, or has become, untrue or incorrect in any material respect or misleading or that any forecast, expression of opinion, intention or expectation expressed in any of the above-mentioned documents is not fair and honest and based on reasonable assumptions; or
- (ii) any matter has arisen or has been discovered which would or might, had it arisen or been discovered immediately before the date of this prospectus, constitute a material omission therefrom; or
 - (iii) any of the representations and warranties given by any of the warrantors in the Underwriting Agreements is (or would when repeated be) untrue, incorrect, inaccurate or misleading or having been breached; or
 - (iv) any material breach of any of the obligations or undertakings imposed upon any party (other than the Sole Global Coordinator or the Joint Bookrunners or any of the Underwriters) to any of the Underwriting Agreements; or
 - (v) any event which has a material adverse effect; or
 - (vi) any litigation or claim being threatened or instigated against any member of our Group, which would materially affect the operation, financial condition or reputation of the Group; or
 - (vii) approval by the Listing Committee of the Stock Exchange of the listing of, and permission to deal in, the Shares is refused or not granted, or if granted, the approval is subsequently withdrawn, qualified or withheld; or
 - (viii) our Company withdrawing any of this prospectus, the Application Forms, the formal notice and the offering circulars (and/or any other documents used in connection with the contemplated subscription of the Offer Shares) or the Global Offering; or
 - (ix) any matter, event, act or omission which gives or is likely to give rise to any material liability of any of the warrantors pursuant to the indemnities given by any of them in the Underwriting Agreements; or
 - (x) any expert (other than the Sole Sponsor and/or Hong Kong Underwriters) having withdrawn or sought to withdraw its consent to being named in or to the issue of this prospectus or any of the offering circulars; or
- (b) there shall develop, occur, exist or come into effect:
- (i) any change or development involving a prospective change in, or any event or series of events resulting or likely to result in or representing any change or development in local, national, regional or international financial, political, military, industrial, legal, economic, currency market, fiscal or regulatory or market matters or conditions or any monetary or trading settlement system (including, without limitation, conditions affecting stock and bond markets, money and foreign exchange markets and inter-bank markets, a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States or a devaluation of the Renminbi against any foreign currencies) in or affecting Hong Kong, China, the United States, the United Kingdom, Canada, the European Union (or any member thereof), Japan or Singapore (each a **“Relevant Jurisdiction”**); or
 - (ii) any new law or regulation or any change or development involving a prospective change in any existing law or regulation, or any change or development involving a prospective

UNDERWRITING

change in the interpretation or application thereof by any court or other competent authority in or affecting any Relevant Jurisdiction; or

- (iii) any event or series of events beyond the control of the Hong Kong Underwriters, including but not limited to in the nature of force majeure such as acts of government, strikes, lock-outs, fire, explosion, flooding, tsunami, earthquake, volcano eruption, ice-storm, civil commotion, acts of war, riot, public disorder, acts of terrorism (whether or not responsibility has been claimed), acts of God, epidemic, outbreak of infectious disease (including but not limited to Severe Acute Respiratory Syndrome (**SARS**) and Influenza A (**H5N1**) or swine or avian influenza or such related/mutated forms, accident or interruption or delay in transportation), in or affecting any Relevant Jurisdiction; or
- (iv) any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or calamity or crisis in or affecting any Relevant Jurisdiction; or
- (v) the imposition or declaration of (A) any moratorium, suspension, restriction or limitation on trading in shares or securities generally on the Stock Exchange, the New York Stock Exchange, the NYSE Amex Equities, the Nasdaq National Market, the London Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange, the Tokyo Stock Exchange or any other major international stock exchange; or (B) a general moratorium on commercial banking activities in any Relevant Jurisdiction declared by the relevant authorities, or a disruption in commercial banking activities or foreign exchange trading or securities settlement or clearance services in or affecting any Relevant Jurisdiction; or
- (vi) any change or development or event involving a prospective change in taxation or exchange controls (or the implementation of any exchange control), currency exchange rates or foreign investment regulations in any Relevant Jurisdiction; or
- (vii) any imposition of economic or other sanctions against any member of our Group, in whatever form, directly or indirectly, by any Relevant Jurisdiction or any governmental authority of any Relevant Jurisdiction; or
- (viii) any change or development or event involving a prospective change in the assets, liabilities, profit, losses, performance, condition (financial or otherwise), business, financial, earnings, results of operations, trading position or prospects of our Group; or
- (ix) the commencement by any judicial, political or regulatory body or organization of any public action against any member of our Group or any of our Directors or an announcement by any judicial, political or regulatory body that it intends to take any such action; or
- (x) other than with the approval of the Sole Global Coordinator, the issue or requirement to issue by our Company of a supplementary prospectus or offering document pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules in circumstances where the matter to be disclosed is, in the opinion of the Sole Global Coordinator, adverse to the marketing for or implementation of the Global Offering; or
- (xi) an order or a petition is presented for the winding up or liquidation of any member of our Group, or any member of our Group makes any compromise or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of our Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of any member of our Group or anything analogous thereto occurs in respect of any member of our Group; or

UNDERWRITING

- (xii) a valid demand by any creditor for repayment or payment of indebtedness of any member of our Group or in respect of which any member of our Group is liable prior to its stated maturity; or
- (xiii) any loss or damage sustained by any member of our Group (howsoever caused and whether or not the subject of any insurance or claim against any person); or
- (xiv) any litigation or claim being threatened or instigated against any member of our Group or any of our Directors; or
- (xv) a governmental authority or a regulatory body or organization in any Relevant Jurisdiction commencing any investigation or other action or proceedings, or announcing an intention to investigate or take other action or proceedings against any member of our Group or any Director;
- (xvi) any contravention by any member of our Group of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Hong Kong Companies Ordinance or the Listing Rules or applicable Laws; or
- (xvii) any change or development or event involving a prospective change, or a materialization of, any of the risks set out in the section headed “Risk Factors” of the prospectus; or
- (xviii) non-compliance of this prospectus (or any other documents used in connection with the Global Offering) or any aspect of the Global Offering with the Hong Kong Companies Ordinance, Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Listing Rules or any other applicable Laws; or
- (xix) a Director being charged with an indictable offence or prohibited by operation of Laws or otherwise disqualified from taking part in the management of a company; or
- (xx) a prohibition on our Company for whatever reason from allotting or selling the Offer Shares (including the additional Shares that may be allotted and issued by our Company upon the exercise of the Over-allotment Option) pursuant to the terms of the Global Offering; or
- (xxi) the chairman or any of the chief executives of our Company vacating his or her office; or

and which, in any of (b)(i) to (b)(xxi), individually or in aggregate in the sole and absolute opinion of the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters):

- (A) is or may or will be or is likely to be materially adverse to, or materially and prejudicially affects, the business assets, liabilities, general affairs, management, shareholders’ equity, profit, losses, results of operations, or financial or trading position or prospects of our Group as a whole; or
- (B) has or may have or will have or is likely to have a material adverse effect on the success of the Global Offering, or the level of Offer Shares being applied for or accepted or the distribution of Offer Shares being applied for or accepted or the distribution of Offer Shares and/or make it impracticable or inadvisable or incapable for any material part of the

UNDERWRITING

Hong Kong Underwriting Agreement, the Hong Kong Public Offering or the Global Offering to be performed or implemented as envisaged; or

- (C) makes or may make or will or is likely to make it inadvisable, impracticable or inexpedient to proceed with the Hong Kong Public Offering and/or the Global Offering or the delivery of the Offer Shares on the terms and in the manner contemplated by this prospectus; or
- (D) would have the effect of making any part of the Underwriting Agreements incapable of performance in accordance with its terms or which prevents the processing of applications and/or payments pursuant to the Global Offering or pursuant to the Underwriting Agreements.

“Material adverse effect” refers to a material adverse change, or any development that could be reasonably expected to result in a material adverse change, in the condition, financial, operational or otherwise, or in the earnings, business affairs or business prospects, assets or liabilities of our Company or any member of our Group, whether or not arising in its ordinary course of business.

Similar events are expected to be contained in the International Underwriting Agreement that may allow the International Underwriters to terminate their respective obligations under such agreement.

International Offering

In connection with the International Offering, it is expected that our Company and the Controlling Shareholders will enter into the International Underwriting Agreement with the International Underwriters on or about the Price Determination Date.

Under the International Underwriting Agreement, subject to the terms and conditions set forth in such agreement, the International Underwriters are expected to severally (not jointly or jointly and severally) agree to subscribe or procure subscribers to subscribe for, the International Offer Shares initially being offered pursuant to the International Offering. It is expected that the International Underwriting Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors are reminded that in the event that the International Underwriting Agreement is not entered into, the Global Offering will not proceed. It is expected that pursuant to the International Underwriting Agreement, the Warrantors will make similar undertakings as those given pursuant to the Hong Kong Underwriting Agreement as described in the section headed “Undertakings” below.

Our company is expected to grant to the Sole Global Coordinator as the stabilizing manager the Over-allotment Option exercisable at any time from the Listing Date up to 30 days from the last day for the lodging of applications under the Hong Kong Public Offering, to require our Company to allot and issue up to an aggregate of 99,267,000 additional Shares, representing in aggregate not more than 15% of the Offer Shares initially available under the Global Offering, at the same price per Offer Share under the Global Offering, solely to cover over-allocation, if any, in the International Offering.

Commissions and expenses

The Underwriters will receive an underwriting commission of 3% of the aggregate Offer Price payable for the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering, out of which they will pay any sub-underwriting commission. The International Underwriters will receive an underwriting commission of 3% on the Offer Price payable for the International Offer Shares initially offered under the International Offering, and the additional Shares issued pursuant to the exercise of the Over-allotment Option, if applicable. In addition, we will pay an incentive fee of no more than 1.2% of the aggregate Offer Price payable for the Hong Kong Offer Shares under the Global Offering solely to the Sole Global

UNDERWRITING

Coordinator in connection to the services provided in the Global Offering, subject to the terms of the Hong Kong Underwriting Agreement. The aggregate commissions and fees, together with listing fees, legal and other professional fees and printing and other expenses relating to the Global Offering and the SFC transaction levy and Stock Exchange trading fee are estimated to be HK\$123.8 million in aggregate (based on the Offer Price of HK\$2.57, being the mid-point of the indicative Offer Price range between HK\$2.30 and HK\$2.84 and assuming the Over-allotment Option is not exercised at all).

Activities by Syndicate Members

We describe below a variety of activities that underwriters of the Hong Kong Public Offering and, together referred to as “**Syndicate Members**”, may each individually undertake, and which do not form part of the underwriting or the stabilizing process. When engaging in any of these activities, it should be noted that the Syndicate Members are subject to restrictions, including the following:

- the Syndicate Members (except for BOCI, as the stabilizing manager, its affiliates or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and
- all of them must comply with all applicable laws, including the market misconduct provisions of the SFO, the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In relation to the Shares, those activities could include acting as agent for buyers and sellers of the Shares, entering into transactions with those buyers and sellers in a principal capacity, proprietary trading in the Shares and entering into over the counter or listed derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have the Shares as their or part of their underlying assets. Those activities may require hedging activity by those entities involving, directly or indirectly, buying and selling the Shares. All such activities could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the Shares, in baskets of securities or indices including the Shares, in units of funds that may purchase the Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the Shares as their or part of their underlying assets, whether on the Hong Kong Stock Exchange or on any other stock exchange, the rules of the relevant exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the Shares in most cases.

All of these activities may occur both during and after the end of the stabilizing period described in the sections headed “Structure of the Global Offering — Over-allotment and Stabilization.” These activities may affect the market price or value of the Shares, the liquidity or trading volume in the Shares and the volatility of their share price, and the extent to which this occurs from day to day cannot be estimated.

UNDERWRITING

Undertakings to the Stock Exchange pursuant to the Listing Rules

Undertakings by our Company

Pursuant to Rule 10.08 of the Listing Rules, our Company will not, at any time within six months from the Listing Date, issue any shares or other securities convertible into equity securities of our Company or enter into any agreement or arrangement to issue such shares or securities (whether or not such issue of shares or securities will be completed within six months from the Listing Date), except pursuant to the Global Offering (including the exercise of the Over-allotment Option, the options granted under the Pre-IPO Share Option Scheme and the options which may be granted under the Post-IPO Share Option Scheme) or for the circumstances prescribed by Rule 10.08 of the Listing Rules.

Undertakings by our Controlling Shareholders

Pursuant to Rule 10.07 of the Listing Rules, each of our Controlling Shareholders has undertaken to, among others, our Company and the Stock Exchange that, except pursuant to the Global Offering (including pursuant to the Over-allotment Option) and the Stock Borrowing Agreement, it will not, and will procure that any other registered holder(s) will not:

- (i) in the period commencing on the date by reference to which disclosure of the shareholding of the Controlling Shareholders is made in this prospectus and ending on the date which is six months from the Listing Date (the “**First Six-month Period**”), dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of any of our Shares in respect of which it is shown by this prospectus to be the beneficial owner of the Shares (as defined in Rule 10.07(2) of the Listing Rules) (the “**Relevant Securities**”); or
- (ii) in the period of six months commencing on the date on which the First Six-month Period expires (the “**Second Six-month Period**”), dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of any of the Relevant Securities if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it would cease to be a controlling shareholder (as defined in the Listing Rules) of our Company.

Furthermore, pursuant to Note (3) to Rule 10.07(2) of the Listing Rules, each of our Controlling Shareholders has undertaken to, among others, our Company and the Stock Exchange that, during the First Six-month Period and the Second Six-month Period, it will:

- (i) if it pledges or charges any of our securities beneficially owned by it in favor of an authorized institution (as defined in the Banking Ordinance) for a bona fide commercial loan, immediately inform our Company of such pledge or charge together with the number of securities so pledged or charged; and
- (ii) if it receives indications, either verbal or written, from the pledgee or chargee that any of our pledged or charged securities will be disposed of, immediately inform our Company of such indications.

We will also inform the Stock Exchange as soon as we have been informed of the above matters (if any) by any of our Controlling Shareholders and disclose such matters in accordance with the publication requirements under Rule 2.07C of the Listing Rules as soon as possible after being so informed.

Undertakings pursuant to the Hong Kong Underwriting Agreement

Undertakings by our Company

Pursuant to the Hong Kong Underwriting Agreement, our Company has undertaken to each of the Sole Global Coordinator, the Joint Bookrunners, the Sole Sponsor, the Joint Lead Managers and the Hong Kong

UNDERWRITING

Underwriters (and is expected to undertake to the International Underwriters), and the Controlling Shareholders have undertaken to procure (and are expected to agree with the International Underwriters to procure) that except pursuant to the Global Offering (including pursuant to the exercise of the Over-allotment Option, the options granted under the Pre-IPO Share Option Scheme and the options which may be granted under the Post-IPO Share Option Scheme), at any time after the date of the Hong Kong Underwriting Agreement and until the expiry of First Six-month Period, our Company will not, without the prior written consent of the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

- (i) offer, accept subscription for, pledge, issue, sell, lend, mortgage, assign, charge, contract to issue or sell, sell any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of or create encumbrance over either directly or indirectly, conditionally or unconditionally, any such share capital or other securities of our Company or any interest therein (including, but not limited to, any securities that are convertible into or exchangeable for, or that represent the right to receive any such capital or securities or any interest therein) or any of the rights attaching to any such share capital, including but not limited to rights as to voting, dividend or distribution; or
- (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any such share capital or securities or any interest therein or any of the rights attaching to any such share capital, including but not limited to rights as to voting, dividend or distribution; or
- (iii) enter into any transaction with the same economic effect as any transaction described in (i) or (ii) above; or
- (iv) agree or contract to, or publicly announce any intention to enter into, any transaction described in (i), (ii) or (iii) above;

whether any such transaction is to be settled by delivery of the Shares or other securities, in cash or otherwise.

Undertakings by our Controlling Shareholders

Each of the Controlling Shareholders has undertaken to each of our Company, the Sole Global Coordinator, the Joint Bookrunners, the Sole Sponsor, the Joint Lead Managers and the Hong Kong Underwriters (and is expected to undertake to the International Underwriters) that, except pursuant to the Stock Borrowing Agreement, without the prior written consent of the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) and unless in compliance with the Listing Rules:

- (a) from the date of the Hong Kong Underwriting Agreement until the expiry of the First Six-month Period, it will not, and will procure that the relevant registered holder(s) of the Relevant Securities and its associates and companies controlled by it and any nominee or trustee holding in trust for it will not:
 - (i) offer, accept subscription for, pledge, mortgage, charge (other than any pledge or charge of our Company's issued share capital after the Global Offering in favor of an authorized institution (as defined in the Banking Ordinance, for a bona fide commercial loan)), sell, lend, assign, contract to sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend, assign or otherwise transfer or dispose of, either directly or indirectly, or repurchase, conditionally or unconditionally, any of the Relevant Securities or any interest therein (including, but not limited to any securities that are convertible into or exchangeable for, or that represent the right to receive, any such capital or securities or any interest therein) or any of the rights attaching to any such share capital, including but not limited to rights as to voting, dividend or distribution; or

UNDERWRITING

- (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any of the Relevant Securities or any interest therein or any of the rights attaching to any such share capital, including but not limited to rights as to voting, dividend or distribution; or
- (iii) enter into any transaction with the same economic effect as any transaction described in (i) or (ii) above; or
- (iv) agree or contract to, or publicly announce any intention to enter into, any transaction described in (i), (ii) or (iii) above;

whether any such transaction is to be settled by delivery of the Relevant Securities, in cash or otherwise;

- (b) in the Second Six-month Period, it will not enter into any of the transactions in (a)(i), (ii) or (iii) above or agree or contract to or publicly announce any intention to enter into any such transaction if, immediately following such transfer or disposal, or upon the exercise or enforcement of such options, rights, interests or encumbrances, our Controlling Shareholders will cease to be a controlling shareholder; and
- (c) until the expiry of the Second Six-month Period, in the event that it enters into any such transactions or agrees or contracts to, or publicly announces an intention to enter into any such transactions, it will take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of our Company.

Each of our Controlling Shareholders has further undertaken to each of our Company, the Sole Global Coordinator, the Joint Bookrunners, the Sole Sponsor, the Joint Lead Managers and the Hong Kong Underwriters that at any time after the date of the Hong Kong Underwriting Agreement up to and until the expiry of the Second Six-month Period, it will:

- (i) when it pledges or charges any securities or interests or any of the rights attaching to any such share capital, including but not limited to rights as to voting, dividend or distribution in the securities of our Company, immediately inform our Company and the Sole Global Coordinator in writing of such pledge or charge together with the number of securities and nature of interest so pledged or charged; and
- (ii) if and when it receives indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged securities or interests in or rights attaching to the securities of our Company will be sold, transferred or disposed of, immediately inform our Company and the Sole Global Coordinator in writing of such indications.

HONG KONG UNDERWRITERS' INTEREST IN OUR COMPANY

Except for its obligations under the Hong Kong Underwriting Agreement, none of the Sole Global Coordinator or the Hong Kong Underwriters is interested legally or beneficially in the shares of any of the members of our Group or has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase securities in any of the members of our Group.

Following completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the Hong Kong Underwriting Agreement.

INDEPENDENCE OF THE SOLE SPONSOR

The Sole Sponsor satisfies the independence criteria applicable to sponsors as required under Rule 3A.07 of the Listing Rules.

STRUCTURE OF THE GLOBAL OFFERING

OFFER PRICE AND PRICE PAYABLE ON APPLICATION

The Offer Price will not be more than HK\$2.84 and is expected to be not less than HK\$2.30 per Offer Share. Based on the maximum Offer Price of HK\$2.84 per Offer Share, plus 1% brokerage fee, 0.003% SFC transaction levy, and 0.005% Stock Exchange trading fee, one board lot of 1,000 Shares will amount to a total of HK\$2,868.63.

The Offer Price is expected to be determined by our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) on or before the Price Determination Date. If, for any reason, our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) are unable to reach an agreement on the Offer Price on or before Friday, July 4, 2014, the Global Offering will not proceed and will lapse. If the Offer Price, as finally determined in the manner as set out below, is lower than the maximum Offer Price of HK\$2.84 per Offer Share, appropriate refund payments will be made. Further details in this regard are set out in “How to Apply for Hong Kong Offer Shares” in this prospectus. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.

If, based on the level of interests expressed by prospective professional, institutional and/or other investors during the book-building process and with the consent of our Company, the Sole Global Coordinator (for itself and on behalf of the Underwriters) thinks it is appropriate (for instance, if the level of interests is below the indicative Offer Price range), the indicative Offer Price range may be reduced below that stated in this prospectus at any time prior to the morning of the last day for lodging applications. In such case, we will, as soon as practicable following the decision to make such reduction, and in any event no later than the morning of the last day for lodging applications under the Hong Kong Public Offering, cause there to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the website of the Stock Exchange at www.hkexnews.hk and our website at www.glorypty.com, notice of the reduction of the indicative Offer Price range. Such notice will also include any financial information which may change as a result of any such reduction.

In the absence of any notice being published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) of a reduction of the indicative Offer Price range in the manner set out above, the Offer Price, if agreed upon with our Company will under no circumstances be set outside the Offer Price range as stated in this prospectus.

The Offer Price, the indication of level of interest in the International Offering, the level of the applications, the basis of allocation of the Hong Kong Offer Shares under the Hong Kong Public Offering and the results of allocations under the Hong Kong Public Offering are expected to be made available in a variety of channels in the manner described in the paragraph headed “How to Apply for Hong Kong Offer Shares — 11. Publication of Results” in this prospectus.

CONDITIONS

Acceptance of all applications for the Global Offering will be conditional upon:

- (i) the Listing Committee granting the approval of the listing of, and permission to deal in the Shares (including any Shares which may fall to be issued upon the exercise of the Over-allotment Option or any Shares which may fall to be issued pursuant to the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme), and such listing and permission not subsequently having been revoked prior to the commencement of dealings in the Shares on the Stock Exchange;
- (ii) the Offer Price having been duly determined and the execution and delivery of the Price Determination Agreement on or about the Price Determination Date; and

STRUCTURE OF THE GLOBAL OFFERING

- (iii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including the waiver of any condition(s) by the Sole Global Coordinator for itself and on behalf of the Underwriters) and not being terminated in accordance with their terms or otherwise,

in each case on or before the dates and times specified in the Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event no later than 30 days after the date of this prospectus.

If, for any reason, the Offer Price is not agreed between our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) on or before Friday, July 4, 2014, the Global Offering will not become unconditional and will lapse.

The consummation of the Hong Kong Public Offering is conditional upon, among other things, the Hong Kong Public Offering and the International Offering becoming unconditional and not having been terminated in accordance with their respective terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse will be published by our Company in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese), and on the website of the Stock Exchange at www.hkexnews.hk and on our website at www.glorypty.com, on the next day following such lapse. In such event, all application monies will be returned, without interest, on the terms set out in the section “How to apply for Hong Kong Offer Shares” in this prospectus. In the meantime, such monies will be held in separate bank accounts with the receiving bankers or other licensed bank(s) in Hong Kong.

Dealing Arrangements

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Monday, July 7, 2014, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Monday, July 7, 2014. Our Shares will be traded in board lots of 1,000 Shares each.

OFFER MECHANISM — BASIS OF ALLOCATION OF SHARES

The Global Offering

The Global Offering consists of the International Offering and the Hong Kong Public Offering. The 661,780,000 Offer Shares initially offered under the Global Offering will comprise (i) 595,602,000 new Shares being offered under the International Offering, and (ii) 66,178,000 new Shares being offered under the Hong Kong Public Offering. The 661,780,000 Offer Shares being offered under the Global Offering will represent 15% of the share capital of our Company immediately after completion of the Global Offering but without taking into account any Shares which may fall to be issued upon the exercise of the Over-allotment Option or any Shares which may fall to be issued upon the exercise of the options granted under the Pre-IPO Share Option Scheme or to be granted under the Post-IPO Share Option Scheme.

The Offer Shares to be offered in the Hong Kong Public Offering and the International Offering may, in certain circumstances, be reallocated as between these offerings at the discretion of the Sole Global Coordinator.

The levels of indication of interest in the International Offering and the basis of allotment and the levels of applications in the Hong Kong Public Offering are expected to be available in a variety of channels in the manner described in the paragraph headed “How to Apply for Hong Kong Offer Shares — 11. Publication of Results” in this prospectus.

STRUCTURE OF THE GLOBAL OFFERING

Hong Kong Public Offering

Our Company is initially offering 66,178,000 new Shares, representing 10% of the total number of Offer Shares initially being offered in the Global Offering, for subscription by way of a Hong Kong Public Offering in Hong Kong, subject to the reallocation of Shares between the International Offering and the Hong Kong Public Offering. The Hong Kong Offer Shares are being offered at the Offer Price. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters, subject to the terms and conditions of the Hong Kong Underwriting Agreement.

The total number of Shares available for subscription under the Hong Kong Public Offering (after taking into account of any reallocation referred to below) is to be divided equally into two pools for allocation purposes: pool A and pool B. The Hong Kong Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for the Hong Kong Offer Shares with an aggregate subscription amount of HK\$5 million (excluding the brokerage fee, the SFC transaction levy and the Stock Exchange trading fee payable) or less. The Hong Kong Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for the Hong Kong Offer Shares with an aggregate subscription amount of more than HK\$5 million (excluding the brokerage fee, the SFC transaction levy, and the Stock Exchange trading fee payable) and up to the value of pool B. Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If the Hong Kong Offer Shares in one (but not both) of the pools are undersubscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in the pool and be allocated accordingly.

Applicants can only receive an allocation of Shares from either pool A or pool B but not from both pools. Multiple or suspected multiple applications within either pool or between pools and any application for more than the total number of Shares originally allocated to each pool are liable to be rejected. Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the application submitted by him that he and any person(s) for whose benefit he is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or if he has been or will be placed or allocated Offer Shares under the International Offering.

Allocation of Shares to applicants under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for, but, subject to that (and in accordance with the allocation of Hong Kong Offer Shares in pool A and pool B described below), will be made on an equitable basis, although the allocation of Hong Kong Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

The allocation of the Shares between the International Offering and the Hong Kong Public Offering is subject to adjustment under the Listing Rules.

If the number of Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of Shares initially available for subscription under the Hong Kong Public Offering, then Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of Shares available for subscription under the Hong Kong Public Offering will increase to 198,534,000 Shares, representing 30% of the Shares initially available for subscription under the Global Offering.

If the number of Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of Shares initially available for subscription under the Hong Kong Public Offering, then the number of Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased so that the total number of Shares available for

STRUCTURE OF THE GLOBAL OFFERING

subscription under the Hong Kong Public Offering will be 264,712,000 Shares, representing 40% of the Shares initially available for subscription under the Global Offering.

If the number of Shares validly applied for under the Hong Kong Public Offering represents 100 times or more the number of Shares initially available for subscription under the Hong Kong Public Offering, then the number of Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased, so that the total number of Shares available for subscription under the Hong Kong Public Offering will increase to 330,890,000 Shares, representing 50% of the Shares initially available for subscription under the Global Offering. In each such case, the additional Shares reallocated to the Hong Kong Public Offering will be allocated equally between pool A and pool B and the number of Shares allocated to the International Offering will be correspondingly reduced.

International Offering

Our company is initially offering 595,602,000 new Shares, representing 90% of the total number of Shares initially being offered in the Global Offering (subject to the Over-allotment Option), for subscription by way of the International Offering, subject to the reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering. The International Offering is fully underwritten by the International Underwriters, subject to the terms and conditions of the International Underwriting Agreement.

The International Underwriters are soliciting from prospective professional, institutional investors and/or other investors indications of interest in acquiring International Offer Shares in the International Offering. Prospective professional, institutional investors and/or other investors will be required to specify the number of International Offer Shares they would be prepared to acquire either at different prices or at a particular price. This process is known as “book building.” In Hong Kong, individual retail investors should apply for Shares in the Hong Kong Public Offering, as individual retail investors applying for International Offer Shares, including individual retail investors applying through banks and other institutions, will not be allocated any International Offer Shares.

Allocation of the International Offer Shares pursuant to the International Offering is based on a number of factors, including the level and timing of demand and whether or not it is expected that the relevant investor is likely to buy further and/or hold or sell its Shares after the Listing. Such allocation is generally intended to result in a distribution of the International Offer Shares on a basis which would lead to the establishment of a broad shareholder base to the benefit of us and our Shareholders as a whole.

The International Underwriters or selling agents nominated by the International Underwriters shall, on our behalf, conditionally place the International Offer Shares with professional, institutional and/or other investors in Hong Kong and other regions. The International Offering shall be subject to the Global Offering restrictions set out under the section “Information about this prospectus and the Global Offering.”

The International Offering is conditional on the same conditions as set out in the section “— Conditions” above. The total number of International Offer Shares to be allotted and issued or sold and transferred pursuant to the International Offering may change as a result of the clawback arrangement referred to in the section “— Hong Kong Public Offering” above, the exercise of the Over-allotment Option and any reallocation of unsubscribed Shares originally included in the Hong Kong Public Offering.

The Sole Global Coordinator (for itself and on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Offering, and who has made an application under the Hong Kong Public Offering, to provide sufficient information to the Sole Global Coordinator so as to allow it to identify the relevant application under the Hong Kong Public Offering and to ensure that such investor is excluded from any application for the Offer Shares under the Hong Kong Public Offering.

In connection with the Global Offering, the Sole Global Coordinator or any person acting for it may over-allocate up to and not more than 99,267,000 additional Shares and cover such over-allocation by,

STRUCTURE OF THE GLOBAL OFFERING

among other methods, making purchases in the secondary market at prices that do not exceed the Offer Price or exercising the Over-allotment Option in full or in part, or through the Stock Borrowing Agreement or a combination of these means.

OVER-ALLOTMENT AND STABILIZATION

Over-allotment Option

In connection with the Global Offering, we are expected to grant to the Sole Global Coordinator the Over-allotment Option, which will be exercisable by the Sole Global Coordinator (on behalf of the International Underwriters) at any time from the Listing Date up to 30 days from the last day for the lodging of applications under the Hong Kong Public Offering. Pursuant to the Over-allotment Option, we may be required to allot and issue up to 99,267,000 additional new Shares at the Offer Price, representing 15% of the total number of Offer Shares initially available under the Global Offering, in connection with over-allocation in the International Offering, if any, subject to the same terms and conditions as the other Offer Shares. The Sole Global Coordinator may also cover in the International Offering by purchasing Shares in the secondary market or by a combination of purchases in the secondary market and the exercise, in part or in full, of the Over-allotment Option. The number of Shares that may be over-allocated will not exceed the maximum number of Shares that may be issued under the Over-allotment Option. Any such secondary market purchases will be made in compliance with all applicable laws, rules and regulations. If the Over-allotment Option is exercised in full, on completion of the Global Offering but without taking into account any Shares which may fall to be issued upon the exercise of the options granted under the Pre-IPO Share Option Scheme and options to be granted under the Post-IPO Share Option Scheme, the Offer Shares will represent 16.87% of our enlarged issued share capital. In the event that the Over-allotment Option is exercised, a press announcement will be made.

Stabilization Action

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the newly issued securities in the secondary market during a specified period of time to minimize and, if possible, prevent any decline in the market price of the securities. In Hong Kong, activity aimed at reducing the market price is prohibited, and the price at which stabilization is effected is not permitted to exceed the offer price.

In connection with the Global Offering, BOCI as the Stabilizing Manager, its affiliates or any person acting for it, may over-allocate or effect transactions with a view to stabilizing and maintaining the market price of our Shares at a level higher than that which might otherwise prevail for a limited period commencing on the Listing Date. Such transactions, if commenced, may be discontinued at any time, and must be brought to an end on the 30th day after the last day for the lodging of applications under the Hong Kong Public Offering.

If stabilizing transactions are effected in connection with the Global Offering, these will be at the absolute discretion of the Sole Global Coordinator and will be effected in accordance with the laws, rules and regulations in place in Hong Kong on stabilization. In Hong Kong, stabilizing activities must be carried out in accordance with the Securities and Futures (Price Stabilizing) Rules, Chapter 571W of the Laws of Hong Kong. Stabilizing actions which the Stabilizing Manager is permitted to take in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules include: (i) over-allocation for the purpose of preventing or minimizing any reduction in the market price of the Shares; (ii) selling or agreeing to sell the Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of the Shares; (iii) purchasing or subscribing for, or agreeing to purchase or subscribe for, the Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above; (iv) purchasing, or agreeing to purchase, any of the Shares for the sole purpose of preventing or minimizing any reduction in the market price of the Shares; (v) selling or agreeing to sell any Shares in

STRUCTURE OF THE GLOBAL OFFERING

order to liquidate any position held as a result of those purchases; and (vi) offering or attempting to do anything described in (ii), (iii), (iv) or (v).

Specifically, prospective applicants for and investors in the Shares should note that:

- the Stabilizing Manager, its affiliates or any person acting for it, may, in connection with the stabilizing action, maintain a long position in the Shares;
- there is no certainty regarding the extent to which and the time period for which the Stabilizing Manager, its affiliates or any person acting for it, will maintain such a position;
- liquidation of any such long position by the Stabilizing Manager may have an adverse impact on the market price of the Shares;
- no stabilizing action can be taken to support the price of the Shares for longer than the stabilizing period which will begin on the Listing Date and end on the 30th day after the last day for the lodging of applications under the Hong Kong Public Offering; after this date, when no further stabilizing action may be taken, demand for the Shares, and therefore their market price, could fall;
- the market price of the Shares cannot be assured to stay at or above the Offer Price either during or after the stabilizing period by the taking of any stabilizing action; and
- stabilizing bids may be made or transactions effected in the course of the stabilizing action at any price at or below the Offer Price, which means that stabilizing bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, the Shares.

An announcement will be made to the public within seven days after the expiration of the stabilizing period as required under the Securities and Futures (Price Stabilizing) Rules.

STOCK BORROWING AGREEMENT

In order to facilitate the settlement of over-allocations in connection with the International Offering, the Stabilizing Manager, its affiliates or any person acting for it, may choose to borrow up to 99,267,000 Shares from Alltogether, one of our Controlling Shareholders, equivalent to the maximum number of additional Shares to be offered upon full exercise of the Over-allotment Option, under the Stock Borrowing Agreement or to acquire Shares from other sources. The stock borrowing arrangement under the Stock Borrowing Agreement will comply with the requirements set out in Rule 10.07(3) of the Listing Rules, such that it will not be subject to the restrictions of Rule 10.07(1) of the Listing Rules. Rule 10.07(3) of the Listing Rules requires that:

- the Stock Borrowing Agreement will only be effected by the Stabilizing Manager, its affiliates or any person acting for it for settlement of over-allocations in the International Offering and solely covering any short position prior to the exercise of the Over-allotment Option;
- the maximum number of Shares to be borrowed from Alltogether will be limited to the maximum number of Shares which may be issued or sold upon exercise of the Over-allotment Option;
- the same number of Shares so borrowed must be returned to Alltogether within the third Business Day, following the earlier of (i) the last day on the Over-allotment Option may be exercised, or (ii) the day on which the Over-allotment Option is exercised in full;
- borrowing of Shares pursuant to the Stock Borrowing Agreement will be effected in compliance with all applicable Listing Rules, laws and other regulatory requirements; and
- no payments will be made to Alltogether by the Stabilizing Manager in relation to the Stock Borrowing Agreement.

STRUCTURE OF THE GLOBAL OFFERING

LISTING ON ANY OTHER STOCK EXCHANGE

Our Directors currently are not considering any listing of our Company on any other overseas stock exchange. We have not submitted any application nor obtained any approval for the listing of the Shares on any other overseas stock exchange.

HOW TO APPLY FOR HONG KONG OFFER SHARES

1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Offer Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **White Form eIPO** service at **www.eipo.com.hk**; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

The Company, the Sole Global Coordinator, the **White Form eIPO Service Provider** and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you apply online through the **White Form eIPO** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorized officer, who must State his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Sole Global Coordinator may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **White Form eIPO** service for the Hong Kong Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you are:

- an existing beneficial owner of Shares in the Company and/or any its subsidiaries;
- a Director or chief executive officer of the Company and/or any of its subsidiaries;
- an associate (as defined in the Listing Rules) of any of the above;
- a connected person (as defined in the Listing Rules) of the Company or will become a connected person of the Company immediately upon completion of the Global Offering; and

HOW TO APPLY FOR HONG KONG OFFER SHARES

- have been allocated or have applied for any International Offer Shares or otherwise participate in the International Offering.

3. APPLYING FOR HONG KONG OFFER SHARES

Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through **www.eipo.com.hk**.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Monday, June 23, 2014 until 12:00 noon on Thursday, June 26, 2014 from:

- (i) any of the following offices of the Hong Kong Underwriter:

BOCI Asia Limited
26/F, Bank of China Tower
1 Garden Road
Central
Hong Kong

- (ii) any of the branches of **Bank of China (Hong Kong) Limited**:

District	Branch Name	Address
Hong Kong Island . .	Bank of China Tower Branch	3/F, 1 Garden Road
	409 Hennessy Road Branch	409–415 Hennessy Road, Wan Chai
	Central District (Wing On House) Branch	71 Des Voeux Road Central
	Taikoo Shing Branch	Shop G1006, Hoi Sing Mansion, Taikoo Shing
Kowloon	Lam Tin Branch	Shop 12, 49 Kai Tin Road, Lam Tin
	To Kwa Wan Branch	80N To Kwa Wan Road, To Kwa Wan
	Jordan Road Branch	1/F, Sino Cheer Plaza, 23–29 Jordan Road
New Territories	City One Sha Tin Branch	Shop A, 16–20 Ngan Shing Commercial Centre, City One, Sha Tin
	Tai Po Branch	68–70 Po Heung Street, Tai Po Market

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Monday, June 23, 2014 until 12:00 noon on Thursday, June 26, 2014 from the Depository Counter of HKSCC at 2nd Floor, Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong or from your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to Bank of China (Hong Kong) Nominees Limited — Guorui Properties Public Offer for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving banks listed above, at the following times:

- 9:00 a.m. to 5:00 p.m. on Monday, June 23, 2014

HOW TO APPLY FOR HONG KONG OFFER SHARES

- 9:00 a.m. to 5:00 p.m. on Tuesday, June 24, 2014
- 9:00 a.m. to 5:00 p.m. on Wednesday, June 25, 2014
- 9:00 a.m. to 12:00 noon on Thursday, June 26, 2014

The application lists will be open from 11:45 a.m. to 12:00 noon on Thursday, June 26, 2014, the last application day or such later time as described in “— 10. Effect of Bad Weather on the Opening of the Applications Lists” in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **White Form eIPO** service, among other things, you:

- (i) **undertake** to execute all relevant documents and instruct and authorize the Company and/or the Sole Global Coordinator (or their agents or nominees), as agents of the Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (ii) **agree** to comply with the Hong Kong Companies Ordinance, Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association;
- (iii) **confirm** that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- (iv) **confirm** that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (v) **confirm** that you are aware of the restrictions on the Global Offering in this prospectus;
- (vi) **agree** that none of the Company, the Sole Global Coordinator, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (vii) **undertake** and **confirm** that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering nor participated in the International Offering;
- (viii) **agree** to disclose to the Company, our Hong Kong Share Registrar, receiving banks, the Sole Global Coordinator, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (ix) if the laws of any place outside Hong Kong apply to your application, **agree** and **warrant** that you have complied with all such laws and none of the Company, the Sole Global Coordinator and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong

HOW TO APPLY FOR HONG KONG OFFER SHARES

Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;

- (x) **agree** that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) **agree** that your application will be governed by the laws of Hong Kong;
- (xii) **represent, warrant and undertake** that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (xiii) **warrant** that the information you have provided is true and accurate;
- (xiv) **agree** to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;
- (xv) **authorize** our Company to place your name(s) or the name of the HKSCC Nominees, on the Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) and/or any e-Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have chosen to collect the share certificate(s) and/or refund cheque(s) in person;
- (xvi) **declare and represent** that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xvii) **understand** that the Company and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xviii) (if the application is made for your own benefit) **warrant** that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC or through the White Form eIPO service by you or by any one as your agent or by any other person; and
- (xix) (if you are making the application as an agent for the benefit of another person) **warrant** that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC; and (ii) you have due authority to sign the Application Form or give electronic application instructions on behalf of that other person as their agent.

Additional Instructions for Yellow Application Form

You may refer to the Yellow Application Form for details.

5. APPLYING THROUGH WHITE FORM eIPO SERVICE

General

Individuals who meet the criteria in “Who can apply” section, may apply through the **White Form eIPO** for the Offer Shares to be allotted and registered in their own names through the designated website at www.eipo.com.hk.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Detailed instructions for application through the **White Form eIPO** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to the Company. If you apply through the designated website, you authorize the White Form eIPO Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **White Form eIPO** service.

Time for Submitting Applications under the White Form eIPO Service

You may submit your application through the White Form eIPO service at **www.eipo.com.hk**. (24 hours daily, except on the last application day) from 9:00 a.m. on Monday, June 23, 2014 until 11:30 a.m. on Thursday, June 26, 2014 and the latest time for completing full payment of application monies in respect of such applications will be at 12:00 noon on Thursday, June 26, 2014 or such later time under the “—10. Effects of Bad Weather on the Opening of the Applications Lists” in this section.

No Multiple Applications

If you apply by means of **White Form eIPO** service, once you complete payment in respect of any electronic application instruction given by you or for your benefit through the **White Form eIPO** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **White Form eIPO** service more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **White Form eIPO** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Environmental Protection

The obvious advantage of **White Form eIPO** service is to save the use of paper via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated White Form eIPO Service Provider, will contribute HK\$2 for each “GUORUI PROPERTIES LIMITED” **White Form eIPO** application submitted via **www.eipo.com.hk** to support the funding of “Source of Dong Jiang — Hong Kong Forest” project initiated by Friends of the Earth (HK).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling 2979-7888 or through the CCASS Internet System

HOW TO APPLY FOR HONG KONG OFFER SHARES

(<https://ip.ccass.com>) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited

Customer Service Center
2/F, Infinitus Plaza
199 Des Voeux Road Central
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application to the Company, the Sole Global Coordinator and our Hong Kong Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (ii) HKSCC Nominees will do the following things on your behalf:
 - agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
 - agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;
 - undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering;
 - (if the electronic application instructions are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;
 - (if you are an agent for another person) declare that you have only given one set of electronic application instructions for the other person's benefit and are duly authorized to give those instructions as their agent;
 - confirm that you understand that the Company, the Directors and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;
 - authorize the Company to place HKSCC Nominees' name on the Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send share

HOW TO APPLY FOR HONG KONG OFFER SHARES

certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;

- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- agree that none of the Company, the Sole Global Coordinator, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to the Company, our Hong Kong Share Registrar, receiving banks, the Sole Global Coordinator, the Underwriters and/or its respective advisers and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of the Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;
- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the Company's announcement of the Hong Kong Public Offering results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Hong Kong Offer Shares;
- agree with the Company, for itself and for the benefit of each Shareholder (and so that the Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Hong Kong Companies Ordinance, Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to the Company or any other person in respect of the things mentioned below:

- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
- instructed and authorized HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 1,000 Hong Kong Offer Shares. Instructions for more than 1,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input electronic application instructions at the following times on the following dates:

- 9:00 a.m. to 8:30 p.m.⁽¹⁾ on Monday, June 23, 2014
- 8:00 a.m. to 8:30 p.m.⁽¹⁾ on Tuesday, June 24, 2014
- 8:00 a.m. to 8:30 p.m.⁽¹⁾ on Wednesday, June 25, 2014
- 8:00 a.m.⁽¹⁾ to 12:00 noon on Thursday, June 26, 2014

Note: (1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input electronic application instructions from 9:00 a.m. on Monday, June 23, 2014 until 12:00 noon on Thursday, June 26, 2014 (24 hours daily, except on the last application day).

The latest time for inputting your electronic application instructions will be 12:00 noon on Thursday, June 26, 2014 the last application day or such later time as described in “— 10. Effect of Bad Weather on the Opening of the Application Lists” in this section.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be

HOW TO APPLY FOR HONG KONG OFFER SHARES

automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any electronic application instructions to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal Data

The section of the Application Form headed “Personal Data” applies to any personal data held by the Company, the Hong Kong Share Registrar, the receiving bankers, the Sole Global Coordinator, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **White Form eIPO** service is also only a facility provided by the White Form eIPO Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. The Company, the Directors, the Joint Bookrunners, the Sole Sponsor, the Sole Global Coordinator and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **White Form eIPO** service will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC’s Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Thursday, June 26, 2014.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked “For nominees” you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC or through **White Form eIPO**

HOW TO APPLY FOR HONG KONG OFFER SHARES

service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

Unlisted company means a company with no equity securities listed on the Stock Exchange.

Statutory control means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **White Form eIPO** service in respect of a minimum of 1,000 Hong Kong Public Offering Shares. Each application or **electronic application instruction** in respect of more than 1,000 Hong Kong Public Offering Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at www.eipo.com.hk.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see the section headed “Structure of the Global Offering — Offer Price and Price Payable on Application.”

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above or
- a “black” rainstorm warning

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, June 26, 2014. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Thursday, June 26, 2014 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong that

HOW TO APPLY FOR HONG KONG OFFER SHARES

may affect the dates mentioned in the section headed “Expected Timetable”, an announcement will be made in such event.

11. PUBLICATION OF RESULTS

The Company expects to announce the final Offer Price, the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Friday, July 4, 2014 in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on the Company’s website at **www.glorypty.com** and the website of the Stock Exchange at **www.hkexnews.hk**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on the Company’s website at **www.glorypty.com** and the Stock Exchange’s website at **www.hkexnews.hk** by no later than 9:00 a.m. on Friday, July 4, 2014;
- from the designated results of allocations website at **www.iporesults.com.hk** with a “search by ID” function on a 24-hour basis from 8:00 a.m. on Friday, July 4, 2014 to 12:00 midnight on Thursday, July 10, 2014;
- by telephone enquiry line by calling 2862 8669 between 9:00 a.m. and 10:00 p.m. from Friday, July 4, 2014 to Monday, July 7, 2014;
- in the special allocation results booklets which will be available for inspection during opening hours from Friday, July 4, 2014 to Monday, July 7, 2014 at all the receiving bank branches and sub-branches.

If the Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in the section headed “Structure of the Global Offering.”

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Hong Kong Offer shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or through the **White Form eIPO** service, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with the Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40

HOW TO APPLY FOR HONG KONG OFFER SHARES

of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If the Company or its agents exercise their discretion to reject your application:

The Company, the Sole Global Coordinator, the White Form eIPO Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Hong Kong Offer Shares is void:

The allotment of Hong Kong Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies the Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offer Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your electronic application instructions through the **White Form eIPO** service are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonored upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- the Company or the Sole Global Coordinator believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

HOW TO APPLY FOR HONG KONG OFFER SHARES

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum offer price of HK\$2.84 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with “Structure of the Global Offering — Conditions” in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker’s cashier order will not be cleared.

Any refund of your application monies will be made on Friday, July 4, 2014.

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by electronic application instructions to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Hong Kong Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed “Account Payee Only” in favor of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest).

Part of the Hong Kong identity card number/ passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on dispatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or around Friday, July 4, 2014. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker’s cashier’s order(s).

Share certificates will only become valid at 8:00 a.m. on July 7, 2014 provided that the Global Offering has become unconditional and the right of termination described in the “Underwriting” section in this prospectus has not been exercised. Investors who trade shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

Personal Collection

(i) If you apply using a **WHITE** Application Form

If you apply for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from

HOW TO APPLY FOR HONG KONG OFFER SHARES

Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Friday, July 4, 2014 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorize any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorized representative must bear a letter of authorization from your corporation stamped with your corporation's chop. Both individuals and authorized representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on Friday, July 4, 2014, by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Friday, July 4, 2014, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Friday, July 4, 2014, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- **If you apply through a designated CCASS participant (other than a CCASS investor participant)**

For Hong Kong Public Offering shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Public Offering shares allotted to you with that CCASS participant.

- **If you are applying as a CCASS investor participant**

The Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in "— 11. Publication of Results" above. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. Friday, July 4, 2014 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) If you apply through the White Form eIPO Service

If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your Share certificate(s) from Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Friday, July 4, 2014, or such other date as notified by the

HOW TO APPLY FOR HONG KONG OFFER SHARES

Company in the newspapers as the date of despatch/collection of Share certificates/e-Refund payment instructions/refund cheques.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on Friday, July 4, 2014 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(iv) If you apply via Electronic Application Instructions to HKSCC

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives electronic application instructions or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Friday, July 4, 2014, or, on any other date determined by HKSCC or HKSCC Nominees.
- The Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, the Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in "— 11. Publication of Results" above on Friday, July 4, 2014. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. Friday, July 4, 2014 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give electronic application instructions on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Friday, July 4, 2014. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer

HOW TO APPLY FOR HONG KONG OFFER SHARES

Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Friday, July 4, 2014.

15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.



德勤·關黃陳方會計師行
香港金鐘道88號
太古廣場一座35樓

Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

[Draft]

[Date]

The Directors

Guorui Properties Limited

(incorporated under the name of “Glory Land

Company Limited (国瑞置业有限公司)” in the Cayman Islands

and carrying on business in Hong Kong as “Guorui Properties Limited”)

BOCI Asia Limited

Dear Sirs,

We set out below our report on the financial information (the “**Financial Information**”) regarding Guorui Properties Limited (incorporated under the name of “Glory Land Company Limited (国瑞置业有限公司)” in the Cayman Islands and carrying on business in Hong Kong as “Guorui Properties Limited”) (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”) for each of the three years ended December 31, 2013 (the “**Relevant Periods**”) for inclusion in the prospectus of the Company dated [date] in connection with the initial public offering and listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (the “**Prospectus**”).

The Company was incorporated on July 16, 2012 in the Cayman Islands under the name of “Glory Land Company Limited (国瑞置业有限公司)” as an exempted company with limited liability under the Company Laws (2012 Revision) of the Cayman Islands. Pursuant to a corporate reorganization, as described more fully in the section headed “History and Reorganization” in the Prospectus (the “**Reorganization**”), the Company became the holding company of the Group on June 29, 2013.

The Company and its subsidiaries have adopted December 31 as their financial year end date. As at the date of this report, the Company has direct and indirect interests in the following companies comprising the Group:

Name of subsidiaries	Place and date of incorporation/establishment	Issued and fully paid share capital/registered capital at the date of this report	Attributable equity interest of the Group				Principal activities
			At December 31,			At date of this report	
			2011	2012	2013		
Glory Real Estate Development Limited (“ Glory HK ”)	Hong Kong August 2, 2005	Authorized HKD10,000 Issued and fully paid HKD10,000	100%	100%	— (note(b))	—	Investment holding
Glory Real Estate (HK) Investment Limited (“ Glory Real Estate (HK) ”) 國瑞地產 (香港) 投資有限公司	Hong Kong April 29, 2013	Authorized HKD10,000 Issued and fully paid HKD10,000	N/A	N/A	100% (note (c))	100%	Investment holding
Shantou Glory Management Limited* (formerly known as Shantou Garden Hotel Limited) (“ Glory Management ”) 汕頭國瑞企業管理有限公司	People’s Republic of China (“PRC”) December 24, 1996	Registered RMB40,000,000 Paid up capital RMB40,000,000	45% (note (d))	100% (note (d))	100%	100%	Investment holding and hotel operation
Shantou Garden Group Co., Ltd.* (“ Garden Group ”) 汕頭花園集團有限公司	PRC April 1, 1994	Registered RMB48,000,000 Paid up capital RMB48,000,000	100%	100%	100%	100%	Investment holding

APPENDIX I

ACCOUNTANTS' REPORT

Name of subsidiaries	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital at the date of this report	Attributable equity interest of the Group				Principal activities
			At December 31,			At date of this report	
			2011	2012	2013		
Glory Xingye (Beijing) Industrial Co., Ltd.* (“ Glory Industrial ”) 國瑞興業(北京)實業股份有限公司	PRC August 17, 1999	Registered RMB458,224,110 Paid up capital RMB458,224,110	91%	91%	91%	91%	Property development
Shantou Chenghai Garden Hotel Co., Ltd.* (“ Chenghai Hotel ”) 汕頭市澄海花園酒店有限公司	PRC September 24, 1998	Registered RMB60,000,000 Paid up capital RMB60,000,000	90%	90%	— (note(b))	—	Hotel operation
Shantou Glory Construction Materials and Household Exhibition Center Co., Ltd.* (“ Shantou Construction Materials ”) 汕頭國瑞建材家居博覽中心有限公司	PRC August 6, 2004	Registered RMB200,000,000 Paid up capital RMB200,000,000	100%	90% (note (e))	90%	90%	Property development
Beijing Detong Shunli Investment Advisory Co., Ltd.* (“ Detong Shunli ”) 北京德通順利投資顧問有限公司	PRC April 17, 2008	Registered RMB2,000,000 Paid up capital RMB2,000,000	100%	100%	— (note (b))	—	Not yet commence business
Beijing Glory Real Estate Co., Ltd.* (“ Original Beijing Glory ”) 北京國瑞興業地產股份有限公司	PRC March 12, 2002	Registered RMB1,166,000,000 Paid up capital RMB1,166,000,000	80%	80%	80%	80%	Property development and investment holding
Beijing Glory Real Estate (Holding) Co., Ltd.* (“ New Beijing Glory ”) 北京國瑞興業房地產控股有限公司	PRC December 5, 2013	Registered RMB52,000,000 Paid up capital RMB52,000,000	N/A	N/A	80% (note (f)) (note (c))	80%	Investment holding
Beijing Wenchang Real Estate Development Co., Ltd.* (“ Beijing Wenchang ”) 北京文昌房地產開發有限公司	PRC May 27, 2002	Registered RMB10,000,000 Paid up capital RMB10,000,000	80%	80%	80%	80%	Property development
Beijing Glory Commercial Management Co., Ltd.* (“ Glory Commercial Management ”) 北京國瑞興業商業管理有限公司	PRC August 27, 2007	Registered RMB1,000,000 Paid up capital RMB1,000,000	80%	— (note (b))	—	—	Shopping mall management
Beijing Glory Property Services Co., Ltd.* (“ Glory Services ”) 北京國瑞物業服務有限公司	PRC April 12, 2002	Registered RMB5,000,000 Paid up capital RMB5,000,000	80%	80%	80%	80%	Property management and services
Glory Xingye (Beijing) Investment Co., Ltd.* (“ Glory Investment ”) 國瑞興業(北京)投資有限公司	PRC February 13, 2012	Registered RMB10,000,000 Paid up capital RMB10,000,000	N/A	80% (note (c))	80%	80%	Not yet commence business
Beijing Feier Site Commerce Services Co., Ltd.* (“ Feier Site ”) 北京菲爾斯特商務服務有限公司	PRC October 18, 2012	Registered RMB2,000,000 Paid up capital RMB2,000,000	N/A	48% (note (c)) (note (g))	— (note (b))	—	Consultancy services
Beijing Glory Shopping Mall Co., Ltd.* (“ Glory Shopping Mall ”) 北京國瑞購物中心有限公司	PRC August 4, 2010	Registered RMB100,000 Paid up capital RMB100,000	80%	— (note (b))	—	—	Shopping mall management
Hainan Glory Real Estate Development Co., Ltd.* (“ Hainan Glory ”) 海南國瑞房地產開發有限公司	PRC April 21, 2009	Registered RMB10,000,000 Paid up capital RMB10,000,000	80%	80%	80%	80%	Property development
Wanning Glory Real Estate Development Co., Ltd.* (“ Wanning Glory ”) 萬寧國瑞房地產開發有限公司	PRC July 13, 2009	Registered RMB30,000,000 Paid up capital RMB30,000,000	80%	80%	80%	80%	Property development

APPENDIX I

ACCOUNTANTS' REPORT

Name of subsidiaries	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital at the date of this report	Attributable equity interest of the Group				Principal activities
			At December 31,			At date of this report	
			2011	2012	2013		
Hainan Tongcheng Industrial Co., Ltd.* (“Hainan Tongcheng”) 海南同城實業有限公司	PRC August 11, 2003	Registered RMB74,270,000 Paid up capital RMB74,270,000	80%	80%	80%	80%	Property development
Hainan Nanduijiang Industrial Development Co., Ltd.* (“Hainan Nanduijiang”) 海南南渡江實業發展有限公司	PRC January 3, 2003	Registered RMB20,030,000 Paid up capital RMB20,030,000	80%	80%	80%	80%	Property development
Haikou Hangrui Industrial Development Co., Ltd.* (“Haikou Hangrui”) 海口航瑞實業發展有限公司	PRC June 6, 2008	Registered RMB110,104,100 (note (g)) Paid up capital RMB110,104,100	44%	44%	44%	80%	Property development
Hainan HNA Glory Investment & Development Co., Ltd.* (“Hainan HNA”) 海南海航國瑞投資開發有限公司	PRC July 6, 2009	Registered RMB466,869,243 Paid up capital RMB466,869,243	80%	80%	80%	80%	Property development
Wan Ning Longsheng Investment Development Co., Ltd.* (“Wan Ning Longsheng”) 萬寧龍聖投資發展有限公司	PRC December 12, 2007	Registered RMB20,000,000 (note (b)) Paid up capital RMB20,000,000	—	—	—	—	Property development
Hainan Glory Property Co., Ltd.* (“Hainan Glory Services”) 海南國瑞物業服務有限公司	PRC February 10, 2010	Registered RMB2,000,000 Paid up capital RMB2,000,000	80%	— (note (h))	—	—	Not yet commence business
Xinzheng Glory Real Estate Development Co., Ltd.* (“Xinzheng Glory”) 新鄭市國瑞房地產開發有限公司	PRC October 26, 2009	Registered RMB100,000,000 Paid up capital RMB100,000,000	80%	80%	80%	80%	Property development
Jinan Glory Real Estate Development Co., Ltd.* (“Jinan Glory”) 濟南國瑞房地產開發有限公司	PRC December 15, 2009	Registered RMB10,000,000 (note (h)) Paid up capital RMB10,000,000	—	—	—	—	Not yet commence business
Foshan Glory Xingye Real Estate Co., Ltd.* (“Foshan Glory”) 佛山市國瑞興業地產有限公司	PRC June 2, 2010	Registered RMB10,000,000 Paid up capital RMB10,000,000	80%	80%	80%	80%	Property development
Foshan Guohua Properties Co., Ltd.* (“Foshan Guohua”) 佛山市國華置業有限公司	PRC December 19, 2012	Registered RMB100,000,000 Paid up capital RMB100,000,000	N/A	44% (note (c)) (note (g))	44%	44%	Property development
Langfang Glory Investment Co., Ltd.* (“Langfang Glory”) 廊坊國瑞投資有限公司	PRC November 25, 2009	Registered RMB100,000,000 Paid up capital RMB100,000,000	80%	80%	80%	80%	Investment holding
Langfang Glory Agricultural Development Co., Ltd.* (“Langfang Agricultural”) 廊坊國瑞農業開發有限公司	PRC April 14, 2010	Registered RMB10,000,000 Paid up capital RMB10,000,000	80%	80%	— (note (b))	—	Not yet commence business
Langfang Guosheng Investment Co., Ltd.* (“Langfang Guosheng”) 廊坊國盛投資有限公司	PRC November 12, 2010	Registered RMB30,000,000 Paid up capital RMB30,000,000	80%	80%	80%	80%	Property development
Langfang Glory Real Estate Development Co., Ltd.* (“Langfang Real Estate”) 廊坊國瑞房地產開發有限公司	PRC April 15, 2010	Registered RMB150,000,000 Paid up capital RMB150,000,000	80%	80%	80%	80%	Property development

APPENDIX I

ACCOUNTANTS' REPORT

Name of subsidiaries	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital at the date of this report	Attributable equity interest of the Group				Principal activities
			At December 31,			At date of this report	
			2011	2012	2013		
Langfang Guoxing Real Estate Development Co., Ltd.* (“Langfang Guoxing”) 廊坊國興房地產開發有限公司	PRC November 12, 2010	Registered RMB10,000,000 Paid up capital RMB10,000,000	80%	80%	80%	80%	Property development
Yongqing County Orchard Sport Services Co., Ltd.* (“Langfang Yongqing”) 永清縣果園體育服務有限公司	PRC February 15, 2011	Registered RMB1,000,000 Paid up capital RMB1,000,000	80% (note (c))	80%	80%	80%	Not yet commence business
Shantou Glory Real Estate Development Co., Ltd.* (“Shantou Glory”) 汕頭市國瑞房地產開發有限公司	PRC December 3, 2009	Registered RMB198,000,000 Paid up capital RMB198,000,000	80%	80%	80%	80%	Property development
Shantou Special Economic Zone Sanjin Plants Co., Ltd.* (“Shantou Sanjin”) 汕頭經濟特區三金廠房開發有限公司	PRC December 19, 2008	Registered RMB8,000,000 Paid up capital RMB8,000,000	80%	80%	— (note (b))	—	Property development
Shenzhen Glory Real Estate Co., Ltd.* (“Shenzhen Glory”) 深圳國瑞興業房地產有限公司	PRC August 21, 2013	Registered RMB100,000,000 Paid in capital RMB0	—	—	100% (note (c))	100%	Not yet commence business
Shantou Garden Property Management Co., Ltd.* (“Shantou Property Management”) 汕頭市花園物業管理有限公司	PRC April 14, 1999	Registered RMB3,000,000 Paid up capital RMB3,000,000	64%	64%	— (note (b))	—	Properties management
Shantou Guohua Properties Real Estate Development Co., Ltd.* (“Shantou Guohua”) 汕頭市國華置業地產開發有限公司	PRC May 31, 2011	Registered RMB20,000,000 Paid up capital RMB20,000,000	60% (note (c))	60%	60%	60%	Property development
Shantou Glory Zhoucuowen Real Estate Development Co., Ltd.* (“Shantou Zhoucuowen”) 汕頭市國瑞周厝塢房地產開發有限公司	PRC March 2, 2011	Registered RMB20,000,000 Paid up capital RMB20,000,000	68% (note (c))	68%	68%	68%	Property development
Shenyang Dadongfang Properties Co., Ltd.* (“Shenyang Dadongfang”) 瀋陽大東方置業有限公司	PRC March 19, 2004	Registered RMB286,362,194 Paid up capital RMB286,362,194	56%	80% (note (i))	80%	80%	Property development
Shenyang Glory Industrial Commerce Co., Ltd.* (“Shenyang Commerce”) 瀋陽國瑞興業商務有限公司	PRC November 30, 2007	Registered RMB1,000,000 Paid up capital RMB1,000,000	80%	80%	80%	80%	Properties management services
Tonghe Leasing Co., Ltd.* (“Tonghe Leasing”) 通和租賃股份有限公司	PRC September 26, 2012	Registered RMB200,000,000 Paid up capital RMB200,000,000	N/A	72% (note (c))	— (note (b))	—	Not yet commence business
Chongqing Longxia Real Estate Development Co., Ltd.* (“Chongqing Longxia”) 重慶龍廈房地產開發有限公司	PRC June 25, 2004	Registered RMB100,000,000 Paid up capital RMB100,000,000	80%	— (note (b))	—	—	Property development
Chongqing Ruiao Properties Co., Ltd.* (“Chongqing Ruiao”) 重慶瑞奧置業有限公司	PRC May 31, 2011	Registered RMB20,000,000 Paid up capital RMB20,000,000	80% (note (c))	— (note (b))	—	—	Property development
Shijiazhuang Glory Real Estate Development Co., Ltd.* (“Shijiazhuang Glory”) 石家莊國瑞房地產開發有限公司	PRC April 26, 2006	Registered RMB100,000,000 Paid up capital RMB100,000,000	80%	— (note (b))	—	—	Property development

APPENDIX I

ACCOUNTANTS' REPORT

Name of subsidiaries	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital at the date of this report	Attributable equity interest of the Group				Principal activities
			At December 31,			At date of this report	
			2011	2012	2013		
Shijiazhuang Glory Property Management Co., Ltd.* (“Shijiazhuang Property Management”) 石家莊國瑞物業服務有限公司	PRC April 23, 2008	Registered RMB1,000,000 Paid up capital RMB1,000,000	80%	— (note (b))	—	—	Properties management services
Shijiazhuang Glory City Real Estate Development Co., Ltd.* (“Shijiazhuang Glory City”) 石家莊國瑞城房地產開發有限公司	PRC November 11, 2010	Registered RMB10,000,000 Paid up capital RMB10,000,000	80%	— (note (b))	—	—	Property development
Shijiazhuang Yixing Real Estate Development Co., Ltd.* (“Shijiazhuang Yixing”) 石家莊義興房地產開發有限公司	PRC July 22, 2002	Registered RMB10,000,000 Paid up capital RMB10,000,000	80%	— (note (b))	—	—	Property development
Shijiazhuang Guoxia Real Estate Development Co., Ltd.* (“Shijiazhuang Guoxia”) 石家莊國廈房地產開發有限公司	PRC March 18, 2011	Registered RMB50,000,000 Paid up capital RMB50,000,000	80%	— (note (c))	— (note (b))	—	Property development
Chaoan County Meilin Lake Development & Construction Co., Ltd.* (“Chaoan Meilin”) 潮安縣梅林湖開發建設有限公司	PRC March 19, 2013	Registered RMB10,000,000 Paid up capital RMB10,000,000	N/A	N/A	48% (note (c)) (note (g))	48%	Not yet commence business
Shaanxi Huawei Shida Industrial Co., Ltd.* (“Shaanxi Huawei”) 陝西華威世達實業有限公司	PRC December 28, 2011	Registered RMB200,000,000 Paid up capital RMB200,000,000	N/A	N/A	80% (note (j))	80%	Property development
Hainan Junhe Industrial Co., Ltd.* (“Hainan Junhe”) 海南駿和實業有限公司	PRC June 7, 2010	Registered RMB50,000,000 Paid up capital RMB50,000,000	—	—	—	(note (k))	Property development
Foshan Glory Southern Real Estate Development Co., Ltd.* (“Foshan Glory Southern”) 佛山市國瑞南方地產開發有限公司	PRC April 25, 2014	Authorized RMB10,000,000 and fully paid RMB10,000,000	N/A	N/A	N/A	80% (note (l))	Property development

As at the date of this report, the Group has the following associate:

Name of company	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital at the date of this report	Equity interest attributable to the Group				Principal activities
			At December 31,			At date of this report	
			2011	2012	2013		
Shenzhen Dachaoshan Construction Co., Ltd.* (“Dachaoshan”) 深圳市大潮汕建設有限公司	PRC September 30, 2013	Registered RMB120,000,000 Paid up capital RMB120,000,000	N/A	N/A	—	30% (note (m))	Property development

* The English names of the companies which were established in the PRC are for reference only and have not been registered.

Notes:

- (a) None of the subsidiaries had issued any debt securities at the end of each reporting period or at any time during the Relevant Periods. All subsidiaries, other than Glory HK, Glory Real Estate (HK) and Glory Management, are subsidiaries of Garden Group.
- (b) These subsidiaries were disposed of during the Relevant Periods. Details are set out in note 42.
- (c) These subsidiaries were newly established during the Relevant Periods.
- (d) Glory HK was incorporated in Hong Kong by Mr. Zhang Zhangsun on August 2, 2005 which held 45% equity interest in Glory Management and accounted for as interest in an associate. The remaining 55% equity interest in Glory Management was held by Shantou Jinming Wujin Material Co., Ltd. 汕頭市金明五金材料有限公司 (“**Jinming Wujin**”), a company owned by family members of Mr. Zhang Zhangsun. In July 2012, Mr. Zhang Zhangsun acquired the entire equity interest in Jinming Wujin, and thereafter, Glory Management came under control of Mr. Zhang Zhangsun. Details are set out in note 43.
- (e) In March 2012, Garden Group transferred 10% equity interest in Shantou Construction Materials to Mr. Lin Yaoquan, Mr. Zhang Zhangsun's brother-in-law and an employee of Shantou Construction Materials, for a consideration of RMB20,000,000. Details are set out in note 41.
- (f) On October 8, 2013, the business, assets and liabilities of Original Beijing Glory was split into two companies, namely, New Beijing Glory, the new entity that was established following the split, and the then Original Beijing Glory (the “**Split**”). Details are set out in note 21. New Beijing Glory has obtained pre-approval notification from the industrial and commercial administration authorities on April 12, 2013, completed the capital verification on October 8, 2013 and obtained business license on December 5, 2013.
- (g) Garden Group held 80% equity interest in Original Beijing Glory, which held 60%, 55%, 55% and 60% equity interest in Feier Site, Haikou Hangrui, Foshan Guohua and Chaoan Meilin respectively. Therefore, the Group indirectly held 48%, 44%, 44% and 48% equity interest in Feier Site, Haikou Hangrui, Foshan Guohua and Chaoan Meilin respectively, which are still considered to be subsidiaries of the Group.
- (h) The subsidiaries were deregistered during the Relevant Periods.
- (i) In November 2012, Original Beijing Glory acquired the remaining 30% equity interests in Shenyang Dadongfang from the non-controlling equity holder for a consideration of RMB68,000,000.
- (j) The subsidiary was acquired during the Relevant Periods. Details are set out in note 43.
- (k) Hainan Glory entered into an equity interest transfer and cooperation agreement with an independent third party to acquire the equity interest in Hainan Junhe. Details are set out in Section C.
- (l) The company was newly established on April 25, 2014.
- (m) The company was acquired on March 5, 2014 and became an associate of the Group. Details are set out in Section C.
- (n) Other than Glory HK and Glory Real Estate (HK) which are investment holding companies in Hong Kong, all subsidiaries operate in the PRC.
- (o) Glory HK and Glory Real Estate (HK) are directly held by the Company. Other subsidiaries are indirectly held by the Company.

The statutory financial statements of the Company's subsidiaries established or incorporated in the PRC or Hong Kong were prepared in accordance with the relevant accounting policies and financial regulations applicable to entities established in the PRC (the “**PRC GAAP**”) or Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and were audited by respective certified public accountants registered in the PRC and Hong Kong, respectively. Details are as follows:

Name of company	Financial period / year ended	Name of auditors
Glory HK	December 31, 2011, 2012 and 2013	Norman Chan & Company
Shantou Construction Materials	December 31, 2011, 2012 and 2013	汕頭市金正會計師事務所有限公司 Shantou Jinzheng Certified Public Accountants
Hainan Glory	December 31, 2011, 2012 and 2013	海南天勤會計師事務所 Hainan Tianqin Certified Public Accountants
Wanning Glory	December 31, 2011, 2012 and 2013	海南天勤會計師事務所 Hainan Tianqin Certified Public Accountants
Hainan Tongcheng	December 31, 2011, 2012 and 2013	海南天勤會計師事務所 Hainan Tianqin Certified Public Accountants
Hainan Nanduijiang	December 31, 2011, 2012 and 2013	海南天勤會計師事務所 Hainan Tianqin Certified Public Accountants

APPENDIX I**ACCOUNTANTS' REPORT**

Name of company	Financial period / year ended	Name of auditors
Hainan HNA	December 31, 2011, 2012 and 2013	海南天勤會計師事務所 Hainan Tianqin Certified Public Accountants
Xinzheng Glory	December 31, 2011, 2012 and 2013	鄭州正通聯合會計師事務所 Zhengzhou Zhengtong Certified Public Accountants
Langfang Glory	December 31, 2011	廊坊天益聯合會計師事務所有限公司 Langfang Tianyi Certified Public Accountants
	December 31, 2012	北京中怡和會計師事務所 Beijing Zhongyihe Certified Public Accountants
	December 31, 2013	廊坊安信聯合會計師事務所 Langfang Anxin United Certified Public Accountants
Langfang Agricultural	December 31, 2011	廊坊天益聯合會計師事務所 Langfang Tianyi Certified Public Accountants
	December 31, 2012	北京中怡和會計師事務所有限公司 Beijing Zhongyihe Certified Public Accountants
	December 31, 2013	廊坊安信聯合會計師事務所 Langfang Anxin United Certified Public Accountants
Langfang Guosheng	December 31, 2011	廊坊天益聯合會計師事務所 Langfang Tianyi Certified Public Accountants
	December 31, 2012	北京中怡和會計師事務所有限公司 Beijing Zhongyihe Certified Public Accountants
	December 31, 2013	廊坊安信聯合會計師事務所 Langfang Anxin United Certified Public Accountants
Langfang Real Estate	December 31, 2011	廊坊天益聯合會計師事務所 Langfang Tianyi Certified Public Accountants
	December 31, 2012	北京中怡和會計師事務所有限公司 Beijing Zhongyihe Certified Public Accountants
	December 31, 2013	廊坊安信聯合會計師事務所 Langfang Anxin United Certified Public Accountants
Langfang Guoxing	December 31, 2011	廊坊天益聯合會計師事務所 Langfang Tianyi Certified Public Accountants
	December 31, 2012	北京中怡和會計師事務所有限公司 Beijing Zhongyihe Certified Public Accountants
	December 31, 2013	廊坊安信聯合會計師事務所 Langfang Anxin United Certified Public Accountants
Langfang Yongqing	December 31, 2011	廊坊天益聯合會計師事務所 Langfang Tianyi Certified Public Accountants

Name of company	Financial period / year ended	Name of auditors
	December 31, 2012	北京中怡和會計師事務所有限公司 Beijing Zhongyihe Certified Public Accountants
	December 31, 2013	廊坊安信聯合會計師事務所 Langfang Anxin United Certified Public Accountants
Shantou Glory	December 31, 2011, 2012 and 2013	汕頭市金正會計師事務所有限公司 Shantou Jinzheng Certified Public Accountants
Shantou Guohua	December 31, 2011, 2012 and 2013	汕頭市金正會計師事務所有限公司 Shantou Jinzheng Certified Public Accountants
Shantou Zhoucuowen	December 31, 2011, 2012 and 2013	汕頭市金正會計師事務所有限公司 Shantou Jinzheng Certified Public Accountants
Shenyang Dadongfang	December 31, 2011	北京安瑞普會計師事務所有限公司 Beijing Enrepl Certified Public Accountants
	December 31, 2012 and 2013	遼寧銀劍會計師事務所有限責任公司 Liaoning Yinjian Certified Public Accountants
Shaanxi Huawei (acquired in 2013)	December 31, 2013	西安長興會計師事務所有限責任公司 Xian Changxing Certified Public Accountants

No audited statutory financial statements have been prepared for other subsidiaries of the Company other than those listed above.

No audited statutory financial statements have been prepared by the Company as it is incorporated in a jurisdiction where there is no statutory audit requirement. However, the directors of the Company have prepared the consolidated financial statements of the Group for the year ended December 31, 2013 in accordance with PRC GAAP (the “PRC GAAP Financial Statements”) and the PRC GAAP Financial Statements were audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP. No audited statutory financial statements have been prepared for Glory Real Estate (HK), Chaoan Meilin and New Beijing Glory for the period from the date of incorporation/establishment as they have not reached their respective first financial year end date.

No audited financial statements have been prepared for Detong Shunli, Glory Investment, Hainan Glory Services, Jinan Glory, Tonghe Leasing and Shenzhen Glory because they have not carried on any business during the Relevant Periods.

No audited financial statements of Glory Management, Garden Group, Glory Industrial, Chenghai Hotel, Original Beijing Glory, Beijing Wenchang, Glory Commercial Management, Glory Services, Feier Site, Glory Shopping Mall, Haikou Hangrui, Wan Ning Longsheng, Foshan Glory, Foshan Guohua, Shantou Sanjin, Shantou Property Management, Shenyang Commerce, Chongqing Longxia, Chongqing Ruiao, Shijiazhuang Glory, Shijiazhuang Property Management, Shijiazhuang Glory City, Shijiazhuang Yixing, and Shijiazhuang Guoxia have been prepared since their respective date of establishment as there are no statutory audit requirement.

For the purpose of this report, the Directors of the Company (the “**Directors**”) have prepared the consolidated financial statements of the Company and its subsidiaries for the Relevant Periods in accordance with International Financial Reporting Standards (“**IFRS**”) (the “**Underlying Financial Statements**”). The Underlying Financial Statements have been audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP, in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board (“**IAASB**”).

We have examined the Underlying Financial Statements and performed such additional procedures as we considered necessary in accordance with the Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” as recommended by the HKICPA.

The Financial Information of the Group for the Relevant Periods set out in this report has been prepared from the Underlying Financial Statements on the basis set out in Note 1B of section A of the Financial Information. No adjustments were deemed necessary by us to the Underlying Financial Statements in preparing our report for inclusion in the Prospectus.

The Underlying Financial Statements are the responsibility of the Directors who approved their issue. The Directors are also responsible for the contents of the Prospectus in which this report is included. It is our responsibilities to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, on the basis of presentation set out in Note 1B of section A below, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of the Company as at December 31, 2012 and 2013 and of the Group as at December 31, 2011, 2012 and 2013 and of the consolidated results and consolidated cash flows of the Group for each of the Relevant Periods.

A. FINANCIAL INFORMATION

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	NOTES	Year ended December 31,		
		2011	2012	2013
		RMB'000	RMB'000	RMB'000
Revenue	5	1,753,398	4,275,996	6,835,358
Cost of sales and services		(955,157)	(2,700,448)	(3,130,684)
Gross profit		798,241	1,575,548	3,704,674
Other gains and losses	6	(1,412)	1,368	268,672
Other income	7	11,061	56,697	8,426
Fair value gain upon transfer to investment properties	15	—	—	527,270
Changes in fair value of investment properties	15	890,358	1,043,243	384,625
Share of result of an associate		11	(65)	—
Selling expenses		(148,134)	(108,131)	(184,545)
Administrative expenses		(226,433)	(282,839)	(242,269)
Other expenses	8	(55,615)	(22,133)	(38,527)
Finance costs	9	(192,970)	(230,039)	(572,542)
Profit before taxation	10	1,075,107	2,033,649	3,855,784
Income tax expenses	12	(330,686)	(760,471)	(1,085,595)
Profit and total comprehensive income for the year		744,421	1,273,178	2,770,189
Profit and total comprehensive income for the year attributable to:				
Owners of the Company		597,001	1,029,776	2,233,812
Non-controlling interests		147,420	243,402	536,377
		744,421	1,273,178	2,770,189

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	NOTES	At December 31,		
		2011	2012	2013
		RMB'000	RMB'000	RMB'000
Non-current assets				
Investment properties	15	6,041,955	6,992,900	7,985,500
Property, plant and equipment	16	196,534	258,190	141,131
Intangible assets	17	1,985	1,533	2,383
Interest in an associate	18	16,821	—	—
Available-for-sale investments	19	5,000	12,000	5,000
Prepaid lease payments	20	33,088	37,641	2,941
Deferred tax assets	22	223,179	75,748	61,761
Restricted bank deposits	30	44,480	34,673	922
		<u>6,563,042</u>	<u>7,412,685</u>	<u>8,199,638</u>
Current assets				
Inventories		6,833	8,145	93
Deposits paid for land acquisition	23	1,296,240	851,000	314,160
Properties under development for sale	24	6,339,723	4,960,386	9,967,028
Properties held for sale	26	1,035,960	1,556,039	1,739,494
Trade and other receivables, deposits and prepayments	27	1,580,914	556,680	389,494
Amounts due from customers for contract work	28	1,144,322	1,355,114	889,261
Taxation recoverable		61,054	75,303	59,003
Amounts due from related parties	49	1,508,881	882,158	4,265
Held-for-trading investments	29	2,980	3,010	80
Restricted bank deposits	30	155,581	328,718	60,033
Bank balances and cash	31	589,266	803,373	844,854
		<u>13,721,754</u>	<u>11,379,926</u>	<u>14,267,765</u>
Current liabilities				
Trade and other payables	32	2,858,119	2,205,191	4,679,785
Deposits received from pre-sale of properties	33	4,739,105	3,499,225	1,648,241
Amounts due to related parties	49	915,660	80,668	297,740
Taxation payable	34	336,132	167,937	713,889
Bank and other borrowings — due within one year	35	1,220,004	2,330,880	1,112,136
		<u>10,069,020</u>	<u>8,283,901</u>	<u>8,451,791</u>
Net current assets		<u>3,652,734</u>	<u>3,096,025</u>	<u>5,815,974</u>
Total assets less current liabilities		<u>10,215,776</u>	<u>10,508,710</u>	<u>14,015,612</u>
Non-current liabilities				
Other payables	32	44,657	44,092	49,302
Bank and other borrowings — due after one year	35	4,403,863	3,351,900	6,224,424
Deferred tax liabilities	22	1,172,491	1,427,220	1,645,907
		<u>5,621,011</u>	<u>4,823,212</u>	<u>7,919,633</u>
Net assets		<u>4,594,765</u>	<u>5,685,498</u>	<u>6,095,979</u>
Capital and reserves				
Paid-in/Share capital	36	48,010	48,000	2,967
Reserves		<u>3,754,046</u>	<u>4,850,733</u>	<u>4,785,447</u>
Equity attributable to owners of the Company		3,802,056	4,898,733	4,788,414
Non-controlling interests		792,709	786,765	1,307,565
Total equity		<u>4,594,765</u>	<u>5,685,498</u>	<u>6,095,979</u>

COMPANY STATEMENTS OF FINANCIAL POSITION

	NOTES	At December 31, 2012 RMB'000	At December 31, 2013 RMB'000
Non-current asset			
Investment in a subsidiary	37	8	8
		<u>8</u>	<u>8</u>
Current asset			
Bank balances and cash		—	2,945
		<u>—</u>	<u>2,945</u>
Current liability			
Amount due to related parties	49	8	20,930
		<u>8</u>	<u>20,930</u>
Net current liability		(8)	(17,985)
Total assets less current liability		<u>—</u>	<u>(17,977)</u>
Net liabilities		<u>—</u>	<u>(17,977)</u>
Capital and reserves			
Share capital	36	—	2,967
Accumulated losses	36	<u>—</u>	<u>(20,944)</u>
Total equity (Accumulated deficits)		<u>—</u>	<u>(17,977)</u>

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company					Attributable to non-controlling interests	
	Paid-in/ Share capital	Capital reserve	Other reserve	Statutory surplus reserve	Retained earnings	Total	Total
	RMB'000	RMB'000	RMB'000 (note ii)	RMB'000 (note iii)	RMB'000	RMB'000	RMB'000
For the three years ended December 31, 2011, 2012 and 2013							
At January 1, 2011	48,010	—	(89,626)	166,369	3,080,302	3,205,055	3,842,344
Profit for the year and total comprehensive income for the year	—	—	—	—	597,001	597,001	744,421
Appropriate to reserve	—	—	—	11,254	(11,254)	—	—
Capital injection by non-controlling equity holders	—	—	—	—	—	—	8,000
At December 31, 2011	48,010	—	(89,626)	177,623	3,666,049	3,802,056	4,594,765
Profit for the year and total comprehensive income for the year	—	—	—	—	1,029,776	1,029,776	1,273,178
Appropriate to reserve	—	—	—	72,183	(72,183)	—	—
Dividends paid to non-controlling equity holders (note 14)	—	—	—	—	—	—	—
Capital injection by non-controlling equity holders	—	—	—	—	—	—	(250,000)
Acquisition of additional interest in a subsidiary (note ii)	—	—	—	—	—	—	65,800
Disposal of partial interests in a subsidiary and recognition of share-based payment (note ii)	—	—	40,676	—	—	40,676	(108,676)
Deemed distribution to equity holder	(10)	—	—	—	—	—	42,091
Deemed contribution from equity holder (note iv)	—	5,756	—	—	—	5,756	7,195
Deemed contribution from equity holder (note i)	—	20,479	—	—	—	20,479	—
At December 31, 2012	48,000	26,235	(48,950)	249,806	4,623,642	4,898,733	5,685,498
Profit for the year and total comprehensive income for the year	—	—	—	—	2,233,812	2,233,812	2,770,189
Appropriate to reserve	—	—	—	131,054	(131,054)	—	—
Capital injection by non-controlling equity holders	—	—	—	—	—	—	4,000
Dividends paid to equity holder (note 14)	—	—	—	—	(2,350,000)	(2,350,000)	(2,350,000)
Deemed contribution from equity holder (note v)	—	73,741	—	—	—	73,741	73,801
Deemed distribution to equity holder (note vi)	—	(839)	—	—	—	(839)	(1,044)
Effect of Reorganization (note viii)	(48,000)	—	—	—	—	(48,000)	(48,000)
Issue of shares (note 36)	2,967	—	—	—	—	2,967	2,967
Disposal of subsidiaries (note 42)	—	—	—	—	—	—	(19,432)
Deemed distribution to equity holder (note vii)	—	(22,000)	—	—	—	(22,000)	(22,000)
At December 31, 2013	2,967	77,137	(48,950)	380,860	4,376,400	4,788,414	6,095,979

NOTES:

- (i) Capital reserve amounting to RMB20,479,000 relates to acquisition of Glory Management. In July 2012, Mr. Zhang Zhangsun acquired the entire equity interest in Jinming Wujin from his family members, in which Jinming Wujing held 55% equity interest in Glory Management. Since then, Glory Management came under common control of Mr. Zhang Zhangsun. Thus, Glory Management is accounted for as subsidiary of the Company since July 2012. The difference between the fair value of the total identifiable net assets and the fair value of the previously-held investment in an associate at the date of acquisition amounting to RMB20,479,000 was recognized as deemed contribution from Mr. Zhang Zhangsun in capital reserve.
- (ii) Other reserve represents the differences between the amount by which non-controlling interests are adjusted and the fair value of consideration paid or received when the Group acquired or disposed of partial interests in existing subsidiaries.
- (iii) In accordance with the Articles of Association of all subsidiaries established in the PRC, those subsidiaries are required to transfer 10% of the profit after taxation to the statutory surplus reserve until the reserve reaches 50% of the registered capital. Transfer to this reserve must be made before distributing dividends to equity holders. The statutory surplus reserve can be used to make up for previous years' losses, expand the existing operations or convert into additional capital of the subsidiaries.
- (iv) During the year ended December 31, 2012, Original Beijing Glory disposed of its 100% equity interest in Glory Commercial Management and its subsidiary, Glory Shopping Mall (collectively referred to as "**Glory Commercial Group**"), to Ms. Zhang Jin, the daughter of Mr. Zhang Zhangsun at nil consideration. The gain on disposal of RMB5,756,000 was recognized in capital reserve as a deemed contribution.
- (v) During the year ended December 31, 2013, Garden Group disposed of its 90% equity interest in Chenghai Hotel, Shantou Glory disposed of its 100% equity interest in Shantou Sanjin and Langfang Glory disposed of its 100% equity interest in Langfang Agricultural, all to Jinming Wujin, a related party controlled by Mr. Zhang Zhangsun. Original Beijing Glory disposed of its 90% equity interest in Tonghe Leasing to Shantou Huitong Investment Co., Ltd. 汕頭市匯通投資有限公司 ("**Huitong Investment**"), a related party controlled by Mr. Zhang Zhangsun. The Company disposed of its 100% equity interest in Glory HK to Mr. Zhang Zhangsun. The gain on disposal of these subsidiaries amounted to RMB73,741,000 were recognized as a deemed contribution from equity holder directly in equity.
- (vi) During the year ended December 31, 2013, Garden Group disposed of its 100% equity interest in Detong Shunli to Jinming Wujin. Shantou Glory disposed of its 80% equity interest in Shantou Property Management to Shantou Guoxia Real Estate Co., Ltd. 汕頭市國廈地產有限公司 ("**Shantou Guoxia**"), a related party controlled by Mr. Zhang Zhangqiao, brother of Mr. Zhang Zhangsun. The loss on disposal of the two subsidiaries amounted to RMB839,000 were recognized as a deemed distribution to equity holder directly in equity.
- (vii) On March 10, 2013, Glory HK acquired the remaining 55% equity interest in Glory Management for a consideration of RMB22,000,000 from Jinming Wujin. Details are set out in note 1B.
- (viii) On June 29, 2013, Glory Management acquired 100% equity interest in Garden Group for a consideration of RMB48,000,000 (the "**Garden Group Acquisition**"). Details are set out in note 1B.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Year ended December 31,		
		2011	2012	2013
		RMB'000	RMB'000	RMB'000
OPERATING ACTIVITIES				
Profit before taxation		1,075,107	2,033,649	3,855,784
Adjustments for:				
Finance costs		192,970	230,039	572,542
Interest income		(11,061)	(16,697)	(8,426)
Depreciation of property, plant and equipment		22,907	22,973	23,732
Amortization of intangible assets		603	818	579
Release of prepaid lease payments		738	755	451
Changes in fair value of investment properties		(890,358)	(1,043,243)	(384,625)
Fair value gain upon transfer to investment properties		—	—	(527,270)
Changes in fair value of held-for-trading investments		562	142	(628)
Loss (gain) on disposal of property, plant and equipment		201	75	(940)
Loss (gain) on disposal of investment properties upon resettlement		6,437	(932)	—
Gain on disposal of land use right		—	—	(265,739)
Allowance on doubtful receivables, net		1,347	2,063	1,200
Gain on disposal of subsidiaries		(4,774)	—	(251)
Share of result of an associate		(11)	65	—
Operating cash flows before movements in working capital		394,668	1,229,707	3,266,409
Increase in properties under development for sale and properties held for sale		(2,299,846)	(1,637,694)	(4,578,644)
(Increase) decrease in deposits paid for land acquisition		(647,151)	445,240	536,840
(Increase) decrease in inventories		(247)	(711)	6,485
(Increase) decrease in held-for-trading investments		(266)	(3,636)	3,558
(Increase) decrease in trade and other receivables		(167,795)	486,822	1,487,399
(Increase) decrease in amounts due from related parties		(3,419)	4,047	3,898
(Decrease) increase in trade and other payables		(27,658)	1,194,122	771,099
Increase (decrease) in deposits received from pre-sale of properties		1,592,391	(1,239,880)	(1,850,984)
(Increase) decrease in amounts due from customers for contract work		(155,287)	(210,791)	465,853
(Increase) decrease in restricted bank deposits		(102,640)	(94,466)	211,645
Cash (used in) generated from operations		(1,417,250)	172,760	323,558
Income tax and land appreciation tax paid		(113,922)	(135,085)	(290,657)
Net cash (used in) generated from operating activities		(1,531,172)	37,675	32,901
INVESTING ACTIVITIES				
Interest received		11,061	16,697	8,426
Proceeds on disposal of property, plant and equipment		218	58	47,902
Proceeds on disposal of land use right		—	—	287,071
Purchase of property, plant and equipment, intangible assets and prepaid lease payment of land use right		(13,178)	(54,490)	(18,897)
Proceeds on disposal of investment properties		7,497	10,000	—
Proceeds received upon deregistration of available-for-sale investments		—	—	7,000
Net cash outflow on disposal of subsidiaries	42	(5)	(429,037)	191,189
Net cash inflow (outflow) on acquisition of subsidiaries	43	—	162	(119,496)
Acquisition of available-for-sale investments		(5,000)	(7,000)	—
Payment of consideration payable for acquisition of subsidiaries in prior year		—	—	(344,858)
Advance to related parties		(102,743)	(8,136)	(202,008)
Repayment from related parties		29,650	44,037	242,438
Repayment from independent third parties		235,000	134,424	901,446
New advance to independent third parties		(410,856)	(140,034)	(735,967)
Withdrawal of restricted bank deposits		18,498	147,871	501,312
Placement of restricted bank deposits		(2,458)	(216,735)	(410,521)
Net cash (used in) generated from investing activities		(232,316)	(502,183)	355,037

	Year ended December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
FINANCING ACTIVITIES			
New bank loans raised	2,100,200	1,847,800	2,588,000
New other loans raised	—	592,000	2,069,060
Repayment of bank loans	(1,254,263)	(1,283,204)	(2,344,230)
Repayment of other loans	—	—	(477,800)
Advance from related parties	212,443	9,745	98,265
Repayment to related parties	—	(10,200)	(331,334)
Advance from independent third parties	517,211	298	10
Repayment to independent third parties	(109,782)	(66,249)	(3,949)
Interest paid	(347,420)	(477,375)	(494,344)
Payment for acquisition of additional interests in subsidiaries in prior year	—	—	(68,000)
Deemed distribution to shareholders	—	—	(81,352)
Capital injection from non-controlling interests	8,000	65,800	4,000
Issue of shares	—	—	2,967
Dividends paid to equity holders	—	—	(1,307,750)
Net cash generated from (used in) financing activities	1,126,389	678,615	(346,457)
Net (decrease) increase in cash and cash equivalents	(637,099)	214,107	41,481
Cash and cash equivalents at beginning of the year	1,226,365	589,266	803,373
Cash and cash equivalents at end of the year, represented by bank balances and cash	589,266	803,373	844,854

NOTES TO THE FINANCIAL INFORMATION

1. GENERAL, REORGANIZATION AND BASIS OF PRESENTATION

1A. General

The Company was incorporated in the Cayman Islands under the name of “Glory Land Company Limited (国瑞置业有限公司)” as an exempted company with limited liability under the Company Laws (2012 Revision) of the Cayman Islands on July 16, 2012 which carries on business in Hong Kong as “Guorui Properties Limited”. Its parent and ultimate holding company is Alltogether Land Company Limited, a company incorporated in the British Virgin Islands. The registered office of the Company is located at Scotia Center, 4th Floor, P.O. Box 2804, George Town, Grand Cayman KY1-1112, Cayman Islands and its principal place of business is located at No. 15, East Zhushikou Street, Dongcheng District, Beijing, PRC.

The Financial Information is presented in Renminbi (“RMB”), the currency of the primary economic environment in which the group entities operate (the functional currency of the group entities).

1B. Reorganization and basis of presentation of Financial Information

Prior to the Reorganization, Garden Group was a company controlled by Mr. Zhang Zhangsun, which directly or indirectly held controlling interest in all PRC subsidiaries of the Group, except for Glory Management. Prior to the Glory Management Acquisition (as defined below), Glory HK (wholly owned by Mr. Zhang Zhangsun) and Jinming Wujin held 45% and 55% equity interest in Glory Management, respectively. On July 1, 2012, Mr. Zhang Zhangsun obtained the controlling interest in Jinming Wujin, and therefore, obtained control over Glory Management (the “**Glory Management Acquisition**”). Details of the Glory Management Acquisition are set out in note 43. On March 10, 2013, Jinming Wujin transferred its 55% equity interest in Glory Management to Glory HK for a consideration of RMB22,000,000.

The Company was incorporated on July 16, 2012 and the initial share was transferred to an entity wholly owned by Mr. Zhang Zhangsun on the same date.

On May 7, 2013, Glory Real Estate (HK), which was set up by the Company on April 29, 2013, acquired the entire equity interest in Glory Management from Glory HK for a consideration of RMB40,000,000. Following a series of shareholding transfers, Glory Management acquired 100% equity interest in Garden Group for a consideration of RMB48,000,000 on June 29, 2013 (the “**Garden Group Acquisition**”).

Upon completion of the Reorganization, the Company became the holding company of the companies now comprising the Group on June 29, 2013. Mr. Zhang Zhangsun, the controlling shareholder, controlled all the companies now comprising the Group before and after the Reorganization and that control is not transitory. Accordingly, the Group resulting from the Reorganization is regarded as a continuing entity. The Garden Group Acquisition is accounted for by reference to the principles of merger accounting and the Financial Information has been prepared as if the Company has always been the holding company of the Group.

Therefore, the consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years ended December 31, 2011, 2012 and 2013 are prepared as if the current group structure had been in existence throughout the Relevant Periods or since their respective dates of incorporation/establishment where it is shorter period, except that the results, changes in equity and cash flows of Glory Management were included from the date it came under common control on July 1, 2012.

The consolidated statements of financial position as at December 31, 2011 and 2012 present the assets and liabilities of the companies now comprising the Group as at the respective dates as if the current group structure had been in existence at those dates except that the assets and liabilities of Glory Management were included from the date it came under common control on July 1, 2012.

2. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

For the purpose of preparing and presenting the Financial Information for the Relevant Periods, the Group has consistently adopted International Accounting Standards (“IASs”), IFRSs, amendments and the related interpretations (“IFRICs”) which are effective for annual accounting periods beginning on January 1, 2013 throughout the Relevant Periods.

At the date of this report, the following new standards, amendments and interpretation have been issued but are not yet effective:

Amendments to IFRS 10, IFRS 12 and IAS 27 . . .	Investment Entities ⁽¹⁾
Amendments to IFRS 11	Accounting for Acquisitions of interests in Joint Operations ⁽⁶⁾
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortization ⁽⁶⁾
Amendments to IAS 19	Defined Benefit Plans: Employee Contributions ⁽²⁾
Amendments to IFRS 9 and IFRS 7	Mandatory Effective Date of IFRS 9 and Transition Disclosures ⁽³⁾
IFRS 9	Financial Instruments ⁽³⁾
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities ⁽¹⁾
Amendments to IAS 36	Recoverable Amount Disclosures for Non-Financial Assets ⁽¹⁾
Amendments to IAS 39	Novation of Derivatives and Continuation of Hedge Accounting ⁽¹⁾
Amendments to IFRSs	Annual Improvements to IFRSs 2010-2012 Cycle ⁽⁴⁾
Amendments to IFRSs	Annual Improvements to IFRSs 2011-2013 Cycle ⁽²⁾
IFRS 14	Regulatory Deferral Accounts ⁽⁵⁾
IFRS 15	Revenue from Contracts with Customers ⁽⁷⁾
IFRIC 21	Levies ⁽¹⁾

Notes:

- (1) Effective for annual periods beginning on or after January 1, 2014.
- (2) Effective for annual periods beginning on or after July 1, 2014.
- (3) Available for application — the mandatory effective date will be determined when the outstanding phases of IFRS 9 are finalized.
- (4) Effective for annual periods beginning on or after July 1, 2014, with limited exceptions.
- (5) Effective for the first annual IFRS financial statements beginning on or after January 1, 2016.
- (6) Effective for annual periods beginning on or after January 1, 2016.
- (7) Effective for annual periods beginning on or after January 1, 2017.

The Group has not early adopted the new standards, amendments or interpretation in the preparation of the Financial Information.

Except as disclosed below, the Directors anticipate that the application of the new standards, amendments and interpretation will have no material impact on the Financial Information of the Group.

IFRS 9 Financial Instruments

IFRS 9 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was amended subsequently to include the requirements for the classification and measurement of financial liabilities and for derecognition and further amended in 2013 to include the new requirements for hedge accounting.

Key requirements of IFRS 9:

- all recognized financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are subsequently measured at either amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. All other debt investments and equity investments are

measured at their fair values at the end of subsequent accounting periods. In addition, under IFRS 9, entities may take an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss.

- with regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires the amount of change in the fair value of the financial liability, that is attributable to changes in the credit risk of that liability, is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

The Directors anticipate that the application of IFRS 9 in the future may have impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until a detailed review has been completed.

IFRIC 21 Levies

IFRIC 21 addresses the issue of when to recognize a liability to pay a levy. The Interpretation defines a levy, and specifies that the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by legislation. The Interpretation provides guidance on how different levy arrangements should be accounted for, in particular, it clarifies that neither economic compulsion nor the going concern basis of financial statements preparation implies that an entity has a present obligation to pay a levy that will be triggered by operating in a future period.

The Directors of the Company anticipate that the application of IFRIC 21 will have no material effect on the Financial Information.

3. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared on the historical cost basis except for the investment properties and certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below which are in conformity with IFRSs.

In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") and by the Hong Kong Companies Ordinance.

Basis of consolidation

The Financial Information incorporates the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary

acquired or disposed of during the Relevant Periods are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognized in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations

The acquisition of subsidiaries is accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognized in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair values, except that:

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share-based Payment at the acquisition date; and

- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

Goodwill arising in a business combination is recognized as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

Acquisition of assets and liabilities through acquisition of subsidiary

Where an acquisition of an assets or a group of assets and liabilities that not constitute a business, the Group identify and recognize the individual identifiable assets acquired and liabilities assumed by allocating purchase price to the individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase.

Merger accounting for business combination involving entities under common control

The Financial Information incorporates the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been consolidated from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling parties' perspective. No amount is recognized in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statement of profit or loss and other comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services rendered in the normal course of business, net of discounts and sales related taxes.

Sales of properties

Revenue from sales of properties in the ordinary course of business is recognized when the respective properties have been completed and delivered to the buyers. Deposits received from purchasers prior to meeting the above criteria for revenue recognition are included in the consolidated statements of financial position under current liabilities.

Revenue from construction contract

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

Rental income

The Group's policy for recognition of revenue from operating leases is described in "— Leasing" section below.

Service income

Service income is recognized when the services are provided.

Dividend income

Dividend income from investments is recognized when the equity holders' rights to receive payment have been established.

Interest income

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

Construction contract

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

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognized as expenses in the period in which they are incurred.

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

Where contract costs incurred to date plus recognized profits less recognized losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognized profits less recognized losses, the surplus is shown as amounts due to customers for contract work. Amounts received before the related work

is performed are included in the consolidated statement of financial position, as a liability, as advances received, if any. Amounts billed for work performed but not yet paid by the customer are included in the consolidated statement of financial position under trade receivables, if any.

Investment properties

Investment properties are properties held to earn rentals or/and capital appreciation.

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

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

Property, plant and equipment

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

Construction in progress represents properties in the course of construction for production, supply or administrative purposes is carried at cost less any recognized impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalized in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is provided to write off the cost of items of property, plant and equipment (other than construction in progress) over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss when the item is derecognized.

Intangible assets

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

Amortization for intangible assets with finite useful lives is recognized on a straight-line basis over their estimated useful lives.

An intangible asset is derecognized upon disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured at the

difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

Investments in associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over these policies. The results and assets and liabilities of associates are incorporated in this Financial Information using the equity method of accounting. Under the equity method, an investment in an associate is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate.

Investment in subsidiary

Investment in subsidiary is included in the Company's statement of financial position at cost less any impairment loss.

Investment in joint operation

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

When a group entity undertakes its activities under joint operations, the Group as a joint operator recognizes in relation to its interest in a joint operation:

- Its assets, including its share of any assets held jointly.
- Its liabilities, including its share of any liabilities incurred jointly.
- Its revenue from the sale of its share of the output arising from the joint operation.
- Its share of the revenue from the sale of the output by the joint operation.
- Its expenses, including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the IFRSs applicable to the particular assets, liabilities, revenues and expenses.

Inventories

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

Properties under development for sale

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

ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale. Properties under development for sale are transferred to completed properties for sale upon completion of development.

Properties held for sale

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

Completed properties held for sale would be transferred to investment properties when there is a change of intention to hold the property to earn rentals or/and capital appreciation which is evidenced by commencement of an operating lease. Any difference between the carrying amount and the fair value of the property at the date of transfer is recognized in profit or loss.

Impairment of tangible and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belong. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be identified.

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

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

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

Financial instruments

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

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

Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets

The Group's financial assets are classified into held-for-trading financial assets, loans and receivables and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Held-for-trading financial assets

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

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

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, amounts due from related parties, restricted bank deposits and bank balances and cash) are carried at amortized cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Effective interest method

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

Interest income is recognized on an effective interest basis.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as held-for-trading financial assets, loans and receivables or held-to-maturity investments.

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

Impairment of financial assets

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

Objective evidence of impairment could include:

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

For certain categories of financial assets, such as trade receivables and other receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, observable changes in national or local economic conditions that correlate with default on receivables.

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

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

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss. When a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

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

Financial liabilities and equity instruments

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

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

Effective interest method

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

Interest expense is recognized on an effective interest basis.

Financial liabilities

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

Equity instruments

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

Financial guarantee contracts

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

Financial guarantee contracts issued by the Group and not designated as at fair value through profit or loss is recognized initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the obligation under the contract, as determined in accordance with *IAS 37 Provisions, Contingent Liabilities and Contingent Assets*; and (ii) the amount initially recognized less, where appropriate, cumulative amortization recognized in accordance with the revenue recognition policies.

Derecognition

A financial asset is derecognized only when the contractual rights to the cash flows from the asset expire, or when the Group has transferred the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

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

Leasing

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

The Group as lessor

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

The Group as lessee

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

Leasehold land and buildings

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance lease or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

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

Borrowing costs

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

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Foreign currencies

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

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

Retirement benefit costs

Payments to defined contribution retirement benefits scheme under the state-managed retirement benefit scheme in the PRC is recognized as expenses when employees have rendered service entitling them to the contributions.

Equity-settled share-based payment transactions with employees

Where equity instruments of the Company's subsidiary are sold to employees of the same subsidiary for a consideration below the fair value of the equity instruments at the time of the disposal, the excess of the fair value of the equity instruments disposed of over the consideration received is expensed in full at the grant date when the equity instruments vest immediately. The corresponding entry is recognized as an adjustment to non-controlling interest.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

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

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

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

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

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

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model in accordance with IAS 40 *Investment Property*, the carrying amounts of such properties are presumed to be recovered through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model of the Group whose

business objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax for such investment properties are measured using the tax rate applicable for recovery through use.

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

4. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies, which are described in Note 3, the Directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

4A. Key sources of estimation uncertainty

Construction costs estimation for revenue recognition

Certain projects of the Group are divided into several phases according to the development and delivery plans. The Group recognizes sales upon delivery of properties. Cost of sales and services including construction cost specific to the phases and common costs allocated to the phases are calculated based on management's best estimation of the total development costs for the whole project and the allocation to each phase at the time when the properties are delivered.

Primary land construction and development contracts

The Group carried out primary land construction and development projects for the Beijing Municipal People's Government during the Relevant Periods. The Group recognized contract revenue on the primary land construction and development projects by reference to the recoverable costs incurred plus the expected fee earned in accordance with relevant rules and regulations issued by the Beijing Municipal People's Government and other relevant agreements. Construction and development costs mainly comprise resettlement compensation, sub-contracting charges and costs of construction materials and are estimated by the management by reference to quotations provided by contractors and vendors and the past experience of the management. Estimation of the contract revenue and recoverable costs is subject to final approval from the Beijing Municipal People's Government. The Directors estimate contract revenue and recoverable costs based on latest available budgets of each primary land construction and development projects and current market conditions. The final amounts approved by the Beijing Municipal People's Government may not be the same as the amounts estimated by the Group. These differences will affect contract revenue and contract profit in the period in which the approval has been obtained from the Beijing Municipal People's Government.

During the three years ended December 31, 2011, 2012 and 2013, the Group recognized contract revenue based on a percentage of estimated recoverable costs. During the year ended December 31, 2013, the Beijing Municipal People's Government finalized the amount of contract revenue and recoverable costs of the Hademan Project (as defined in note 5) and the Group recognized additional contract revenue amounting to RMB1,264,205,000 in this period.

In addition, the Group entered into an agreement with the Beijing Municipal People's Government in relation to another primary land construction and development project carried out by the Group, the Qian Street Project (as defined in note 25), under a joint operation. Under the arrangement of the Beijing Municipal People's Government, the Group entered into two agreements with two public service units respectively, and finalized the amount of contract revenue for two sub-projects. The Group revised its estimation of construction revenue and recognized its share of contract revenue amounting to RMB731,386,000 based on the terms set out in the agreements during the year ended December 31, 2013.

Investment properties

Investment properties of RMB6,041,955,000, RMB6,992,900,000 and RMB7,985,500,000 as at December 31, 2011, 2012 and 2013 respectively are stated at fair values based on the valuation performed by independent professional valuers. In determining the fair values, the valuers have based on a method of valuation which involves certain estimates of market condition. In relying on the valuation report, the Directors have exercised their judgment and are satisfied that the assumptions used in the valuation are reflective of the current market conditions. Changes to these assumptions would result in changes in the fair values of the Group's investment properties and the corresponding adjustments to the amount of fair value gain or loss reported in profit or loss.

Income tax expense

Deferred tax assets of RMB223,179,000 RMB75,748,000 and RMB61,761,000 have been recognized as at December 31, 2011, 2012 and 2013 respectively, after offsetting certain deferred tax liabilities as set out in Note 22. The realizability of the deferred tax assets mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. The Directors determine the deferred tax assets based on the enacted or substantially enacted tax rates and profit forecasts of the Group for coming years during which the deferred taxation assets are expected to be utilized. The Directors reviewed the assumptions and profit forecasts at the end of each reporting period. In cases where the actual future profits generated are more or less than expected, an additional recognition or a reversal of deferred tax assets may arise, which would be recognized in the profit or loss for the period in which such a recognition or reversal takes place.

Land appreciation tax

The Group has provided land appreciation tax in the PRC amounting to RMB34,344,000 RMB14,817,000 and RMB51,161,000 as at December 31, 2011, 2012 and 2013 respectively. However, the implementation and settlement of the tax varies amongst different tax jurisdictions in various cities of the PRC and certain property development projects of the Group have not yet finalized their land appreciation tax calculations and payments with local tax authorities in the PRC. Accordingly, significant estimation is required in determining the amount of land appreciation tax and its related enterprise income tax. The Group recognized the land appreciation tax based on management's best estimates. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the income tax expense in the period in which such tax is finalized with local tax authorities.

4B. Critical judgment in applying accounting policies

The following are the critical judgments, apart from those involving estimations (see above), that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognized in the Financial Information.

Deferred taxation on investment properties

For the purposes of measuring deferred tax arising from investment properties that are measured using the fair value model under IAS 40 amounting to RMB6,041,955,000 RMB6,992,900,000 and RMB7,985,500,000 as at December 31, 2011, 2012 and 2013 respectively, the Directors concluded that the Group's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time.

Therefore, in determining the Group's deferred tax on investment properties, the Directors have determined that the presumption that investment properties measured using the fair value model are recovered through sale is rebutted and the Group estimated the deferred tax on the basis of recovering through use.

5. REVENUE AND SEGMENT INFORMATION

The Group is organized into business units based on their types of activities. These business units are the basis of information that is prepared and reported to the Group's chief operating decision maker (i.e. the Executive Directors of the Company) for the purposes of resource allocation and assessment of performance. The Group's operating segments under IFRS 8 Operating Segments are identified as the following four business units:

Property development: This segment develops and sells commercial and residential properties. All of the Group's activities are carried out in the PRC.

Primary land construction and development services: This segment derives revenue from primary land development, including services for resettlement, construction of land infrastructure and ancillary public facilities on land owned by the local governments. All of the Group's activities are carried out in the PRC.

Property investment: This segment derives rental income from investment properties developed by the Group. Currently the Group's investment property portfolio mainly comprises commercial properties located in the PRC.

Property management and related services: This segment derives income from hotel and other property management. Currently the Group's activities are carried out in the PRC.

The accounting policies applied in determining segment revenue and segment results of the operating segments are the same as the Group's accounting policies described in note 3. Segment profit represents the profit earned by each segment without allocation of other gains and losses, other income, other expenses, share of result of an associate, fair value gain upon transfer to investment properties, changes in fair value of investment properties, finance costs, certain depreciation, auditor's remuneration, directors' remunerations and income tax expenses. This is the measure reported to the Group's chief operating decision maker for the purpose of resource allocation and performance assessment.

Inter-segment sales are priced with reference to prices charged to external parties for similar products and services.

No segment assets and liabilities are presented as they were not regularly provided to the chief operating decision maker for the purpose of resource allocation and performance assessment.

(a) Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable and operating segment.

	Property development	Primary land construction and development services	Property investment	Property management and related services	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended December 31, 2011					
Revenue from external customers	1,247,028	150,126	203,972	152,272	1,753,398
Inter-segment revenue	—	—	—	427	427
Segment revenue	<u>1,247,028</u>	<u>150,126</u>	<u>203,972</u>	<u>152,699</u>	<u>1,753,825</u>
Segment profit	<u>242,729</u>	<u>2,234</u>	<u>178,257</u>	<u>13,163</u>	<u>436,383</u>
Year ended December 31, 2012					
Revenue from external customers	3,537,683	353,244	220,481	164,588	4,275,996
Inter-segment revenue	—	—	—	301	301
Segment revenue	<u>3,537,683</u>	<u>353,244</u>	<u>220,481</u>	<u>164,889</u>	<u>4,276,297</u>
Segment profit	<u>974,438</u>	<u>9,633</u>	<u>189,116</u>	<u>24,098</u>	<u>1,197,285</u>
Year ended December 31, 2013					
Revenue from external customers	4,519,666	2,023,202	232,041	60,449	6,835,358
Inter-segment revenue	—	—	—	2,841	2,841
Segment revenue	<u>4,519,666</u>	<u>2,023,202</u>	<u>232,041</u>	<u>63,290</u>	<u>6,838,199</u>
Segment profit	<u>1,299,489</u>	<u>1,806,962</u>	<u>184,450</u>	<u>1,307</u>	<u>3,292,208</u>

(b) Reconciliations of segment revenues, profit or loss

	Year ended December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Revenue			
Segment revenue	1,753,825	4,276,297	6,838,199
Elimination of inter-segment revenue	(427)	(301)	(2,841)
Consolidated revenue	<u>1,753,398</u>	<u>4,275,996</u>	<u>6,835,358</u>
Profit			
Segment profit	436,383	1,197,285	3,292,208
Other gains and losses	(1,412)	1,368	268,672
Other income	11,061	56,697	8,426
Other expenses	(55,615)	(22,133)	(38,527)
Share of result of an associate	11	(65)	—
Fair value gain upon transfer to investment properties	—	—	527,270
Changes in fair value of investment properties	890,358	1,043,243	384,625
Finance costs	(192,970)	(230,039)	(572,542)
Depreciation	(3,884)	(3,884)	(3,884)
Auditor's remuneration	(121)	(101)	(150)
Directors' remunerations	(8,704)	(8,722)	(10,314)
Consolidated profit before taxation	<u>1,075,107</u>	<u>2,033,649</u>	<u>3,855,784</u>

(c) *Other segment information*

Amounts included in the measurement of segment profit or loss:

	Property development	Primary land development	Property investment	Property management and related services	Unallocated amount	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended December 31, 2011						
Depreciation and amortization . . .	9,322	—	4,920	5,384	3,884	23,510
Release of prepaid lease payment	—	—	508	230	—	738
Year ended December 31, 2012						
Depreciation and amortization . . .	8,604	—	4,051	7,252	3,884	23,791
Release of prepaid lease payment	—	—	508	247	—	755
Year ended December 31, 2013						
Depreciation and amortization . . .	8,616	—	5,896	5,915	3,884	24,311
Release of prepaid lease payment	—	—	279	172	—	451

(d) *Revenue from major products and services*

The following is an analysis of the Group's revenue from external customers:

	Year ended December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Sales of properties	1,247,028	3,537,683	4,519,666
Primary land construction and development services (note)	150,126	353,244	2,023,202
Rental income	203,972	220,481	232,041
Property management and related services	152,272	164,588	60,449
	1,753,398	4,275,996	6,835,358

Note: The Group carried out primary land construction and development services on a piece of land located in Hademen (the "Hademen Project") and recognized construction revenue based on estimated recoverable costs and expected fee in accordance with relevant rules and regulations issued by the Beijing Municipal People's Government. Upon the completion of the Hademen Project, in January 2013, Beijing Municipal People's Government finalized and approved the total construction fee of RMB2,178,650,000. An amount of RMB1,264,205,000, in excess of previously recognized construction revenue was recognized during the year ended December 31, 2013. Information about the Group's primary land construction and development service in respect of a piece of land under a joint operation is set out in note 25.

(e) *Geographical information*

All the revenue and operating results of the Group is derived from the PRC based on location of the operations. All the Group's non-current assets excluding financial instruments and deferred tax assets of the Group amounting to RMB6,290,383,000, RMB7,290,264,000 and RMB8,131,955,000 at December 31, 2011, 2012 and 2013 respectively are located in PRC based on geographical location of the assets.

(f) *Revenue from major customers*

During the year ended December 31, 2011, included in revenue of the property development segment arising from sales of properties are revenues of approximately RMB382,313,000 which arose from sales to China Xin Hua Airlines Co., Ltd. ("Xin Hua Airlines"). During the year ended December 31, 2013, the revenue of primary land construction and development services, amounting to RMB1,291,816,000 arose

from services provided to Beijing Municipal People's Government. No other revenue from transactions with a single external customer amounted to 10% or more of the Group's revenue during the Relevant Periods.

6. OTHER GAINS AND LOSSES

	Year ended December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Other gains and losses comprise:			
(Loss) gain on disposal of property, plant and equipment	(201)	(75)	940
(Loss) gain on disposal of investment properties upon resettlement	(6,437)	932	—
Gain on disposal of land use right (note)	—	—	265,739
Net foreign exchange (losses) gains	(6)	(2)	401
Allowance on doubtful receivables, net	(1,347)	(2,063)	(1,200)
Gain on disposal of subsidiaries (note 42)	4,774	—	251
Changes in fair value of held-for-trading investments	(562)	(142)	628
Others	2,367	2,718	1,913
	<u>(1,412)</u>	<u>1,368</u>	<u>268,672</u>

Note: In May 2013, Shantou Construction Materials entered into a contract with Shantou Municipal People's Government to transfer the land use right of a piece of land to the latter at a consideration of RMB287,071,000, which resulted net gain amounting to RMB265,739,000 upon completion and the consideration has been received by the Group during the year end December 31, 2013.

7. OTHER INCOME

	Year ended December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Interest income	11,061	16,697	8,426
Compensation received (note)	—	40,000	—
	<u>11,061</u>	<u>56,697</u>	<u>8,426</u>

Note: Shenyang Dadongfang received the compensation from its tenant due to the early termination of tenancy.

8. OTHER EXPENSES

	Year ended December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Donations	40,570	13,449	13,730
Compensation paid and penalty	5,125	4,989	3,949
Listing expense	—	—	20,848
Others	9,920	3,695	—
	<u>55,615</u>	<u>22,133</u>	<u>38,527</u>

9. FINANCE COSTS

	Year ended December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Interest on bank loans	346,940	479,669	368,692
Interest on other loans	—	1,449	148,305
Fair value loss on initial recognition of amount due to the Party (note)	—	—	293,927
Other finance cost (note)	—	—	46,030
Total interest expense for financial liabilities	346,940	481,118	856,954
Interest expenses:			
— wholly repayable within five years	295,138	441,565	823,350
— not wholly repayable within five years	51,802	39,553	33,604
Less: Amounts capitalized to properties under development for sale	(153,970)	(251,079)	(284,412)
	192,970	230,039	572,542

Notes: In 2009, the Group entered into a pre-sale contract with a connected person as defined under the Listing Rules (the "Party") to sell a residential block (the "Property") located in Beijing and received RMB1,160,911,000 as deposit. On May 5, 2013, the Group entered into another agreement with the Party to cancel the pre-sale contract of the Property (the "Cancellation Agreement"). According to the Cancellation Agreement, the deposit received from pre-sale of the Property amounting to RMB1,160,911,000 and an interest amounting to RMB351,310,000 (the "Settlement Amount") will be paid to the Party by the Group within one year by installments. Upon signing of the Cancellation Agreement, the Group measured the Settlement Amount at fair value and recognized a loss amounting to RMB293,927,000, being the difference between the pre-sale deposit of RMB1,160,911,000 and the fair value of the Settlement Amount determined using an effective interest rate of 6% per annum. During the year ended December 31, 2013, the Group recognized RMB46,030,000 as other finance cost based on an effective interest rate of 6% per annum.

Borrowing costs capitalized to properties under development for sale were arising from specific bank and other loans.

10. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at after charging (crediting):

	Year ended December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Directors' remunerations (note 11)	8,704	8,722	10,314
Other staff costs:			
— Salaries and other benefits	104,775	138,718	132,785
— Retirement benefit contributions	6,618	9,292	9,978
— Equity-settled share-based payments	—	22,091	—
Total staff costs	120,097	178,823	153,077
Less: Amounts capitalized to properties under development for sale (note a)	(7,974)	(14,479)	(29,502)
	112,123	164,344	123,575
Cost of properties sold recognized as expense	712,754	2,264,918	2,847,242
Auditor's remuneration	121	101	150
Depreciation of property, plant and equipment	22,907	22,973	23,732
Amortization of intangible assets (included in administrative expenses)	603	818	579
Release of prepaid lease payments (included in administrative expense)	738	755	451
Allowance on doubtful receivables, net	1,347	2,063	1,200
Operating lease rentals	466	635	1,069
Rental income from investment properties	(203,972)	(220,481)	(232,041)
Less: direct operating expense	25,715	31,365	47,591
	(178,257)	(189,116)	(184,450)

Notes:

- (a) During the year ended December 31, 2013, the amount capitalized mainly represents costs of certain staff of the project management department and the design department of Original Beijing Glory, who were assigned to construction sites and engaged in specific construction projects directly.

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Details of the emoluments paid or payable to the Directors were as follows:

	Fees	Salaries and other benefits	Performance bonuses	Retirement benefit contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
For the year ended December 31, 2011					
Executive Directors					
Mr. Zhang Zhangsun	—	3,000	—	—	3,000
Mr. Bao Xiaobin (note a)	—	2,022	—	30	2,052
Ms. Ruan Wenjuan	—	1,200	—	—	1,200
Ms. Zhang Jin	—	1,200	—	—	1,200
Mr. Ge Weiguang	—	1,222	—	30	1,252
	—	8,644	—	60	8,704
For the year ended December 31, 2012					
Executive Directors					
Mr. Zhang Zhangsun	—	3,000	—	—	3,000
Mr. Bao Xiaobin (note a)	—	2,023	—	33	2,056
Ms. Ruan Wenjuan	—	1,200	—	—	1,200
Ms. Zhang Jin	—	1,204	—	6	1,210
Mr. Ge Weiguang	—	1,223	—	33	1,256
	—	8,650	—	72	8,722
For the year ended December 31, 2013					
Executive Directors					
Mr. Zhang Zhangsun	—	3,000	500	3	3,503
Mr. Bao Xiaobin (note a)	—	2,026	400	36	2,462
Ms. Ruan Wenjuan	—	1,203	200	22	1,425
Ms. Zhang Jin	—	1,226	200	36	1,462
Mr. Ge Weiguang	—	1,226	200	36	1,462
	—	8,681	1,500	133	10,314

Notes:

(a) Mr. Bao Xiaobin is the Chief Executive Officer of the Company.

Performances bonuses were determined by the management having regard to the performance of the Directors and the Group's operating results.

No Directors waived any emoluments during the Relevant Periods.

The five highest paid individuals were all the directors of the Company during the Relevant Periods. Details of the Directors' emoluments are set out above.

During the Relevant Periods, no emoluments were paid by the Group to any Directors as an inducement to join or upon joining the Group or as compensation for loss of office.

12. INCOME TAX EXPENSES

	Year ended December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Current tax			
PRC enterprise income tax	185,616	189,465	695,036
Land appreciation tax ("LAT")	33,156	240,929	157,938
Deferred tax (note 22)	111,914	330,077	232,621
Income tax expenses	<u>330,686</u>	<u>760,471</u>	<u>1,085,595</u>

Pursuant to the PRC Enterprise Income Tax Law promulgated on March 16, 2007 (the "**New PRC Income Tax Laws**"), the PRC enterprise income tax for both domestic and foreign-invested enterprises has been unified at the PRC Enterprise Income Tax rate of 25% effective from January 1, 2008 onwards. Some PRC entities in the Group was entitled to the transitional preferential tax rate from 2009 to 2011. Its applicable tax rate was 24% in 2011.

Some subsidiaries of the Group were subject to the PRC enterprise income tax on a verification collection basis at deemed profit which represent 10% of its revenue for each of the years ended December 31, 2011, 2012 and 2013, respectively, in accordance with authorized tax valuation method (核定徵收) approved by local tax bureau pursuant to the applicable PRC tax regulations (the "**Deemed Profit Basis**").

The provision of LAT is estimated according to the requirements set forth in the relevant PRC tax laws and regulations. LAT has been provided at ranges of progressive rates of the appreciation value, with certain allowable exemptions and deductions.

In accordance with PRC tax circular (Guoshuihan [2008] 112) effective from January 1, 2008, PRC withholding income tax at the rate of 10% is applicable to dividends to "non-resident" investors who do not have an establishment or business in the PRC. The Group has determined not to distribute any profits of PRC subsidiaries earned since January 1, 2008, amounting to RMB1,914,485,000 as at December 31, 2013. Thus, no deferred tax relating to withholding tax was recognized during the Relevant Periods.

No provision for Hong Kong Profits Tax has been made as the income of the companies comprising the Group neither arises in, nor is derived from Hong Kong during the Relevant Periods.

The tax charge for each of the years ended December 31, 2011, 2012 and 2013 can be reconciled to the profit before taxation per consolidated statements of profit or loss and other comprehensive income as follows:

	Year ended December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Profit before taxation	1,075,107	2,033,649	3,855,784
Tax at PRC enterprise income tax rate of 25%	268,777	508,412	963,946
LAT	33,156	240,929	157,938
Tax effect of LAT	(8,289)	(60,232)	(39,485)
Effect on Deemed Profit Basis of enterprise income tax	2,319	3,658	1,018
Tax effect of expenses not deductible for tax purpose (Note)	14,136	11,889	19,497
Additional tax on disposal of subsidiaries within the Group	—	29,210	—
Effect of tax losses not recognized as deferred tax assets	6,788	7,493	545
Effect of preferential tax rate of subsidiaries	(206)	—	—
Utilization and recognition of tax losses not previously recognized	—	—	(17,864)
Additional tax on intra-group interest income within the Group	14,005	19,112	—
Tax charge	330,686	760,471	1,085,595

Note: Expenses not deductible for tax purpose mainly comprised of expenses exceeding the standard allowable deduction, donations and listing expenses.

13. EARNINGS PER SHARE

No earnings per share information has been presented as its inclusion is not considered meaningful for the purpose of the Financial Information after considering the capital structure of the Group for the Relevant Periods.

14. DIVIDENDS

During the year ended December 31, 2012, Original Beijing Glory and Glory Industrial declared dividends to their equity holder, in which RMB160,000,000 and RMB90,000,000 were declared to their then non-controlling equity holder.

On April 30, 2013, Garden Group declared dividends amounting to RMB2,350,000,000 to its then equity holder, Jinming Wujin.

No dividends have been proposed, paid or declared by the Company since its date of incorporation.

15. INVESTMENT PROPERTIES

	Completed investment properties
	RMB'000
Fair value	
At January 1, 2011	5,165,530
Disposal of investment properties upon resettlement (note (a))	(13,933)
Change in fair value recognized in profit or loss	890,358
At December 31, 2011	6,041,955
Disposal of subsidiaries	(83,230)
Disposal of investment properties upon resettlement (note (a))	(9,068)
Change in fair value recognized in profit or loss	1,043,243
At December 31, 2012	6,992,900
Transfer from properties held for sale	
— completed properties held for sale	134,080
— fair value gain upon transfer	527,270
Change in fair value recognized in profit or loss	384,625
Disposal of investment properties (note (b))	(53,375)
At December 31, 2013	7,985,500

Notes:

- (a) During the Relevant Periods, the Group disposed of certain investment properties to the original property owners for resettlement purpose under the primary land development projects.
- (b) In February 2013, the Group acquired the land use right of Hademen block of Dongcheng District in Beijing, which was the land use right under the Hademen Project carried out by the Group. According to the bidding agreement, the Group is required to provide a resettlement compensation to Beijing Bianyifang Roast Duck Group Co. Ltd, ("Bianyifang"), an independent third party, in the neighborhood area of Hademen block. After negotiation, the Group settled part of the obligation by transferring the Group's investment properties with total fair value of RMB53,375,000 on the date of transfer.

All of the Group's property interests held under operating lease to earn rental are measured using fair value model and are classified and accounted for as investment properties.

The investment properties are all situated in the PRC under medium-term lease. The fair values of the Group's completed investment properties at the date of transfer and as at December 31, 2011, 2012 and 2013 have been arrived at on the basis of valuations carried out on those dates by CBRE Limited ("CBRE"), a firm of independent qualified professional valuers not connected with the Group, who have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The address of CBRE is Suite 1204-06 (Main Reception), 3/F & 4/F, Three Exchange Square, 8 Connaught Place Central, Hong Kong.

The valuations were arrived at with adoption of direct comparison approach assuming sale of each of these properties in its existing state by making reference to comparable sales transactions as available in the relevant market and also consider income method-direct capitalization approach by capitalization of the net rental income derived from the existing tenancy agreements with due allowance for the reversionary income potential of the properties.

The following table gives information about how the fair values of these investment properties are determined (in particular, the valuation techniques and inputs used), as well as the fair value hierarchy into which the fair value measurements are categorized based on the degree to which the inputs to the fair value measurements is observable.

Investment properties held by the Group in the consolidated statements of financial positions

At December 31, 2011

	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Property 1 — Beijing Glory City Complex	Level 3	Income method — Direct Capitalization Approach (weighting of 50%) and Direct Comparison Approach (weighting of 50%) The key inputs of income method are: (1) Capitalization rate; and (2) Market monthly rent	Capitalization rate, taking into account of the capitalization of rental income potential, nature of the property, prevailing market condition, of 6.5% for shopping mall and 7.25% to 7.5% for office. Market monthly rent, using direct market comparables and taking into account of time, location and individual factors such as road frontage, size of property and facilities, of RMB546/sq.m./month on NFA for shopping mall and RMB186/sq.m./month on GFA for office.	A slight increase in the capitalization rate used would result in a significant decrease in the fair value measurement of the investment properties, and vice versa. A slight increase in the market monthly rent used would result in a significant increase in the fair value measurement of the investment properties, and vice versa.
		(3) Unit sale rate	Unit sale rate, taking into account the time, location, and individual factors, such as frontage and size, between the comparable and the property, of RMB40,000/sq.m. for shopping mall and RMB25,500/sq.m. for office.	An increase in the unit sale rate used would result in an increase in the fair value measurement of the investment properties by the same percentage increase, and vice versa.
Property 2 — Lotte Mart Shopping Centre	Level 3	Income method — Direct Capitalization Approach (weighting of 50%) and Direct Comparison Approach (weighting of 50%) The key inputs of income method are: (1) Capitalization rate; and	Capitalization rate, taking into account of the capitalization of rental income potential, nature of the property, prevailing market condition, of 6% to 8%.	A slight increase in the capitalization rate used would result in a significant decrease in the fair value measurement of the investment properties, and vice versa.

Investment properties held by the Group in the consolidated statements of financial positions

	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
		(2) Market monthly rent	Market monthly rent, using direct market comparables and taking into account of time, location and individual factors such as road frontage, size of property and facilities, of RMB369/sq.m./month on NFA.	A slight increase in the market monthly rent used would result in a significant increase in the fair value measurement of the investment properties, and vice versa.
		(3) Unit sale rate	Unit sale rate, taking into account the time, location, and individual factors, such as frontage and size, between the comparable and the property, of RMB25,000/sq.m.	An increase in the unit sale rate used would result in an increase in the fair value measurement of the investment properties by the same percentage increase, and vice versa.
Property 3 — Beijing Fugui Garden Shopping Mall	Level 3	Income method — Direct Capitalization Approach (weighting of 50%) and Direct Comparison Approach (weighting of 50%) The key inputs of income method are: (1) Capitalization rate; and (2) Market monthly rent	Capitalization rate, taking into account of the capitalization of rental income potential, nature of the property, prevailing market condition, of 5.5% to 6.5%. Market monthly rent, using direct market comparables and taking into account of time, location and individual factors such as road frontage, size of property and facilities, of RMB285/sq.m./month on NFA.	A slight increase in the capitalization rate used would result in a significant decrease in the fair value measurement of the investment properties, and vice versa. A slight increase in the market monthly rent used would result in a significant increase in the fair value measurement of the investment properties, and vice versa.
		(3) Unit sale rate	Unit sale rate, taking into account the time, location, and individual factors, such as frontage and size, between the comparable and the property, of RMB30,500/sq.m.	An increase in the unit sale rate used would result in an increase in the fair value measurement of the investment properties by the same percentage increase, and vice versa.

**Investment
properties held by
the Group in the
consolidated
statements of
financial positions**

	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Property 4 — Shantou Glory City Phase I	Level 3	Income method — Direct Capitalization Approach (weighting of 50%) and Direct Comparison Approach (weighting of 50%) The key inputs of income method are: (1) Capitalization rate; and (2) Market monthly rent	Capitalization rate, taking into account of the capitalization of rental income potential, nature of the property, prevailing market condition, of 7% to 7.25%. Market monthly rent, using direct market comparables and taking into account of time, location and individual factors such as road frontage, size of property and facilities, of RMB34.8/sq.m./ month on GFA.	A slight increase in the capitalization rate used would result in a significant decrease in the fair value measurement of the investment properties, and vice versa. A slight increase in the market monthly rent used would result in a significant increase in the fair value measurement of the investment properties, and vice versa.
		(3) Unit sale rate	Unit sale rate, taking into account the time, location, and individual factors, such as frontage and size, between the comparable and the property, of RMB7,400/sq.m.	An increase in the unit sale rate used would result in an increase in the fair value measurement of the investment properties by the same percentage increase, and vice versa.
Property 5 — Shenyang Glory City Phase I, Big Box	Level 3	Income method — Direct Capitalization Approach (weighting of 50%) and Direct Comparison Approach (weighting of 50%) The key inputs of income method are: (1) Capitalization rate; and (2) Market monthly rent	Capitalization rate, taking into account of the capitalization of rental income potential, nature of the property, prevailing market condition, of 7%. Market monthly rent, using direct market comparables and taking into account of time, location and individual factors such as road frontage, size of property and facilities, of RMB39/sq.m./month on GFA.	A slight increase in the capitalization rate used would result in a significant decrease in the fair value measurement of the investment properties, and vice versa. A slight increase in the market monthly rent used would result in a significant increase in the fair value measurement of the investment properties, and vice versa.

Investment properties held by the Group in the consolidated statements of financial positions

	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
		(3) Unit sale rate	Unit sale rate, taking into account the time, location, and individual factors, such as frontage and size, between the comparable and the property, of RMB6,300/sq.m.	An increase in the unit sale rate used would result in an increase in the fair value measurement of the investment properties by the same percentage increase, and vice versa.
Property 6 — Two retail shops in Glory City Phase I, Chongqing	Level 3	Income method — Direct Capitalization Approach (weighting of 50%) and Direct Comparison Approach (weighting of 50%) The key inputs of income method are: (1) Capitalization rate; and (2) Market monthly rent	Capitalization rate, taking into account of the capitalization of rental income potential, nature of the property, prevailing market condition, of 8% to 11%. Market monthly rent, using direct market comparables and taking into account of time, location and individual factors such as road frontage, size of property and facilities, of RMB32/sq.m./month on NFA.	A slight increase in the capitalization rate used would result in a significant decrease in the fair value measurement of the investment properties, and vice versa. A slight increase in the market monthly rent used would result in a significant increase in the fair value measurement of the investment properties, and vice versa.
		(3) Unit sale rate	Unit sale rate, taking into account the time, location, and individual factors, such as frontage and size, between the comparable and the property, of RMB3,700/sq.m.	An increase in the unit sale rate used would result in an increase in the fair value measurement of the investment properties by the same percentage increase, and vice versa.
At December 31, 2012				
Property 1 — Beijing Glory City Complex	Level 3	Income method — Direct Capitalization Approach (weighting of 50%) and Direct Comparison Approach (weighting of 50%) The key inputs of income method are: (1) Capitalization rate; and	Capitalization rate, taking into account of the capitalization of rental income potential, nature of the property, prevailing market condition, of 6% for shopping mall and 7% to 7.25% for office.	A slight increase in the capitalization rate used would result in a significant decrease in the fair value measurement of the investment properties, and vice versa.

Investment properties held by the Group in the consolidated statements of financial positions

	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
		(2) Market monthly rent	Market monthly rent, using direct market comparables and taking into account of time, location and individual factors such as road frontage, size of property and facilities, of RMB573/sq.m./month on NFA for shopping mall and RMB201/sq.m./month on GFA for office.	A slight increase in the market monthly rent used would result in a significant increase in the fair value measurement of the investment properties, and vice versa.
		(3) Unit sale rate	Unit sale rate, taking into account the time, location, and individual factors, such as frontage and size, between the comparable and the property, of RMB49,300/sq.m. for shopping mall and RMB33,900/sq.m. for office.	An increase in the unit sale rate used would result in an increase in the fair value measurement of the investment properties by the same percentage increase, and vice versa.
Property 2 — Lotte Mart Shopping Centre	Level 3	Income method — Direct Capitalization Approach (weighting of 50%) and Direct Comparison Approach (weighting of 50%) The key inputs of income method are: (1) Capitalization rate; and (2) Market monthly rent	Capitalization rate, taking into account of the capitalization of rental income potential, nature of the property, prevailing market condition, of 6% to 8%. Market monthly rent, using direct market comparables and taking into account of time, location and individual factors such as road frontage, size of property and facilities, of RMB417/sq.m./month on NFA.	A slight increase in the capitalization rate used would result in a significant decrease in the fair value measurement of the investment properties, and vice versa. A slight increase in the market monthly rent used would result in a significant increase in the fair value measurement of the investment properties, and vice versa.
		(3) Unit sale rate	Unit sale rate, taking into account the time, location, and individual factors, such as frontage and size, between the comparable and the property, of RMB27,200/sq.m.	An increase in the unit sale rate used would result in an increase in the fair value measurement of the investment properties by the same percentage increase, and vice versa.

Investment properties held by the Group in the consolidated statements of financial positions

	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Property 3 — Beijing Fugui Garden Shopping Mall	Level 3	Income method — Direct Capitalization Approach (weighting of 50%) and Direct Comparison Approach (weighting of 50%) The key inputs of income method are: (1) Capitalization rate; and (2) Market monthly rent (3) Unit sale rate	Capitalization rate, taking into account of the capitalization of rental income potential, nature of the property, prevailing market condition, of 5% to 6%. Market monthly rent, using direct market comparables and taking into account of time, location and individual factors such as road frontage, size of property and facilities, of RMB330/sq.m./month on NFA. Unit sale rate, taking into account the time, location, and individual factors, such as frontage and size, between the comparable and the property, of RMB31,500/sq.m.	A slight increase in the capitalization rate used would result in a significant decrease in the fair value measurement of the investment properties, and vice versa. A slight increase in the market monthly rent used would result in a significant increase in the fair value measurement of the investment properties, and vice versa. An increase in the unit sale rate used would result in an increase in the fair value measurement of the investment properties by the same percentage increase, and vice versa.
Property 4 — Shantou Glory City Phase I	Level 3	Income method — Direct Capitalization Approach (weighting of 50%) and Direct Comparison Approach (weighting of 50%) The key inputs of income method are: (1) Capitalization rate; and (2) Market monthly rent	Capitalization rate, taking into account of the capitalization of rental income potential, nature of the property, prevailing market condition, of 7% to 7.25%. Market monthly rent, using direct market comparables and taking into account of time, location and individual factors such as road frontage, size of property and facilities, of RMB39.9/sq.m./month on GFA.	A slight increase in the capitalization rate used would result in a significant decrease in the fair value measurement of the investment properties, and vice versa. A slight increase in the market monthly rent used would result in a significant increase in the fair value measurement of the investment properties, and vice versa.

Investment properties held by the Group in the consolidated statements of financial positions

	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
		(3) Unit sale rate	Unit sale rate, taking into account the time, location, and individual factors, such as frontage and size, between the comparable and the property, of RMB8,500/sq.m.	An increase in the unit sale rate used would result in an increase in the fair value measurement of the investment properties by the same percentage increase, and vice versa.
Property5 — Shenyang Glory City Phase I, Big Box	Level 3	Income method — Direct Capitalization Approach (weighting of 50%) and Direct Comparison Approach (weighting of 50%) The key inputs of income method are: (1) Capitalization rate; and (2) Market monthly rent	Capitalization rate, taking into account of the capitalization of rental income potential, nature of the property, prevailing market condition, of 7%. Market monthly rent, using direct market comparables and taking into account of time, location and individual factors such as road frontage, size of property and facilities, of RMB39.9/sq.m./month on GFA.	A slight increase in the capitalization rate used would result in a significant decrease in the fair value measurement of the investment properties, and vice versa. A slight increase in the market monthly rent used would result in a significant increase in the fair value measurement of the investment properties, and vice versa.
		(3) Unit sale rate	Unit sale rate, taking into account the time, location, and individual factors, such as frontage and size, between the comparable and the property, of RMB7,000/sq.m.	An increase in the unit sale rate used would result in an increase in the fair value measurement of the investment properties by the same percentage increase, and vice versa.
At December 31, 2013				
Property1 — Beijing Glory City Complex	Level 3	Income method — Direct Capitalization Approach (weighting of 50%) and Direct Comparison Approach (weighting of 50%) The key inputs of income method are: (1) Capitalization rate; and	Capitalization rate, taking into account of the capitalization of rental income potential, nature of the property, prevailing market condition, of 6% for shopping mall, and 7% to 7.25% for office.	A slight increase in the capitalization rate used would result in a significant decrease in the fair value measurement of the investment properties, and vice versa.

Investment properties held by the Group in the consolidated statements of financial positions

	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
		(2) Market monthly rent	Market monthly rent, using direct market comparables and taking into account of time, location and individual factors such as road frontage, size of property and facilities, of RMB599/sq.m./month on NFA for shopping mall and RMB211/sq.m./month on GFA for office.	A slight increase in the market monthly rent used would result in a significant increase in the fair value measurement of the investment properties, and vice versa.
		(3) Unit sale rate	Unit sale rate, taking into account the time, location, and individual factors, such as frontage and size, between the comparable and the property, of RMB52,000/sq.m. for shopping mall and RMB36,000/sq.m. for office.	An increase in the unit sale rate used would result in an increase in the fair value measurement of the investment properties by the same percentage increase, and vice versa.
Property2 — Lotte Mart Shopping Centre	Level 3	Income method — Direct Capitalization Approach (weighting of 50%) and Direct Comparison Approach (weighting of 50%) The key inputs of income method are: (1) Capitalization rate; and (2) Market monthly rent	Capitalization rate, taking into account of the capitalization of rental income potential, nature of the property, prevailing market condition, of 6% to 8%. Market monthly rent, using direct market comparables and taking into account of time, location and individual factors such as road frontage, size of property and facilities, of RMB441/sq.m./month on NFA.	A slight increase in the capitalization rate used would result in a significant decrease in the fair value measurement of the investment properties, and vice versa.
		(3) Unit sale rate	Unit sale rate, taking into account the time, location, and individual factors, such as frontage and size, between the comparable and the property, of RMB25,000/sq.m.	An increase in the unit sale rate used would result in an increase in the fair value measurement of the investment properties by the same percentage increase, and vice versa.

Investment properties held by the Group in the consolidated statements of financial positions

	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Property3 — Beijing Fugui Garden Shopping Mall	Level 3	Income method — Direct Capitalization Approach (weighting of 50%) and Direct Comparison Approach (weighting of 50%) The key inputs of income method are: (1) Capitalization rate; and (2) Market monthly rent (3) Unit sale rate	Capitalization rate, taking into account of the capitalization of rental income potential, nature of the property, prevailing market condition, of 5% to 6%. Market monthly rent, using direct market comparables and taking into account of time, location and individual factors such as road frontage, size of property and facilities, of RMB350/sq.m./ month on NFA. Unit sale rate, taking into account the time, location, and individual factors, such as frontage and size, between the comparable and the property, of RMB32,000/sq.m.	A slight increase in the capitalization rate used would result in a significant decrease in the fair value measurement of the investment properties, and vice versa. A slight increase in the market monthly rent used would result in a significant increase in the fair value measurement of the investment properties, and vice versa. An increase in the unit sale rate used would result in an increase in the fair value measurement of the investment properties by the same percentage increase, and vice versa.
Property4 — Shantou Glory City Phase I	Level 3	Income method — Direct Capitalization Approach The key inputs of income method are: (1) Capitalization rate; and (2) Market monthly rent	Capitalization rate, taking into account of the capitalization of rental income potential, nature of the property, prevailing market condition, of 8% to 8.25%. Market monthly rent, using direct market comparables and taking into account of time, location and individual factors such as road frontage, size of property and facilities, of RMB51.4/sq.m./ month on GFA.	A slight increase in the capitalization rate used would result in a significant decrease in the fair value measurement of the investment properties, and vice versa. A slight increase in the market monthly rent used would result in a significant increase in the fair value measurement of the investment properties, and vice versa.

Investment properties held by the Group in the consolidated statements of financial positions

	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
		(3) Unit sale rate	A unit sale rate, taking into account the time, location, and individual factors, such as frontage and size, between the comparable and the property, of RMB7,800/sq.m.	An increase in the unit sale rate used would result in an increase in the fair value measurement of the investment properties by the same percentage increase, and vice versa.
Property5 — Shenyang Glory City Phase I, Big Box	Level 3	Income method — Direct Capitalization Approach (weighting of 50%) and Direct Comparison Approach (weighting of 50%) The key inputs of income method are: (1) Capitalization rate; and (2) Market monthly rent	Capitalization rate, taking into account of the capitalization of rental income potential, nature of the property, prevailing market condition, of 5.25%. Market monthly rent, using direct market comparables and taking into account of time, location and individual factors such as road frontage, size of property and facilities, of RMB34.3/sq.m./month on GFA.	A slight increase in the capitalization rate used would result in a significant decrease in the fair value measurement of the investment properties, and vice versa. A slight increase in the market monthly rent used would result in a significant increase in the fair value measurement of the investment properties, and vice versa.
		(3) Unit sale rate	Unit sale rate, taking into account the time, location, and individual factors, such as frontage and size, between the comparable and the property, of RMB6,900/sq.m.	An increase in the unit sale rate used would result in an increase in the fair value measurement of the investment properties by the same percentage increase, and vice versa.
Property7 — Siheyuan Beijing Glory City	Level 3	Income method — Direct Capitalization Approach (weighting of 50%) and Direct Comparison Approach (weighting of 50%) The key inputs of income method are: (1) Capitalization rate; and	Capitalization rate, taking into account of the capitalization of rental income potential, nature of the property, prevailing market condition, of 2% to 2.5%.	A slight increase in the capitalization rate used would result in a significant decrease in the fair value measurement of the investment properties, and vice versa.

Investment properties held by the Group in the consolidated statements of financial positions

Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	(2) Market monthly rent	Market monthly rent, using direct market comparables and taking into account of time, location and individual factors such as road frontage, size of property and facilities, of RMB253/sq.m./month on GFA.	A slight increase in the market monthly rent used would result in a significant increase in the fair value measurement of the investment properties, and vice versa.
	(3) Unit sale rate	Unit sale rate, taking into account the time, location, and individual factors, such as frontage and size, between the comparable and the property, of RMB96,000/sq.m.	An increase in the unit sale rate used would result in an increase in the fair value measurement of the investment properties by the same percentage increase, and vice versa.

In estimating the fair value of the investment properties, the Group uses market observable data to the extent it is available. The management of the Group works closely with the valuers to establish the appropriate valuation techniques and inputs to the model.

The unrealized gain on property revaluation amounting to RMB890,358,000, RMB1,040,768,000 and RMB911,895,000 was recognized in profit or loss during the years ended December 31, 2011, 2012 and 2013.

The Group had pledged investment properties of approximately RMB5,532,523,000, RMB6,519,323,000 and RMB7,355,065,000 at December 31, 2011, 2012 and 2013 respectively to secure bank and other borrowing granted to the Group as set out in Note 44.

16. PROPERTY, PLANT AND EQUIPMENT

	Hotel properties	Other leasehold land and buildings	Leasehold improvement	Motor vehicles	Electronic equipment & furniture	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost							
At January 1, 2011	62,382	164,460	22,826	28,091	67,558	—	345,317
Additions	—	—	—	7,675	4,655	100	12,430
Disposals	—	—	—	(113)	(6,784)	—	(6,897)
Disposal of a subsidiary (note 42)	—	—	—	—	(224)	—	(224)
At December 31, 2011	62,382	164,460	22,826	35,653	65,205	100	350,626
Additions	30,968	—	202	11,866	5,870	176	49,082
Acquisition of subsidiaries (note 43) . . .	38,664	—	—	398	3,158	—	42,220
Disposals	—	—	—	(1,245)	(474)	—	(1,719)
Disposal of subsidiaries (note 42)	—	(221)	—	(8,312)	(5,882)	—	(14,415)
At December 31, 2012	132,014	164,239	23,028	38,360	67,877	276	425,794
Additions	3,830	—	3,115	6,319	4,201	—	17,465
Disposals	(35,265)	(11,759)	—	(1,439)	(13,066)	(276)	(61,805)
Disposal of subsidiaries (note 42)	(100,579)	—	—	(1,245)	(46,193)	—	(148,017)
At December 31, 2013	—	152,480	26,143	41,995	12,819	—	233,437
Accumulated depreciation							
At January 1, 2011	31,087	22,826	19,117	9,688	55,052	—	137,770
Charge for the year	3,039	8,099	1,269	6,549	3,951	—	22,907
Eliminated on disposals . . .	—	—	—	(110)	(6,368)	—	(6,478)
Eliminated on disposal of a subsidiary (note 42)	—	—	—	—	(107)	—	(107)
At December 31, 2011	34,126	30,925	20,386	16,127	52,528	—	154,092
Charge for the year	4,035	7,817	1,309	5,401	4,411	—	22,973
Eliminated on disposals . . .	—	—	—	(1,152)	(434)	—	(1,586)
Eliminated on disposal of subsidiaries (note 42) . . .	—	(35)	—	(4,203)	(3,637)	—	(7,875)
At December 31, 2012	38,161	38,707	21,695	16,173	52,868	—	167,604
Charge for the period	4,644	9,270	87	6,174	3,557	—	23,732
Eliminated on disposals . . .	(1,988)	(2,015)	—	(1,389)	(9,451)	—	(14,843)
Eliminated on disposal of subsidiaries (note 42) . . .	(40,817)	—	—	(852)	(42,518)	—	(84,187)
At December 31, 2013	—	45,962	21,782	20,106	4,456	—	92,306
Carrying amount							
At December 31, 2011	28,256	133,535	2,440	19,526	12,677	100	196,534
At December 31, 2012	93,853	125,532	1,333	22,187	15,009	276	258,190
At December 31, 2013	—	106,518	4,361	21,889	8,363	—	141,131

As at December 31, 2011 and 2012, hotel properties and other leasehold land and buildings with carrying amount of approximately RMB86,426,000 and RMB93,786,000 respectively were pledged to banks to secure bank and other borrowings granted to the Group as set out in Note 44. As at December 31, 2013, other leasehold land and buildings with carrying amount of approximately RMB51,587,000 were pledged to banks to secure bank and other borrowings granted to the Group as set out in Note 44.

The above items of property, plant and equipment, other than construction in progress, are depreciated using the straight-line method after taking into account of their estimated residual values over the following estimated useful lives:

Hotel properties	20 years
Other leasehold land and buildings	over the shorter of the term of the lease or 20 years
Leasehold improvement	over the shorter of the term of the lease or 5 years
Motor vehicles	5 years
Electronic equipment & furniture	5 years

The hotel properties and other leasehold land and buildings are held under medium-term leases in the PRC.

17. INTANGIBLE ASSETS

	Software licenses
	RMB'000
Cost	
At January 1, 2011	3,388
Additions	747
At December 31, 2011	4,135
Additions	1,307
Disposal of a subsidiary (note 42)	(1,339)
At December 31, 2012	4,103
Additions	1,432
Disposal of subsidiaries (note 42)	(48)
At December 31, 2013	5,487
Accumulated amortization	
At January 1, 2011	1,547
Charge for the year	603
At December 31, 2011	2,150
Charge for the year	818
Eliminated on disposal of a subsidiary (note 42)	(398)
At December 31, 2012	2,570
Charge for the year	579
Eliminated on disposal of subsidiaries (note 42)	(45)
At December 31, 2013	3,104
Carrying value	
At December 31, 2011	1,985
At December 31, 2012	1,533
At December 31, 2013	2,383

The software licenses have finite useful lives and are amortized on a straight-line basis over 6 years.

18. INTEREST IN AN ASSOCIATE

	At December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Cost of investment, unlisted	18,000	—	—
Share of post-acquisition loss	(1,179)	—	—
	<u>16,821</u>	<u>—</u>	<u>—</u>

As at December 31, 2011, the Group had interests in the following associate:

Name of entity	Place of registration	Principal place of operation	At December 31, 2011	Principal activity
Glory Management	PRC	PRC	45%	Investment holding and hotel operation

Glory HK held 45% equity interest in Glory Management, a private entity established in the PRC which is involved in investment holding and hotel operation in the PRC. Glory Management is accounted for as a subsidiary of the Company since July 2012. Details are set out in note 43.

The summarized financial information in respect of the Group's associate is set out below:

	At December 31,	
	2011	
	RMB'000	
Current assets	10,473	
Non-current assets	44,552	
Current liabilities	(17,645)	
Net assets	<u>37,380</u>	

	Year ended December 31,	January 1
	2011	to June 30, 2012
	RMB'000	RMB'000
Revenue	<u>18,912</u>	<u>13,369</u>
Profit (loss) for the year/period	<u>24</u>	<u>(145)</u>
Group's share of profit (loss) of associate	<u>11</u>	<u>(65)</u>

Reconciliation of the above summarized financial information to the carrying amount of the interest in Glory Management recognized in the Financial Information:

	At December 31,	
	2011	
	RMB'000	
Net assets of the associate	37,380	
Proportion of the Group's ownership interest in Glory Management	45%	
Carrying amount of the Group's interest in Glory Management	<u>16,821</u>	

19. AVAILABLE-FOR-SALE INVESTMENTS

	At December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Unlisted equity investments, at cost:			
永清吉銀村鎮銀行股份有限公司 (“Credit Union”) (note a)	5,000	5,000	5,000
汕頭市國裕投資合夥企業 (有限合夥) (“Shantou GuoYu”) (note b)	—	7,000	—
	<u>5,000</u>	<u>12,000</u>	<u>5,000</u>

Notes:

- (a) The Group held 10% equity interest in Credit Union, a private entity established in the PRC which is involved in banking operation.
- (b) The Group held 10% equity interest in Shantou GuoYu, a private entity established in the PRC and involved in investment management. In November 2013, the Group has recovered its investment of Shantou GuoYu in full and Shantou GuoYu has deregistered. No gain or loss was recognized.
- (c) The available-for-sale investments are measured at cost less impairment at the end of each reporting periods because the range of reasonable fair value estimates is so significant that the Directors are of the opinion that their fair values cannot be measured reliably.

20. PREPAID LEASE PAYMENTS

	At December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Medium term leases	<u>33,826</u>	<u>38,413</u>	<u>3,334</u>
Analyzed for reporting purposes as:			
Non-current	33,088	37,641	2,941
Current (included in trade and other receivables, deposits and prepayments)	<u>738</u>	<u>772</u>	<u>393</u>
	<u>33,826</u>	<u>38,413</u>	<u>3,334</u>

Prepaid lease payment represents land use rights in the PRC under medium-term leases.

As at December 31, 2011, 2012 and 2013, the Group had pledged the land use rights of approximately RMB24,389,000, RMB28,026,000 and RMB2,269,000 respectively to secure bank and other borrowings granted to the Group as set out in Note 44.

21. SUBSIDIARIES

The table below shows details of non-wholly owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Place of establishment and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests	Profit allocated to non-controlling interests	Accumulated non-controlling interests
			RMB'000	RMB'000
At December 31, 2011				
Glory Industrial	PRC	9%	4,607	229,773
Original Beijing Glory (note a)	PRC	20%	143,491	563,374
Total			148,098	793,147
At December 31, 2012				
Glory Industrial	PRC	9%	5,418	145,191
Original Beijing Glory (note a)	PRC	20%	235,402	597,339
Total			240,820	742,530
At December 31, 2013				
Glory Industrial	PRC	9%	262	145,453
Original Beijing Glory (notes a and c)	PRC	20%	476,039	881,317
New Beijing Glory (notes b and c) ...	PRC	20%	40,386	214,829
Total			516,687	1,241,599

Notes: (a) The summarized financial information disclosed below comprised of the financial information of Original Beijing Glory, its wholly owned subsidiaries and non-wholly owned subsidiaries (the "**Original Beijing Glory Sub-Group**"). In the opinion of the Directors, the non-controlling interest of each of those non-wholly owned subsidiaries is not material.

(b) The summarized financial information disclosed below comprised of the financial information of New Beijing Glory, its wholly owned subsidiaries and non-wholly subsidiaries (the "**New Beijing Glory Sub-Group**"). In the opinion of the Directors, the non-controlling interest of each of those non-wholly owned subsidiaries is not material.

(c) On October 8, 2013, the business, assets and liabilities of Original Beijing Glory was split into two companies, namely, New Beijing Glory, the new entity that was established following the Split, and the then Original Beijing Glory. New Beijing Glory and Original Beijing Glory were each owned as to 80% by Garden Group and 20% by Shantou Longhu Huamu Market Co., Ltd (汕頭市龍湖花木市場有限公司) ("**Longhu Huamu**"). Following the Split, New Beijing Glory became the holding company of all the subsidiaries of Original Beijing Glory other than those subsidiaries located in Beijing (including Beijing Wenchang, Glory Services and Glory Investment) whereas the then Original Beijing Glory continues to hold its subsidiaries located in Beijing and continues to engage in the property development business and projects undertaken by Original Beijing Glory in Beijing.

Summarized financial information in respect of Glory Industrial, Original Beijing Glory Sub-Group and New Beijing Glory Sub-Group is set out below. The summarized financial information below represents amounts before intragroup eliminations.

Glory Industrial

	At December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Current assets	2,491,638	2,419,464	2,760,981
Non-current assets	755,248	836,515	845,330
Current liabilities	(217,690)	(1,170,520)	(1,535,526)
Non-current liabilities	(476,164)	(472,230)	(454,643)
Total equity	2,553,032	1,613,229	1,616,142

	Year ended December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Revenue	51,179	41,297	30,933
Changes in fair value of investment properties	63,000	81,000	13,000
Expense	(62,991)	(62,100)	(41,020)
Profit for the year	51,188	60,197	2,913
Other comprehensive income for the year	—	—	—
Total comprehensive income for the year	51,188	60,197	2,913
Dividends paid to non-controlling interests	—	90,000	—
Net cash (outflow) inflow from operating activities	(333,214)	52,404	56,330
Net cash (outflow) inflow from investing activities	(2,101)	(1,420)	37,389
Net cash inflow (outflow) from financing activities	321,683	(49,428)	(97,270)
Net cash (outflow) inflow from the above activities	(13,632)	1,556	(3,551)

Original Beijing Glory Sub-Group

	At December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Current assets	19,123,013	16,397,124	10,815,630
Non-current assets	5,191,151	5,865,148	6,180,259
Current liabilities	(17,263,620)	(15,757,721)	(8,023,506)
Non-current liabilities	(4,940,382)	(3,997,526)	(4,565,794)
Total equity	2,110,162	2,507,025	4,406,589

	Year ended December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Revenue	1,570,042	4,049,345	5,548,504
Fair value gain upon transfer to investment properties	—	—	527,270
Changes in fair value of investment properties	790,958	906,643	345,410
Expense	(1,666,783)	(3,764,120)	(4,038,847)
Profit for the year	694,217	1,191,868	2,382,337
Other comprehensive income for the year	—	—	—
Total comprehensive income for the year	694,217	1,191,868	2,382,337
Dividends paid to non-controlling interests	—	160,000	—
Net cash (outflow) inflow from operating activities	(885,406)	731,976	(219,966)
Net cash outflow from investing activities	(93,535)	(606,094)	(1,235,264)
Net cash inflow from financing activities	365,962	96,327	783,001
Net cash (outflow) inflow from the above activities	(612,979)	222,209	(672,229)

New Beijing Glory Sub-Group

	2013
	RMB'000
Current assets	12,273,463
Non-current assets	623,473
Current liabilities	(10,393,059)
Non-current liabilities	(1,836,696)
Total equity	667,181
	2013
	RMB'000
Revenue	1,169,372
Changes in fair value of investment properties	9,846
Expense	(976,614)
Profit for the year	202,604
Other comprehensive income for the year	—
Total comprehensive income for the year	202,604
Dividends paid to non-controlling interests	—
Net cash outflow from operating activities	(204,489)
Net cash inflow from investing activities	132,516
Net cash inflow from financing activities	351,506
Net cash inflow from the above activities	279,533

22. DEFERRED TAX

The following are the major deferred tax assets (liabilities) recognized and movements thereon during the Relevant Periods:

Deferred tax assets (liabilities) in relation to	Tax losses	Temporary differences on pre-sale deposits received	LAT	Investment properties	Others (note)	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2011	23,235	80,566	11,695	(962,558)	9,664	(837,398)
Recognized in profit or loss	(14,250)	130,467	243	(237,882)	9,508	(111,914)
At December 31, 2011	8,985	211,033	11,938	(1,200,440)	19,172	(949,312)
Recognized in profit or loss	(5,479)	(79,763)	46,501	(276,748)	(14,588)	(330,077)
Disposal of subsidiaries (note 42)	—	(40,703)	(42,082)	11,221	(519)	(72,083)
At December 31, 2012	3,506	90,567	16,357	(1,465,967)	4,065	(1,351,472)
Recognized in profit or loss	16,561	(29,246)	(1,598)	(217,986)	(352)	(232,621)
Disposal of subsidiaries (note 42)	(53)	—	—	—	—	(53)
At December 31, 2013	20,014	61,321	14,759	(1,683,953)	3,713	(1,584,146)

Note: The "others" is mainly relating to temporary differences on held-for-trading investments and depreciation of properties, plant and equipment.

For the purpose of presentation in the consolidated statements of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purpose:

	At December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Deferred tax assets	223,179	75,748	61,761
Deferred tax liabilities	(1,172,491)	(1,427,220)	(1,645,907)
	<u>(949,312)</u>	<u>(1,351,472)</u>	<u>(1,584,146)</u>

No deferred taxation asset has been recognized in respect of the following unutilized tax losses due to the unpredictability of future profit streams, estimated at the end of each reporting period. The unrecognized tax losses will expire in the following years:

	At December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
To be expired on:			
December 31, 2012	14,627	—	—
December 31, 2013	9,080	496	—
December 31, 2014	8,248	6,527	825
December 31, 2015	11,838	11,287	588
December 31, 2016	27,150	26,094	58
December 31, 2017	—	29,970	899
December 31, 2018	—	—	2,179
Total unused tax losses not recognized as deferred tax assets	<u>70,943</u>	<u>74,374</u>	<u>4,549</u>

23. DEPOSITS PAID FOR LAND ACQUISITION

Balance represented deposits paid for public tenders, auctions or listing-for-bidding of land use rights in the PRC for the purpose of development for sale. In the opinion of the Directors, deposits of approximately RMB664,389,000 at December 31, 2011 is expected to be realized after twelve months from the end of the reporting period.

24. PROPERTIES UNDER DEVELOPMENT FOR SALE

	At December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
COST			
At beginning of the year	3,908,521	6,339,723	4,960,386
Additions	3,164,303	4,146,465	7,683,373
Acquisition of subsidiaries (note 43)	—	—	407,763
Transfer to properties held for sale upon completion	(728,092)	(3,620,687)	(3,084,494)
Disposal of subsidiaries (note 42)	(5,009)	(1,905,115)	—
At end of the year	<u>6,339,723</u>	<u>4,960,386</u>	<u>9,967,028</u>

The properties under development for sale are located in the PRC with lease terms ranging from 40 to 70 years.

As at December 31, 2011, 2012 and 2013, certain of the Group's properties under development for sale with a carrying amount of approximately RMB1,448,979,000, RMB2,306,663,000 and RMB1,767,542,000 respectively were pledged to banks to secure bank and other borrowings granted to the Group as set out in Note 44.

As at December 31, 2011, 2012 and 2013, properties under development for sale with carrying amount of RMB3,147,386,000, RMB3,894,436,000 and RMB8,102,628,000 respectively are expected to be completed and realized after twelve months from the end of respective reporting period.

The Group was in the process of obtaining the certificates of land use rights of approximately RMB369,128,000, RMB748,451,000 and RMB125,080,000 from the relevant authorities as at December 31, 2011, 2012 and 2013, respectively.

25. JOINT OPERATION

On September 1, 2009, Original Beijing Glory entered into an agreement with an independent third party (the "Project partner") in respect of a jointly development project of Qinian Street Rebuild Primary Land Development Project in the PRC (the "Qinian Street Project").

Pursuant to the agreement, Original Beijing Glory and the Project partner set up an operation committee to jointly control and manage the project together. The two parties contribute the funding, share revenue and bear costs equally.

The amount included in the Financial Information arising from the joint operation is as follows:

	Year ended December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Analysis of profit or loss			
Revenue	72,351	136,140	758,997
Cost of sales and services	(70,651)	(131,800)	(216,240)
Profit before taxation	<u>1,700</u>	<u>4,340</u>	<u>542,757</u>

Under the arrangement of the Beijing Municipal People's Government, Original Beijing Glory entered into the agreements with 中國第一歷史檔案館 and 中華全國新聞工作者協會 on August 8, 2012 and April 17, 2013 respectively, and finalized the amount of contract revenue attributable to the Group for two sub-projects amounting to RMB400,000,000 and RMB581,500,000 respectively. The Group recognized its share of contract revenue based on the terms set out in the agreements. As at December 31, 2013, an amount of RMB150,000,000 and RMB400,000,000 has been received from 中國第一歷史檔案館 and 中華全國新聞工作者協會 by the Group respectively.

26. PROPERTIES HELD FOR SALE

The Group's properties held for sale are stated at cost and situated in the PRC.

In the opinion of the Directors, properties held for sale, of approximately RMB584,587,000, RMB565,888,000 and RMB506,246,000 as at December 31, 2011, 2012 and 2013 respectively, is expected to be sold after twelve months from the end of each reporting period.

As at December 31, 2011, 2012 and 2013, properties held for sale of approximately RMB147,780,000, RMB52,000,000 and RMB1,110,650,000 respectively are pledged to secure bank and other borrowings granted to the Group as set out in Note 44.

27. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Trade receivables mainly comprise of rental receivables and receivables for sales of properties. Pursuant to the lease agreements, rental payment is required to be settled in advance with no credit period being granted to the tenants. In respect of sale of properties, no credit term is allowed in normal cases. However, a credit period of up to twelve months may be granted to specific customers on a case-by-case basis.

	At December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Trade receivables, net of allowance	38,033	38,928	169,074
Advances to contractors and suppliers	519,108	209,193	107,747
Other receivables from independent third parties (note a)	934,754	242,705	17,510
Other receivables and prepayment, net of allowance	13,621	15,895	44,665
Prepaid lease payment — current portion	738	772	393
Deposits	74,660	49,187	50,105
	<u>1,580,914</u>	<u>556,680</u>	<u>389,494</u>

Note:

(a) Other receivables from independent parties are of non-trade nature, unsecured, interest free and repayable on demand.

Included in other receivables as at December 31, 2011 is an amount of RMB20,000,000 arising from the disposal of Wan Ning Longsheng (Note 42), which is settled during the year ended December 31, 2012.

The following is an aged analysis of trade receivables based on the date of recognition of revenue at the end of each of the reporting period:

	At December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
0 to 60 days	11,268	4,646	129,255
61 to 365 days	8,422	22,833	29,969
1-2 years	17,190	5,426	5,114
Over 2 years	1,153	6,023	4,736
	<u>38,033</u>	<u>38,928</u>	<u>169,074</u>

Trade receivables with an amount of approximately RMB22,762,000, RMB16,621,000 and RMB15,883,000 as at December 31, 2011, 2012 and 2013, respectively, are overdue receivables but not impaired at the end of each of the reporting period. The Group does not hold any collateral over these balances. The following is an aged analysis of overdue receivables based on due date.

	At December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Less than 1 year	4,419	5,172	6,033
1-2 years	17,190	5,426	5,114
Over 2 years	1,153	6,023	4,736
	<u>22,762</u>	<u>16,621</u>	<u>15,883</u>

In determining the recoverability of trade receivables, the Group considers any change in the credit quality of the trade receivables from the date credit was initially granted up to the end of the reporting period. All the receivables that are neither past due nor impaired are due from customers with good settlement history.

Movements in the allowance for doubtful debts on trade receivables are set out as follows:

	At December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Balance at beginning of the year	—	1,347	4,110
Recognized during the year	1,347	2,763	—
Balance at end of the year	1,347	4,110	4,110

Movements in the allowance for doubtful debts on other receivables are set out as follows:

	At December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Balance at beginning of the year	2,600	2,600	—
Recognized during the year	—	—	1,200
Reversed during the year	—	(700)	—
Write off during the year	—	—	(1,200)
Disposal of subsidiaries	—	(1,900)	—
Balance at end of the year	2,600	—	—

Included in allowance for doubtful debts are trade receivables and other receivables individually impaired which are due from debtors under financial difficulties. In addition, the Group assessed impairment on a collective basis. No further allowance for doubtful debts was recognized.

28. AMOUNTS DUE FROM CUSTOMERS FOR CONTRACT WORK

	At December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Contracts in progress			
Construction costs incurred plus recognized profits	1,144,322	1,505,114	1,439,261
Less: payment received	—	(150,000)	(550,000)
	1,144,322	1,355,114	889,261

In the opinion of the Directors, amounts due from customers for contract work of approximately RMB1,144,322,000, RMB515,671,000 and RMB457,761,000 as at December 31, 2011, 2012 and 2013 respectively is expected to be settled after twelve months from the end of the reporting period.

As at December 31, 2011, 2012 and 2013, amounts due from customers for contract work in relation to the Group's interest in the Qinian Street Project are approximately RMB527,281,000, RMB665,671,000 and RMB1,439,261,000 respectively, which is recognized through a joint operation. Details are set out in note 25.

29. HELD-FOR-TRADING INVESTMENTS

	At December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Funds, at fair value	2,980	3,010	80

30. RESTRICTED BANK DEPOSITS

	At December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Deposits pledged for banking facilities (note a)	2,862	800	1,200
Restricted bank deposits (note b)	152,443	246,909	35,264
Deposits pledged for mortgage loans granted to customers (note c)	44,756	115,682	24,491
	<u>200,061</u>	<u>363,391</u>	<u>60,955</u>
Analyzed for reporting purposes as:			
Non-current (note d)	44,480	34,673	922
Current	<u>155,581</u>	<u>328,718</u>	<u>60,033</u>
	<u>200,061</u>	<u>363,391</u>	<u>60,955</u>

Notes:

- (a) The amounts represent bank deposits denominated in RMB pledged to banks as security for certain banking facilities granted to the Group.
- (b) The amounts include bank deposits, subject to the banks' approval, that are restricted for payments of construction works of the specified development projects as set out in the relevant loan agreements.
- (c) The amounts represent bank deposits pledged to banks as security for certain mortgage loans granted by the banks to the Group's customers. The pledged bank deposits will be released upon receiving the building ownership certificate of the respective properties by the banks from the customers as security of the mortgage loans granted.
- (d) Deposits pledged as security for mortgage loans of the Group's customers that are not expected to be released within twelve months after the end of the reporting period are classified as non-current assets.

The bank deposits carry prevailing market interest rates as follows:

	At December 31,		
	2011	2012	2013
Range of interest rate per annum	<u>0.36%~1.44%</u>	<u>0.35%~1.27%</u>	<u>0.35%~1.15%</u>

31. BANK BALANCES AND CASH

	At December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Bank balances and cash	<u>589,266</u>	<u>803,373</u>	<u>844,854</u>

Cash and cash equivalents comprise bank balances and cash held by the Group, and short-term deposits placed at banks that borne interest at prevailing market interest rates. The bank balances carry interest rates as follows:

	At December 31,		
	2011	2012	2013
Range of interest rate per annum	<u>0.36%~1.49%</u>	<u>0.35%~2.60%</u>	<u>0.01%~1.15%</u>

Bank balances and cash as at December 31, 2011, 2012 and 2013 were mainly denominated in RMB which is not a freely convertible currency in the international market. The exchange rate of RMB is determined by the government of the PRC and the remittance of these funds out of the PRC is subject to exchange restrictions imposed by the government of the PRC.

32. TRADE AND OTHER PAYABLES

	At December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Trade payable	1,346,355	1,096,778	2,331,703
Bills payable	2,310	—	—
Deposits received	318,932	456,154	523,922
Rental received in advance	25,771	26,012	42,770
Payable for acquisition of subsidiaries (note (a))	481,869	549,869	467,011
Other payables to independent third parties (note (b))	704,691	96,843	—
Other payables to connected person (note (c))	—	—	1,120,046
Accrued payroll	3,442	3,330	21,713
Deed tax, business and other tax payable	8,487	1,766	173,960
Other payables and accruals	10,919	18,531	47,962
	<u>2,902,776</u>	<u>2,249,283</u>	<u>4,729,087</u>
Analyzed for reporting purposes as:			
Non-current (note (d))	44,657	44,092	49,302
Current	<u>2,858,119</u>	<u>2,205,191</u>	<u>4,679,785</u>
	<u>2,902,776</u>	<u>2,249,283</u>	<u>4,729,087</u>

Notes:

- (a) During the year ended December 31, 2010, Hainan Glory acquired the entire equity interest in Hainan HNA, from independent third parties. The consideration for the acquisition was approximately RMB466,869,000. During the year ended December 31, 2013, part of the consideration amounting to RMB344,858,000 was paid. The amount is unsecured, interest free and repayable on demand.
- In November 2012, Original Beijing Glory acquired the remaining 30% equity interest in Shenyang Dadongfang for a consideration of RMB68,000,000 from its non-controlling equity holder, which was paid during the year ended December 31, 2013. The amount was unsecured, interest free and repayable on demand.
- In October 2013, Original Beijing Glory acquired the entire equity interest in Shaanxi Huawei for a consideration of RMB450,000,000. During the year ended December 31, 2013, part of the consideration amounting to RMB120,000,000 was paid. The amount is unsecured, interest free and repayable on demand.
- Included in other payables as at December 31, 2011, 2012 and 2013 is an amount of RMB15,000,000 arising from the acquisition of Haikou Hangrui in 2009. The amount is unsecured, interest free and repayable on demand.
- (b) Other payables to independent third parties are of non-trade nature, unsecured, interest free and payable on demand.
- (c) The amount is related to the cancellation of a pre-sale contract, details are set out in Note 9, which is unsecured and repayable within one year by installments.
- (d) Pursuant to the relevant agreements, rental deposits of approximately RMB44,657,000, RMB44,092,000 and RMB49,302,000 as at December 31, 2011, 2012 and 2013 respectively are to be settled after twelve months from the end of the reporting period and is therefore classified as non-current liability.

Trade payables comprise construction costs payable and other project-related expenses payable. The average credit period of trade payable is approximately 180 days.

The following is an aged analysis of trade payables and bills payable based on invoice date at the end of reporting period:

	At December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Trade payables:			
0 to 60 days	1,055,693	910,933	1,055,862
61-365 days	228,202	107,535	1,190,485
1-2 years	15,391	55,120	72,792
Over 2 years	47,069	23,190	12,564
	<u>1,346,355</u>	<u>1,096,778</u>	<u>2,331,703</u>

33. DEPOSITS RECEIVED FROM PRE-SALE OF PROPERTIES

In the opinion of the Directors, deposits received from pre-sale of properties of approximately RMB1,881,229,000, RMB1,182,855,000 and RMB133,043,000 as at December 31, 2011, 2012 and 2013 respectively, is expected to be recognized as revenue after twelve months from the end of each reporting period.

34. TAXATION PAYABLE

	At December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
LAT payable	34,344	14,817	51,161
Income tax payable	301,788	153,120	662,728
	<u>336,132</u>	<u>167,937</u>	<u>713,889</u>

35. BANK AND OTHER BORROWINGS

	At December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Bank loans, secured	5,623,667	5,090,280	5,153,300
Bank loans, unsecured	200	500	—
Other loans, secured	—	592,000	2,183,260
	<u>5,623,867</u>	<u>5,682,780</u>	<u>7,336,560</u>
The borrowings are repayable:			
— Within one year	1,220,004	2,330,880	1,112,136
— More than one year, but not exceeding two years	2,053,577	912,136	3,358,364
— More than two years, but not exceeding five years	1,332,190	1,690,764	2,146,060
— More than five years	1,018,096	749,000	720,000
	<u>5,623,867</u>	<u>5,682,780</u>	<u>7,336,560</u>
Less: Amount due within one year shown under current liabilities	<u>(1,220,004)</u>	<u>(2,330,880)</u>	<u>(1,112,136)</u>
Amount due after one year	<u>4,403,863</u>	<u>3,351,900</u>	<u>6,224,424</u>

The Group's bank and other borrowings are denominated in RMB.

Borrowings include approximately RMB5,423,667,000, RMB5,110,280,000 and RMB5,267,500,000 variable rate borrowings which carry effective interest ranging from 5.83% to 8.55%, 5.64% to 8.65% and

6.22% to 8.00% per annum during the years ended December 31, 2011, 2012 and 2013 respectively and exposed the Group to cash flow interest rate risk. The remaining borrowings are arranged at fixed rate, the effective interest rate was 5.40% to 6.10%, 5.40% to 10.50% and 10.04% to 12.00% per annum during the years ended December 31, 2011, 2012 and 2013 respectively, and exposed the Group to fair value interest rate risk.

As at December 31, 2011, 2012 and 2013, bank borrowings amounting to RMB397,280,000, RMB397,280,000 and RMB290,000,000 respectively are specific borrowings for the Qinian Street Project, which is obtained through a joint operation. Details are set out in note 25.

Other loans

In October 2012, the Group borrowed RMB72,000,000 from Haier Group Finance Co., Ltd. 海爾集團財務有限責任公司, an independent third party, pursuant to a borrowing agreement. The loan is secured by land use rights for properties under development for sale located in Langfang Yongqing county and carried fixed interest rate at 10.5% per annum and fully repaid on October 23, 2013.

In December 2012, Original Beijing Glory borrowed RMB400,000,000 from Sichuan Trust Co., Ltd. (“**Sichuan Trust**”), an independent third party. The loan is secured by Original Beijing Glory’s right of future operating income of an investment property. The loan carried fixed interest rate at 6.6% per annum and an upfront fee amounting to RMB15,000,000 and repayable on December 27, 2017 pursuant to the contract term. The Group early repaid RMB400,000,000 on December 27, 2013 and therefore shown as current liability as at December 31, 2012.

In December 2012, Shantou Construction Materials borrowed RMB120,000,000 from Sichuan Trust. The loan is secured by Shantou Construction Materials’ right of future operating income of Construction Materials and Household Exhibition Center. The loan carried variable interest rate at 95% of the 5 year benchmark loan rate quoted by The People’s Bank of China plus 0.5% and an upfront fee amounting to RMB3,300,000. A repayment of RMB1,450,000 is required for each quarter from March 21, 2013 to September 21, 2018. The Group repaid RMB5,800,000 during the year ended December 31, 2013.

In July 2013, Original Beijing Glory borrowed RMB769,060,000 from Minmetals International Trust Co., Ltd. (“**Minmetals Trust**”), an independent third party. The loan is secured by land use rights for properties under development for sale located in Chongwen District, Beijing, and carried fixed interest at 10.4% per annum. Loan amounts of RMB200,000,000 and RMB300,000,000 are required to be repaid in 2014 and 2015, respectively. The remaining balance of RMB269,060,000 will be repayable on July 21, 2016.

In November 2013, Garden Group borrowed RMB800,000,000 from Minmetals Trust. The loan is secured by investment properties located in Beijing City, Dongcheng District, the equity interests of Foshan Glory and Foshan Guohua and guarantee from Original Beijing Glory. The loan carried fixed interest rate at 9.5% per annum and repayable after two years.

In December 2013, Original Beijing Glory entered into an agreement with Minmetals Trust, pursuant to which 49% equity interest of Shantou Glory was transferred to Minmetals Trust at a cash consideration of RMB98,000,000. Pursuant to another agreement signed on the same date, Original Beijing Glory agreed to repurchase the 49% equity interest of Shantou Glory after 24 months in 2015, with an early repurchase right after one year, at a consideration equals to RMB98,000,000 plus the additional expense charged on RMB98,000,000 at a rate of 12% per annum, either at early repurchase or maturity date. The arrangement as a whole is accounted for in this Financial Information as a secured borrowing to the Group with an effective interest of 12% per annum (the “Original Beijing Glory Loan”).

In December 2013, Shantou Glory borrowed RMB402,000,000 from Minmetals Trust (the “**Shantou Glory Loan**”). The Shantou Glory Loan carried fixed interest of 12% per annum and to be repayable in full after 24 months in December 2015.

The Original Beijing Glory Loan and the Shantou Glory Loan are secured by land use rights for properties under development for sale located in Shantou and 100% equity interest in Shantou Glory.

36. PAID-IN/SHARE CAPITAL AND RESERVES

The Group

The capital of the Group as at January 1, 2011 and December 31, 2011 represents the combination of the paid-in capital of Garden Group and Glory HK. The capital of the Group at December 31, 2012 represents the combination of the share capital of the Company and the paid-in capital of Garden Group. The capital of the Group at December 31, 2013 represents the share capital of the Company.

The Company

	Number of shares		Share capital		Equivalent to RMB'000
	USD1 each	HKD0.001 each	USD	HKD	
Ordinary shares of USD1 each/HKD0.001 each					
Authorized:					
At July 16, 2012 (date of incorporation) and December 31, 2012	50,000	—	50,000	—	
At December 31, 2013	—	3,750,000,000	—	3,750,000	
Issued and fully paid:					
At July 16, 2012 (date of incorporation) and December 31, 2012	1	—	1	—	—
Issue of new shares	—	3,750,000,000	—	3,750,000	2,967
Cancellation of shares	(1)	—	(1)	—	—
At December 31, 2013	—	3,750,000,000	—	3,750,000	2,967

On December 2, 2013, the Company increased its authorized share capital by HKD3,750,000 with 3,750,000,000 shares of HKD0.001 each and issued new 3,750,000,000 shares of HKD0.001 per share at their par value. At the same time, the Company cancelled its original authorized share capital of USD50,000 and its previously issued 1 share of USD1.

Reserve of the Company

	Accumulated losses
	RMB'000
At July 16, 2012 (date of incorporation) and December 31, 2012	—
Losses and total comprehensive expense for the year	(20,944)
At December 31, 2013	(20,944)

37. INVESTMENT IN A SUBSIDIARY

		At December 31,		
		2011	2012	2013
Unlisted shares, at cost	HKD	—	10,000	10,000
	equivalent to RMB	—	8,108	8,108
Shown in the Financial Information as	RMB'000	—	8	8

In August 2012, the Company acquired 100% equity interest in Glory HK from Mr. Zhang Zhangsun, for a consideration of HKD10,000.

In April 2013, the Company set up Glory Real Estate (HK) with issued share capital of HKD10,000. Upon completion of the Reorganization, in June 2013, the Company disposed Glory HK to Mr. Zhang Zhangsun for a consideration of HKD10,000. No material gain or loss was resulted from the disposal.

38. RETIREMENT BENEFIT PLANS

According to the relevant laws and regulations in the PRC, the Company's PRC subsidiaries are required to participate in a defined contribution retirement scheme administrated by the local municipal government. The group entities in the PRC contribute funds which are calculated on a certain percentage of the average employee salary as agreed by local municipal government to the scheme to fund the retirement benefits of the employees. The principal obligation of the Group with respect to the retirement benefit scheme is to make the required contributions under the scheme. The total cost charged to profit or loss for the years ended December 31, 2011, 2012 and 2013 amounted to RMB6,678,000, RMB9,364,000, and RMB10,111,000 respectively represent contributions paid or payable to the scheme by the Group in respect of the Relevant Periods.

39. EQUITY-SETTLED SHARE-BASED TRANSACTION

Mr. Lin Yao Quan is the brother-in-law of Mr. Zhang Zhangsun and an employee of Shantou Construction Materials since August 2004. In order to recognize the contribution of Mr. Lin Yao Quan to the Group, Garden Group transferred 10% equity interest ("Equity Transfer") in Shantou Construction Materials at a cash consideration of RMB20,000,000 to Mr. Lin Yao Quan on March 31, 2012. There are no terms and conditions in connection with any future services of Mr. Lin Yao Quan attached to the equity interest transfer.

The benefits of RMB22,091,000 in connection with the Equity Transfer, being the difference of the fair value of equity interest transferred and the consideration paid by Mr. Lin Yao Quan, were accounted for as a share-based payment and recognized as staff costs.

The fair value of the 10% equity interest in Shantou Construction Materials amounting to RMB42,091,000 is estimated by reference to the fair value of the investment properties held by Shantou Construction Materials.

40. ACQUISITION OF ADDITIONAL INTERESTS IN SUBSIDIARIES

In November 2012, Original Beijing Glory acquired the remaining 30% equity interest in Shenyang Dadongfang for a consideration of RMB68,000,000 from its non-controlling equity holder. Difference between consideration paid and adjustment to non-controlling interest amounting to RMB40,676,000 is recognized in other reserve. The consideration was paid during the year ended December 31, 2013. Details are set out in note 32.

41. DISPOSAL OF PARTIAL INTERESTS IN SUBSIDIARIES

In March 2012, Garden Group transferred 10% equity interest in Shantou Construction Materials to Mr. Lin Yao Quan, brother-in-law of Mr. Zhang Zhangsun and an employee of Shantou Construction Materials, for a consideration of RMB20,000,000. Upon the transfer, Garden Group's equity interest in Shantou Construction Materials was decreased to 90%. Difference between consideration paid and fair value of equity interest disposed to Mr. Lin Yao Quan was treated as share-based payment (see note 39).

42. DISPOSAL OF SUBSIDIARIES

During the year ended December 31, 2011, Hainan Glory disposed of its 100% equity interest in a subsidiary, Wan Ning Longsheng, to an independent third party for a consideration of RMB20,000,000.

During the year ended December 31, 2012, Original Beijing Glory disposed of its 100% equity interest in Glory Commercial Management and its subsidiary, Glory Shopping Mall (collectively referred to as “**Glory Commercial Group**”) to Ms. Zhang Jin, the daughter of Mr. Zhang, Zhangsun at nil consideration. The gain on disposal of RMB7,195,000 was recognized as a deemed contribution from equity holder directly in equity.

During the year ended December 31, 2012, Original Beijing Glory entered into an equity transfer agreement with Mr. Zhang Zhangqiao, brother of Mr. Zhang Zhangsun, pursuant to which Original Beijing Glory transferred 100% equity interest in Chongqing Longxia (together with its wholly owned subsidiary, Chongqing Ruiao) (collectively referred to as “**Chongqing Group**”) to Mr. Zhang Zhangqiao for a consideration of approximately RMB149,552,000. The transfer of Chongqing Longxia was completed on December 31, 2012.

During the year ended December 31, 2012, Original Beijing Glory entered into an equity transfer agreement with Mr. Zhang Zhangqiao, pursuant to which Original Beijing Glory transferred 100% equity interest in Shijiazhuang Glory (together with its four wholly owned subsidiaries, namely, Shijiazhuang Property Management, Shijiazhuang Glory City, Shijiazhuang Guoxia and Shijiazhuang Yixing) (collectively referred to as “**Shijiazhuang Group**”) to Mr. Zhang Zhangqiao, for a consideration of RMB166,589,000. The disposal of Shijiazhuang Glory was completed on December 31, 2012.

During the year ended December 31, 2013, Garden Group disposed of its 90% equity interest in Chenghai Hotel, Shantou Glory disposed of its 100% equity interest in Shantou Sanjin, Langfang Glory disposed of its 100% equity interest in Langfang Agricultural, all to Jinming Wujin. Original Beijing Glory disposed of its 90% equity interest in Tonghe Leasing to Huitong Investment, a related party controlled by Mr. Zhang Zhangsun. The Company disposed of its 100% equity interest in Glory HK to Mr. Zhang Zhangsun. The gains on disposal of these subsidiaries amounted to RMB73,741,000 were recognized as a deemed contribution from equity holder directly in equity.

During the year ended December 31, 2013, Garden Group disposed of its 100% equity interest in Detong Shunli to Jinming Wujin. Shantou Glory disposed of its 80% equity interest in Shantou Property Management to Shantou Guoxia, a related party controlled by Mr. Zhang Zhangqiao, brother of Mr. Zhang Zhangsun. The losses on disposal of the two subsidiaries amounted to RMB839,000 were recognized as a deemed distribution to equity holder directly in equity.

During the year ended December 31, 2013, Original Beijing Glory disposed of its 60% equity interest in Feier Site to an independent third party for a consideration of RMB1,200,000. The gain on disposal of RMB251,000 was recognized in profit or loss.

Year ended December 31,									
2011	2012				2013				
	Glory								
Wan Ning Commercial Longsheng	Chongqing Group	Shijiazhuang Group	Chenghai Group	Shantou Hotel	Langfang Agricultural	Tonghe Leasing	Glory HK	Detong Shunli	Shantou Property Management Feier Site
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Consideration	—	149,552	166,589	54,000	10,000	180,000	8	2,000	2,400
Analysis of assets and liabilities over which control were lost:									
Trade and other receivables	16,538	548,794	2,508,215	1,741	—	500	35,672	—	24,614
Amounts due from the intragroup	6,456	457,875	—	119,968	5,017	199,500	40,000	—	9,600
Amounts due from related parties	—	—	1,320	—	—	—	11,252	1,999	—
Held-for-trading investments	—	—	3,464	—	—	—	—	—	—
Inventories	—	—	—	519	15	—	—	—	659
Properties under development for sale	—	475,590	1,429,525	—	—	—	—	—	—
Properties held for sale	—	543,537	299,691	—	—	—	—	—	—
Property, plant and equipment	1,847	1,941	2,752	63,781	—	4	—	39	6
Investment properties	—	83,230	—	—	—	—	—	—	—
Prepaid lease payment	—	—	—	9,150	4,145	—	—	—	—
Intangible assets	941	—	—	—	—	—	—	3	—
Deferred tax assets	—	10,868	61,215	—	—	—	—	—	39
Bank balances and cash	5	189,188	250,755	629	19	410	2	20	8,038
Borrowings	—	(390,183)	(707,500)	(181,250)	—	—	—	—	—
Trade and other payables	(2)	(1,581,408)	(2,924,529)	(3,310)	—	(500)	(66,047)	—	(36,925)
Amounts due to the intragroup	—	(23,156)	(425,000)	—	(11,227)	(65)	(22,000)	—	(1,039)
Amounts due to related parties	—	—	(45,446)	(31,640)	—	—	—	—	—
Taxation payable	—	(189,880)	(287,873)	—	—	—	—	—	(49)
Net assets (liabilities) disposed of	15,226	149,552	166,589	(20,412)	9,981	199,849	(1,121)	2,019	4,281
Gain (loss) on disposal of subsidiaries recognized in equity:									
Cash consideration	—	—	—	—	10,000	180,000	—	—	2,400
Consideration satisfied by offset against amounts due to related parties	—	—	—	54,000	—	—	8	2,000	—
Net (assets) liabilities disposed of	—	7,195	—	20,412	(9,981)	(199,849)	1,121	(2,019)	(4,281)
Non-controlling interests	—	—	—	(2,041)	—	19,985	—	—	856
	—	7,195	—	72,371	19	136	1,129	(19)	(1,025)

Year ended December 31,										
2011			2012			2013				
			Glory							
Wan Ning Longsheng	Commercial Group	Chongqing Shijiazhuang Group	Chenghai Hotel	Shantou Sanjin	Langfang Agricultural	Tonghe Leasing	Glory HK	Detong Shunli	Shantou Property Management	Feier Site
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Gain (loss) on disposal of subsidiaries recognized in profit or loss:										
Consideration satisfied by:										
Offset against amounts due to related parties (note b)										
	—	149,552	166,589	—	—	—	—	—	—	—
Other receivables (note a)	20,000	—	—	—	—	—	—	—	—	1,200
Net assets disposed of	(15,226)	(149,552)	(166,589)	—	—	—	—	—	—	(1,581)
Non-controlling interests	—	—	—	—	—	—	—	—	—	632
	4,774	—	—	—	—	—	—	—	—	251
Net cash inflow (outflow) arising on disposal:										
Cash consideration	—	—	—	8,000	10,000	180,000	—	—	2,400	—
Less: bank balances and cash disposed of	5	9,094	189,188	629	19	410	2	20	8,038	77
	(5)	(9,094)	(189,188)	(629)	9,981	179,590	(2)	(20)	(5,638)	(77)

Notes:

- (a) During the year ended December 31, 2011, Hainan Glory disposed of its 100% equity interest in Wan Ning Longsheng to an independent third party for a consideration of RMB20,000,000, which was received during the year ended December 31, 2012. During the year ended December 31, 2013, Original Beijing Glory disposed of its 60% equity interest in Feier Site to an independent third party for a consideration of RMB1,200,000, which is unsecured, interest free and repayable on demand.
- (b) During the year ended December 31, 2012, Original Beijing Glory disposed of Chongqing Group and Shijiazhuang Group to Mr. Zhang Zhangqiao, brother of Mr. Zhang Zhangsun for a consideration of approximately RMB149,552,000 and RMB166,589,000 respectively. All the considerations were satisfied by offsetting amounts due to related parties.

43. ACQUISITION OF SUBSIDIARIES

On July 1, 2012, Mr. Zhang Zhangsun acquired the entire equity interest in Jinming Wujin from his family members, which held 55% equity interest in Glory Management. Since then, Glory Management came under common control of Mr. Zhang Zhangsun. Therefore, Glory Management is accounted for as subsidiary of the Company since July 1, 2012.

Glory Management was acquired pursuant to the reorganization for the purpose of listing of the Company.

On October 14, 2013, Original Beijing Glory acquired the entire equity interest in Shaanxi Huawei for a consideration of RMB450,000,000 from an independent third party. Shaanxi Huawei is holding a piece of land for property development. This acquisition is accounted for as an acquisition of asset.

The net assets of subsidiaries at the date of acquisition are as follows:

	Year ended December 31,	
	2012	2013
	Glory Management	Shaanxi Huawei
	RMB'000	RMB'000
Assets acquired and liabilities recognized at the date of acquisition:		
Inventories	601	—
Trade and other receivables	3,001	41,733
Properties under development for sale	—	407,763
Property, plant and equipment	42,220	—
Prepaid lease payment	1,197	—
Deferred tax assets	—	—
Bank balances and cash	162	504
Trade and other payables	(9,804)	—
Taxation payable	(142)	—
	<u>37,235</u>	<u>450,000</u>
Total consideration	<u>—</u>	<u>450,000</u>
Satisfied by:		
Cash	—	120,000
Other payable	—	330,000
	<u>—</u>	<u>450,000</u>
Represented by:		
Deemed contribution from Mr. Zhang Zhangsun	20,479	—
Fair value of the previously-held investments in an associate	16,756	—
	<u>37,235</u>	<u>—</u>
Net cash inflow (outflow) arising on acquisition:		
Cash consideration	—	(120,000)
Bank balances and cash acquired	162	504
	<u>162</u>	<u>(119,496)</u>

The trade and other receivables acquired in the acquisition of Glory Management with a fair value of RMB3,001,000 had gross contractual amount of RMB3,151,000. The best estimate at acquisition date of the contractual cash flow not expected to be collected are RMB150,000.

Impact of acquisitions on the results of the Group

Included in the profit for the year ended December 31, 2012 is loss of RMB304,000 incurred by Glory Management. Revenue for the year ended December 31, 2012 includes RMB15,385,000 generated from Glory Management.

Had the acquisition of Glory Management been effected at January 1, 2012, the revenue of the Group would have been RMB4,289,365,000, and the profit for the year would have been RMB1,273,033,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of the Group that actually would have been achieved had the acquisition been completed on January 1, 2012, nor is it intended to be a projection of future results.

44. PLEDGE OF ASSETS

The following assets were pledged to secure certain bank and other borrowings granted to the Group at the end of each reporting period:

	At December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Investment properties	5,532,523	6,519,323	7,355,065
Property, plant and equipment	86,426	93,786	51,587
Prepaid lease payments	24,389	28,026	2,269
Properties under development for sale	1,448,979	2,306,663	1,767,542
Properties held for sale	147,780	52,000	1,110,650
Restricted bank deposits	2,862	800	1,200
	<u>7,242,959</u>	<u>9,000,598</u>	<u>10,288,313</u>

As at December 31, 2012 and 2013, right of the income generated from certain investment properties of the Group has been charged as security to the Sichuan Trust.

As at December 31, 2013, 100% equity interest in Shantou Glory has been charged as security to Minmetals Trust.

The Company has no pledge of assets at December 31, 2012 and 2013.

45. CAPITAL COMMITMENTS

	At December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Contracted but not provided for in the Financial Information:			
— Expenditure in respect of properties under development for sale	<u>1,325,172</u>	<u>1,775,920</u>	<u>3,500,991</u>

46. CONTINGENT LIABILITIES

	At December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Guarantees provided by the Group in respect of loan facilities utilized by property buyers	<u>845,634</u>	<u>1,012,171</u>	<u>1,634,119</u>

The Group has pledged certain bank deposits (details set out in note 30) and provided guarantees to banks in favor of its customers in respect of the mortgage loans provided by the banks to those customers

for the purchase of the Group's developed properties. These guarantees provided by the Group to the banks will be released upon receiving the building ownership certificate of the respective properties by the banks from the customers as security of the mortgage loans granted. In the opinion of the Directors, the fair value of the financial guarantee contracts at initial recognition and subsequently at the end of each reporting period is not significant as the default rate is low.

Pursuant to the construction contract signed between Hainan Glory and Hai Kou New City Construction & Development Co., Ltd. 海口新城區建設開發有限公司 ("**Hai Kou New City**") on July 5, 2009, Hainan Glory pledged its 100% equity interest in Hainan HNA to Hai Kou New City, in order to secure its performance obligation under the construction contract. Upon the completion of the construction contract, the pledge shall be released within 10 days.

47. MAJOR NON-CASH TRANSACTIONS

During the Relevant Periods, the Group has entered into various major non-cash transactions, with details set out in notes 39, 40, 41, 42 and 43. Save as disclosed elsewhere in the Financial Information, the Group has, in addition, entered into the following net settlement arrangements.

On December 31, 2012, certain subsidiaries of the Group have entered into various agreements with Jinming Wujin and certain parties to net settle the balances between the Group, Jinming Wujin, Longhu Huamu, certain related parties and certain independent third parties (the "**Net Settlement Agreements**"). Pursuant to the Net Settlement Agreements, the balances being net settled are summarized as follows:-

- (a) The Group's consideration receivable from Mr. Zhang Zhangqiao of RMB316,141,000 in aggregate relating to the disposal of Chongqing Group and Shijiazhuang Group (note 42);
- (b) The Group's consideration receivable from Longhu Huamu of RMB118,980,000 relating to the disposal of partial equity interest in Original Beijing Glory in January 2010;
- (c) The Group's dividend payable to Longhu Huamu of RMB350,000,000 in aggregate;
- (d) The Group's amounts due to certain related parties of RMB1,133,422,000;
- (e) The Group's amounts due from certain related parties of RMB914,630,000; and
- (f) The Group's amounts due from certain independent third parties of RMB133,671,000.

The related parties in (d) and (e) above are Glory Commercial Management (controlled by Ms. Zhang Jin, daughter of Mr. Zhang Zhangsun), Shijiazhuang Group, Chongqing Longxia (both controlled by Mr. Zhang Zhangqiao, brother of Mr. Zhang Zhangsun), Beijing Yidaoxiang Catering Co., Ltd. 北京一道香餐飲有限公司 ("**Yidaoxiang**"), Shantou Jinming Development Co., Ltd. 汕頭市金明發展有限公司 ("**Shantou Jinming Development**"), Longhu Huamu and Shantou Huitong Investment Co., Ltd. 汕頭市惠通投資有限公司 ("**Huitong Investment**"). The relationships of the related parties are set out in note 49.

In addition, on December 31, 2012, Garden Group, Mr. Lin Yao Quan and Beijing Guoyin Investment Center, LP 北京國銀投資中心 (有限合夥) ("**Guoyin Investment Center**") have entered into a net settlement agreement pursuant to which Garden Group would use the consideration receivable from Mr. Lin Yao Quan of RMB20,000,000 relating to the disposal of equity interest in Shantou Construction Materials as disclosed in note 41 to settle the amount due to Guoyin Investment Center from Garden Group of the same amount. Guoyin Investment Center is controlled by Mr. Zhang Zhangsun.

Upon the completion of the net settlements mentioned above, amounts due from related parties decreased by RMB1,369,751,000; amounts due to related parties decreased by RMB1,503,422,000; and other receivables from independent third parties decreased by RMB133,671,000 as at December 31, 2012.

In February 2013, the Group acquired the Hademen block of Dongcheng District in Beijing. According to the bidding agreement, the Group is required to provide a resettlement compensation to Bianyifang. After negotiation, the Group transferred properties held for sale amounting to RMB125,638,000 and investment property amounting to RMB53,375,000 (see note 15) to Bianyifang as the resettlement compensation.

On April 30, 2013, Garden Group declared dividends amounting to RMB2,350,000,000 to its equity holder, Jinming Wujin. Dividends amounting to RMB845,998,000 was settled by offsetting amount due from Jinming Wujin (included in amounts due from related parties). Dividends amounting to RMB56,000,000 was settled by offsetting amount due from Jinming Wujin arising from the disposal of Chenghai Hotel and Detong Shunli to Jinming Wujin during the year ended December 31, 2013. Dividends amounting to RMB1,307,750,000 was paid during the year ended December 31, 2013. The remaining dividends payable amounting to RMB140,252,000 is included in amounts due to related parties.

In June 2013, the Group entered into an agreement with Beijing Huirui Capital Investment Co., Ltd. 北京匯瑞資本投資有限公司 (“Huirui Capital”), a company controlled by Mr. Zhang Zhangsun and an independent third party, pursuant to which amount due from an independent third party amounting to RMB20,000,000 was transferred to Huirui Capital and became amount due from Huirui Capital (included in amounts due from related parties).

Following a series of shareholding transfers, Glory Management acquired 100% equity interest in Garden Group from Jinming Wujin for a consideration of RMB48,000,000 on June 29, 2013. During the year ended December 31, 2013, RMB6,648,000 was settled by offsetting amount due from Jinming Wujin (included in amounts due from related parties) and the remaining amount of RMB41,352,000 was settled in cash.

In August 2013, the Group entered into an agreement with Beijing Municipal People's Government. According to the agreement, the Group's trade receivable from Beijing Municipal People's Government of RMB1,525,055,000 arising from primary land construction and development services was settled by offsetting a payable to the government arising from the acquisition of the land use right under the Hademen Project.

During the year of 2013, the Group entered into an agreement with several construction service suppliers. According to the agreement, the Group's trade receivable arising from sales of properties to these construction service suppliers of RMB14,626,000 was settled by offsetting a payable to these construction service suppliers arising from the construction services.

48. OPERATING LEASE ARRANGEMENT

(a) The Group as lessor

The properties held by the Group for rental purpose have committed tenants from six months to twenty years in which majority are fixed rental.

At the end of respective reporting periods, the Group has contracted with tenants for the following future minimum lease payments under non-cancellable operating leases:

	At December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Within one year	165,359	190,659	208,985
In the second to the fifth year inclusive	376,115	397,032	385,522
After the fifth year	522,903	512,717	326,733
	<u>1,064,377</u>	<u>1,100,408</u>	<u>921,240</u>

(b) The Group as lessee

The Group leases various office buildings under non-cancellable operating lease agreements. The lease terms are between 1 and 3 years, and the majority of lease agreements are renewable at the end of the lease period at market rate.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	At December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
No later than 1 year	380	355	1,125
In the second to third year inclusive	—	—	140
	<u>380</u>	<u>355</u>	<u>1,265</u>

49. RELATED PARTY BALANCES AND TRANSACTIONS

Save as disclosed elsewhere in the Financial Information, the Group has the following related party balances and transactions.

A. During the Relevant Periods, the following parties are identified as related parties to the Group and the respective relationships are set out below:

<u>Name of related party</u>	<u>Relationship</u>
Mr. Zhang Zhangsun	Executive Director and controlling shareholder of the Group
Ms. Ruan Wenjuan	Executive Director and spouse of Mr. Zhang Zhangsun
Ms. Zhang Jin	Executive Director and daughter of Mr. Zhang Zhangsun
Ms. Zhang Xiaoqian	Daughter of Mr. Zhang Zhangsun
Mr. Zhang Zhangqiao	Brother of Mr. Zhang Zhangsun
Ms. Zhang Miaoxiang	Sister of Mr. Zhang Zhangsun
Beijing Guoyin Investment Fund Management Co., Ltd.* ("Guoyin Investment Fund") 北京國銀投資基金管理有限公司	Controlled by Mr. Zhang Zhangsun
Huirui Capital	Controlled by Mr. Zhang Zhangsun
Chenghai Hotel	Controlled by Jinming Wujin after March 2013
Glory Commercial Management	Controlled by Ms. Zhang Jin after December 2012
Huitong Investment	Controlled by Mr. Zhang Zhangsun
Jinming Wujin	Controlled by family members of Mr. Zhang Zhangsun before July 2012; Controlled by Mr. Zhang Zhangsun after July 2012
Longhu Huamu	Controlled by Mr. Zhang Zhangqiao before March 2013; Controlled by Ms. Zhang Youxi, sister of Mr. Zhang Zhangsun after March 2013
Shantou Jinming Development	Controlled by Ms. Zhang Youxi
Yidaoxiang	Controlled by Ms. Ruan Wenjuan and Ms. Zhang Jin

* The English names of the companies which established in the PRC are for reference only and have not been registered.

B. At the end of each reporting period, the Group has amounts receivable from the following related parties and the details are set out below:

Name of related party	At January 1,	At December 31,		
	2011	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Trade nature:				
Ms. Ruan Wenjuan	2,729	2,729	2,101	—
Ms. Zhang Jin	—	3,419	—	—
Ms. Zhang Xiaoqian	1,797	1,797	1,797	—
Total (note i)	4,526	7,945	3,898	—
Non-trade nature:				
Yidaoxiang	11,437	12,596	65,679	—
Shantou Jinming Development	431,500	431,500	—	—
Jinming Wujin	799,576	876,668	804,269	4,265
Longhu Huamu	135,164	135,164	—	—
Huirui Capital	—	22,864	—	—
Guoyin Investment Fund	27,000	1,000	784	—
Glory Management (note iii)	14,995	14,346	—	—
Mr. Zhang Zhangsun	4,637	5,278	7,328	—
Ms. Zhang Jin	103	103	103	—
Ms. Zhang Xiaoqian	—	97	97	—
Ms. Zhang Miaoqiang	2,700	350	—	—
Mr. Zhang Zhangqiao	80	970	—	—
Total (note ii)	1,427,192	1,500,936	878,260	4,265
	1,431,718	1,508,881	882,158	4,265

Maximum amount outstanding for non-trade receivables	During the year ended December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Yidaoxiang	12,596	65,679	65,679
Shantou Jinming Development	431,500	431,500	—
Jinming Wujin	876,668	878,658	919,074
Longhu Huamu	135,164	135,164	—
Huirui Capital	22,864	22,864	—
Guoyin Investment Fund	27,000	4,000	2,477
Glory Management (note iii)	14,995	14,346	—
Mr. Zhang Zhangsun	5,278	7,328	7,328
Ms. Zhang Jin	103	103	103
Ms. Zhang Xiaoqian	97	97	147
Ms. Zhang Miaoqiang	2,700	350	—
Mr. Zhang Zhangqiao	970	316,141	—
	1,529,935	1,876,230	994,808

Notes:

- (i) Balances are of trade nature, unsecured, interest free and repayable on demand.
- (ii) Balances are of non-trade nature, unsecured, interest free and repayable on demand. The amount has been subsequently settled in full in April 2014.
- (iii) In 2011, Glory Management was an 45% held associate of the Group and it became a subsidiary of the Company since July 2012.

The following is an aged analysis of amounts due from related parties of trade nature based on the date of recognition of revenue at the end of each reporting period which are all overdue but not impaired:

	At December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Less than 1 year	3,419	—	—
1-2 years	4,526	2,101	—
Over 2 years	—	1,797	—
	<u>7,945</u>	<u>3,898</u>	<u>—</u>

C. At the end of each reporting period, the Group has amounts payable to the following related parties and the details are set out below:

Name of related party	At December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Jinming Wujin	80,660	80,660	183,446
Huitong Investment	659,354	—	—
Longhu Huamu	100,000	—	—
Guoyin Investment Fund	27,000	—	—
Chenghai Hotel	—	—	100,718
Mr. Zhang Zhangsun	3,200	8	—
Ms. Zhang Miaoxiang	45,446	—	—
Glory Commercial Management	—	—	13,576
Total	<u>915,660</u>	<u>80,668</u>	<u>297,740</u>

Other than the amount due to Glory Commercial Management (aged within one year), other balances are of non-trade nature, unsecured, interest free and repayable on demand and have been subsequently settled in full in May 2014.

D. During the Relevant Periods, other than the disposal of subsidiaries to related parties as disclosed in note 42, the Group entered into the following transactions with its related parties:

Name of related party	Nature of transaction	Year ended December 31,		
		2011	2012	2013
		RMB'000	RMB'000	RMB'000
Trade nature				
Ms. Zhang Jin	Sale of property	3,419	—	—
Ms. Zhang Miaoxiang	Sale of property	—	768	—
Yidaoxiang	Catering services expense	550	720	—
Glory Commercial Management*	Property management services fee	—	—	19,728
		<u>3,969</u>	<u>1,488</u>	<u>19,728</u>

* In the opinion of the Directors, the transactions with Glory Commercial Management are expected to continue after the listing of the Company's shares on the Stock Exchange (the "Listing"). Other related party transactions will not continue after the Listing.

E. At the end of each reporting period, the Company has amount payable to the following related parties and the details are set out below:

Name of related party	At December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Mr. Zhang Zhangsun	—	8	—
Jinming Wujin	—	—	1,205
Original Beijing Glory (subsidiary of the Company)	—	—	19,705
Glory Real Estate (HK) (subsidiary of the Company)	—	—	20
	—	8	20,930
	==	==	==

Balance is of non-trade nature, unsecured, interest free and repayable on demand. The balance except for amounts due to the subsidiaries has been subsequently settled in full in April 2014.

F. Key management personnel emoluments

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including Directors and other key management of the Group. The key management personnel compensation are as follows:

	At December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Short-term employee benefits	15,289	16,595	18,717
Retirement benefit contributions	186	237	406
	15,475	16,832	19,123
	==	==	==

Further details of Directors' emoluments are included in Note 11.

50. FINANCIAL INSTRUMENTS

50A. Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to equity holders through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged during each of the years ended December 31, 2011, 2012 and 2013.

The capital structure of the Group consists of net debts, which includes the borrowings as disclosed in note 35, net of cash and cash equivalents, and equity attributable to owners of the Company, comprising issued share capital, retained earnings and other reserves.

The management of the Group reviews the capital structure regularly. The Group considers the cost of capital and the risks associated with each class of capital, and will balance its overall capital structure through issuance of new shares, the payment of dividends, as well as raising of bank and other loans and redemption of bank and other loans.

50B. Categories of financial instruments

	At December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
<u>The Group</u>			
<i>Financial assets</i>			
Loans and receivables (including bank balances and cash)	3,356,524	2,393,523	1,167,953
Available-for-sale investments	5,000	12,000	5,000
Held-for-trading investments	2,980	3,010	80
	<u>3,364,504</u>	<u>2,408,533</u>	<u>1,173,033</u>
<i>Financial liabilities</i>			
Liabilities measured at amortized cost	<u>9,128,005</u>	<u>7,608,530</u>	<u>11,799,959</u>
<u>The Company</u>			
<i>Financial liability</i>			
Liability measured at amortized cost	<u>—</u>	<u>8</u>	<u>20,930</u>

50C. Financial risk management objectives and policies

The Group's major financial instruments include held-for-trading investments, available-for-sale investments, trade and other receivables, amounts due from related parties, restricted bank deposits, bank balances and cash, trade and other payables, amounts due to related parties and bank and other borrowings. Details of these financial instruments are set out in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

The financial risk of the Company is insignificant.

Market risk

The Group's activities expose primarily to the market risks of changes in interest rates, foreign currency exchange rates and other prices.

There has been no significant change to the Group's exposure to market risks or the manner in which it manages and measures the risk over the Relevant Periods.

(1) Interest rate risk

The Group is exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank balances, restricted bank deposits and bank and other borrowings which carry at prevailing deposit interest rates or variable rate based on the interest rates quoted by the People's Bank of China.

The Group's fair value interest rate risk relates primarily to its fixed rate bank and other borrowings. The Group currently does not use any derivative contracts to hedge its exposure to interest rate risk. However, the management will consider hedging significant interest rate exposure should the need arise.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note.

Interest rate sensitivity

The sensitivity analysis below has been prepared based on the exposure to interest rates on bank balances, restricted bank deposits and variable rate bank and other borrowings at the end of each reporting period and the stipulated change taking place at the beginning of the financial year and held constant throughout the year. A 50 basis points increase or decrease for variable rate bank and other borrowings and a 27 basis points increase or decrease for bank balances and restricted bank deposits are used when reporting interest rate risk internally to key management personnel and represent management's assessment of the reasonably possible change in interest rate in respect of bank and other borrowings, bank balances and restricted bank deposits, respectively.

If interest rates had been increased/decreased by 50 basis points in respect of variable rate bank and other borrowings and all other variables were held constant, the Group's post-tax profit for the years ended December 31, 2011, 2012 and 2013 (net of interest capitalization effect) would decrease/increase by approximately RMB11,313,000, RMB9,163,000 and RMB8,983,000 respectively.

If interest rates had been increased/decreased by 27 basis points in respect of bank balances and restricted bank deposits and all other variables were held constant, the Group's post-tax profit for the years ended December 31, 2011, 2012 and 2013 respectively would increase/decrease by approximately RMB1,598,000, RMB2,363,000 and RMB1,834,000 respectively.

(2) Price risk

The Group is exposed to equity price risks through its held-for-trading investments and available-for-sale investments. As at December 31, 2011, 2012 and 2013, the Directors considers that the Group's exposure to fluctuation in equity price is minimal. Accordingly, no sensitivity analysis is presented.

(3) Foreign currency risk

The Group collects all of its revenue in RMB and incurs most of its expenditures in RMB.

The Group has certain bank deposits in foreign currencies, hence exposure to exchange rate fluctuations arises. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

As at December 31, 2011, 2012 and 2013, the Group has bank balances denominated in foreign currencies as follows, which expose the Group to foreign currency risk.

	At December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
HKD	3,609	2	657
USD	3	—	2,945
Others	4	—	—
	<u>3,616</u>	<u>2</u>	<u>3,602</u>

No sensitivity analysis has been presented as the Directors consider that the foreign currency exposure of the Group is minimal.

Credit risk

At the end of each of the reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and

financial guarantees issued by the Group is arising from the carrying amount of the respective recognized financial assets as stated in the consolidated statements of financial position and the amount of contingent liabilities disclosed in Note 46. In order to minimize the credit risk, monitoring procedures are carried out to ensure that follow up action is taken to recover overdue debts. In addition, the Group reviews regularly the recoverable amount of each individual trade and other receivables and amounts due from related parties at the end of each of the reporting period. The amounts presented in the consolidated statements of financial position are net of allowances for bad and doubtful debts, estimated by the Group's management based on prior experience and their assessment of the current economic environment.

For properties that are presold but development has not been completed, the Group typically provides guarantees to banks in connection with the customers' borrowing of mortgage loans to finance their purchase of the properties for an amount up to 70% of the purchase price of the individual property. If a purchaser defaults on the payment of its mortgage during the period of guarantee, the bank holding the mortgage may demand the Group to repay the outstanding loan and any interest accrued thereon. Under such circumstances, the Group is able to forfeit the sales deposit received and resell the reprocessed properties. Therefore, the management considers it would likely recover any loss incurred arising from the guarantee provided by the Group. The management considers the credit risk exposure to financial guarantees provided to property purchasers is limited because the facilities are secured by the properties and the market price of the properties is higher than the guaranteed amounts. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

The credit risk on amounts due from related parties is limited as related parties are at a good financial position.

As at December 31, 2011 and 2012, the Group has concentration of credit risk as 58% and 91% of the total amounts due from related parties, respectively, was due from Jinming Wujin. Other than the amounts due from related parties, the Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, the Group does not have any other significant concentration of credit risk.

The credit risk on liquid funds is limited because the counterparties are mainly State-owned banks and with high credit ratings in the PRC.

Liquidity risk management

The Group's objective is to maintain a balance between continuity of funding and the flexibility through the use of borrowings. The Directors closely monitor the liquidity position and ensure it has adequate sources of funding to finance the Group's projects and operations.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are variable rate, the undiscounted amount is derived from interest rate at the end of the reporting period. The amounts included below for non-derivative variable rate financial liabilities is subject to change if change in interest rates differ to those estimates of interest rates determined at the end of the reporting period.

	Weighted average interest rate	Undiscounted cash flows					Total undiscounted cashflows	Carrying amount
		On demand	Less than 1 year	1-3 years	Over 3 years			
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
The Group								
At December 31, 2011								
Non-interest bearing	—	2,102,220	1,401,918	—	—	3,504,138	3,504,138	
Fixed interest rate								
borrowings	5.40%~6.10%	—	112,973	106,380	—	219,353	200,200	
Variable interest rate								
borrowings	5.83%~8.55%	—	1,466,472	3,136,291	1,842,263	6,445,026	5,423,667	
		2,102,220	2,981,363	3,242,671	1,842,263	10,168,517	9,128,005	
Financial guarantee								
contracts	—	845,634	—	—	—	845,634	—	
Non-interest bearing (rental								
deposits received)	—	—	4,661	44,657	—	49,318	49,318	
		2,947,854	2,986,024	3,287,328	1,842,263	11,063,469	9,177,323	
At December 31, 2012								
Non-interest bearing	—	727,380	1,198,370	—	—	1,925,750	1,925,750	
Fixed interest rate								
borrowings	5.40%~10.50%	—	625,361	—	—	625,361	572,500	
Variable interest rate								
borrowings	5.64%~8.65%	—	2,124,533	2,322,086	1,643,347	6,089,966	5,110,280	
		727,380	3,948,264	2,322,086	1,643,347	8,641,077	7,608,530	
Financial guarantee								
contracts	—	1,012,171	—	—	—	1,012,171	—	
Non-interest bearing (rental								
deposits received)	—	—	8,906	44,092	—	52,998	52,998	
		1,739,551	3,957,170	2,366,178	1,643,347	9,706,246	7,661,528	
At December 31, 2013								
Non-interest bearing	—	764,751	2,578,602	—	—	3,343,353	3,343,353	
Amount due to a connected								
person — with imputed								
interest	6.00%	—	1,131,399	—	—	1,131,399	1,120,046	
Fixed interest rate								
borrowings	10.04%-12.00%	—	413,214	2,062,709	—	2,475,923	2,069,060	
Variable interest rate								
borrowings	6.22%-8.00%	—	1,284,823	2,922,636	2,434,876	6,642,335	5,267,500	
		764,751	5,408,038	4,985,345	2,434,876	13,593,010	11,799,959	
Financial guarantee								
contracts	—	1,634,119	—	—	—	1,634,119	—	
Non-interest bearing (rental								
deposits received)	—	—	4,209	49,302	—	53,511	53,511	
		2,398,870	5,412,247	5,034,647	2,434,876	15,280,640	11,853,470	

The amounts included above for financial guarantee contracts are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

50D. Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 inputs are inputs, other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 inputs are inputs that are not based on observable market data (unobservable inputs).

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortized cost in the Company's statements of financial position and consolidated statements of financial position approximate their respective fair values at the end of each reporting period.

The Group's held-for-trading investments of RMB2,980,000, RMB3,010,000 and RMB80,000 as at December 31, 2011, 2012 and 2013, respectively, that are measured subsequent to initial recognition at fair value, are grouped into Level 2 and determined by reference to a discounted cash flows model based on expected interest rates.

B. DIRECTORS' REMUNERATION

Save as disclosed in the Financial Information, no remuneration has been paid or is payable to the Directors by the Company or any of its subsidiaries during the Relevant Periods.

C. EVENTS AFTER THE REPORTING PERIOD

(a) The Group adopted the following share-based payments arrangements on June 12, 2014:

i. Share award scheme

Pursuant to the share award scheme adopted by the Company on June 12, 2014 (the "Share Award Scheme"), a total of four employees were awarded in aggregate 33,617,700 shares of the Company on June 16, 2014. The awarded shares will vest in three equal tranches on the first, second and third anniversary of the date on which the Company's shares are listed on the Stock Exchange (the "Listing Date"), respectively.

ii. Pre-IPO Share Option Scheme

Pursuant to the pre-IPO share option scheme adopted by the Company on June 12, 2014 (the "Pre-IPO Share Option Scheme"), the Company granted to 54 employees options to subscribe for an aggregate of 67,076,800 shares of the Company on June 16, 2014. All options under the Pre-IPO Share Option Scheme were granted on June 16, 2014 and no further options will be granted under the Pre-IPO Share Option Scheme prior to the Listing Date. No additional performance target or condition applies to the outstanding options granted under the Pre-IPO Share Option Scheme. The exercise price for any option granted under the Pre-IPO Share Option Scheme shall be 60% of the offer price. The share options granted will vest in three equal tranches on the first, second and third anniversary of the Listing Date, respectively. All share options will be expired after 7 years since the grant date.

iii. Post-IPO Share Option Scheme

The Company has conditionally adopted the post-IPO share option scheme on June 12, 2014 (the "Post-IPO Share Option Scheme") for the benefit of its employees. No share option has been granted under the Post-IPO Share Option Scheme as of the date of this report.

- (b) On April 2, 2014, the Group entered into an equity interest transfer and cooperation agreement (the "Agreement") with an independent third party to acquire 100% equity interest in Hainan Junhe for a total consideration of RMB1,014 million for the purpose of acquiring the equity interest in Hainan Junhe, assignment of debts and sponsorship fee. Hainan Junhe holds the land use rights of certain land parcels in Haikou. To the best knowledge of the Directors, Hainan Junhe has not carried out any substantial business activities so far. The Group has transferred RMB517 million to a joint bank account in accordance with the Agreement and is required to pay the remainder of the consideration of RMB497 million in three installments, with the last installment to be paid within one year after the execution of the Agreement. On May 23, 2014, the Group injected additional RMB25.5 million into Hainan Junhe in the form of capital contribution on a pro-rata basis, following which the total registered capital of Hainan Junhe increased from RMB4.0 million to RMB50.0 million. The Group completed the transfer of 51% of the equity interest in Hainan Junhe on May 21, 2014 and the transferor must transfer the remaining 49% of the equity interest within six months after the execution of the Agreement.
- (c) On March 5, 2014, the Group entered into an equity interest transfer agreement with independent third parties to acquire 30% equity interest in **Dachaoshan** for a total consideration of RMB12,000,000. The Group has paid the total consideration in full. Upon the completion of the transfer of equity interest in March 2014, the investee company became an associate of the Group. On March 27, 2014, the Group has further contributed additional RMB24,000,000 as capital of Dachaoshan with other equity holders based on their respective percentage of ownership.
- (d) Subsequent to December 31, 2013, the Group has obtained new banking facilities amounting to RMB1,500 million to finance the Group's working capital and investments.

D. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Group, the Company or any of its subsidiaries have been prepared in respect of any period subsequent to December 31, 2013.

Yours faithfully,

[Deloitte Touche Tohmatsu]
Certified Public Accountants
Hong Kong

The information set out in this Appendix does not form part of the Accountants' Report from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the Company's reporting accountants, as set out in "Appendix I — Accountants' Report", and is included herein for information only. The unaudited pro forma financial information should be read in conjunction with "Financial Information" and the Accountants' Report set out in "Appendix I — Accountants' Report."

A. STATEMENT OF UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following is an illustrative statement of unaudited pro forma adjusted consolidated net tangible assets of our Group which has been prepared in accordance with paragraph 29 of Chapter 4 of the Listing Rules for the purpose of illustrating the effect of the Global Offering on the consolidated net tangible assets of the Group attributable to owners of the Company as if the Global Offering had taken place on December 31, 2013. The statement of unaudited pro forma adjusted consolidated net tangible assets of the Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the financial position of the Group as at December 31, 2013 or at any future dates following the Global Offering. It is prepared based on the consolidated net tangible assets of the Group as of December 31, 2013 contained in the "Accountants' Report" in Appendix I to this Prospectus and adjusted as described below:

	Consolidated net tangible assets of the Group attributable to owners of the Company as of December 31, 2013	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company	Unaudited pro forma adjusted consolidated net tangible assets per share	
	RMB'000 (Note 1)	RMB'000 (Notes 2 & 4)	RMB'000 (Note 6)	RMB	HK\$ equivalent (Notes 3 & 4)
Based on offer price of HK\$2.30 per Offer Share	4,786,506				
Based on offer price of HK\$2.84 per Offer Share	4,786,506				

Notes:

- (1) The consolidated net tangible assets of the Group attributable to owners of the Company as of December 31, 2013 have been calculated based on the audited consolidated net assets of the Group attributable to owners of the Company as of December 31, 2013 of approximately RMB4,788,414,000 as set out in the Accountants' Report set forth in Appendix I to this Prospectus after deducting intangible assets of approximately RMB1,908,000 (net of the portion attributable to non-controlling interests of RMB475,000 as of December 31, 2013).
- (2) The estimated net proceeds from the Global Offering are based on indicative Offer Prices of HK\$2.30 and HK\$2.84 per Offer Share, respectively, after deducting underwriting fees and other related expenses to be incurred by the Company. Estimated net offering proceeds do not take into account any shares that the Company may issue upon the exercise of the Over-allotment Option, any shares that have been granted under the Share Award Scheme or any shares which may be issued upon the exercise of any options which has been granted under the Pre-IPO Share Option Scheme or may be granted under the Post-IPO Share Option Scheme.
- (3) We calculated the unaudited pro forma adjusted consolidated net tangible assets per share after the adjustments referred to in the preceding paragraphs and on the basis of 4,411,780,000 shares which comprise 3,750,000,000 shares in issue as at December 31, 2013 and 661,780,000 shares to be issued under the Global Offering assuming that the Global Offering had been completed on December 31, 2013. The unaudited pro forma adjusted consolidated net tangible assets per share do not take into account any shares that the Company may issue upon the exercise of the Over-allotment Option, any shares that have been granted under the Share Award Scheme or any shares which may be issued upon the exercise of any options which has been granted under the Pre-IPO Share Option Scheme or may be granted under the Post-IPO Share Option Scheme.
- (4) The translation of Renminbi into Hong Kong dollars or Hong Kong dollars into Renminbi has been made at the rate of RMB0.79310 to HK\$1.00, the PBOC Rate prevailing on June 9, 2014. No representation is made that Renminbi/Hong Kong dollars amounts have been, could have been or could be converted into Hong Kong dollars/Renminbi at that rate or at other rates or at all.

- (5) *The land and buildings included in property, plant and equipment and prepaid lease payments of the Group were valued by CBRE and the valuation report in respect of which is set out in Appendix III to this prospectus. According to the valuation report, such property interests of the Group as at March 31, 2014 amounted to approximately RMB266,600,000, while the aggregate carrying amount of the land and buildings included in property, plant and equipment and prepaid lease payments of the Group as at March 31, 2014 was approximately RMB102,572,000. Had such property interests been stated at revaluation, additional annual depreciation and amortization of RMB13,994,000 (excluding tax effect) will therefore be charged. The surplus on revaluation will not be reflected in the Group's consolidated financial statements in subsequent years as the Group has elected to state the property interests at cost model.*
- (6) *No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company to reflect any trading results or other transactions of the Group that were entered into subsequent to December 31, 2013.*

B. REPORTING ACCOUNTANTS' REPORT ON PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from the Company's reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, in respect of the Group's unaudited pro forma financial information for the purpose of incorporation in this prospectus.

Deloitte.
德勤

德勤·關黃陳方會計師行
香港金鐘道88號
太古廣場一座35樓

Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION**TO THE DIRECTORS OF GUORUI PROPERTIES LIMITED (INCORPORATED UNDER THE NAME OF "GLORY LAND COMPANY LIMITED (国瑞置业有限公司)" IN THE CAYMAN ISLANDS AND CARRYING ON BUSINESS IN HONG KONG AS "GUORUI PROPERTIES LIMITED")**

We have completed our assurance engagement to report on the compilation of pro forma financial information of Guorui Properties Limited (incorporated under the name of "Glory Land Company Limited (国瑞置业有限公司)" in the Cayman Islands and carrying on business in Hong Kong as "Guorui Properties Limited") (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") by the directors of the Company (the "**Directors**") for illustrative purposes only. The pro forma financial information consists of the statement of unaudited pro forma adjusted consolidated net tangible assets of the Group as at December 31, 2013 and related notes as set out on pages II-1 to II-2 of Appendix II to the prospectus issued by the Company dated June 23, 2014 (the "**Prospectus**"). The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described on pages II-1 to II-2 of Appendix II to the Prospectus.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the Global Offering (as defined in the Prospectus) on the Group's financial position as at December 31, 2013 as if the Global Offering had taken place at December 31, 2013. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial information for the three years ended December 31, 2013, on which an accountants' report set out in Appendix I to the Prospectus has been published.

Directors' Responsibilities for the Pro Forma Financial Information

The Directors are responsible for compiling the pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline 7 Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars ("**AG 7**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus issued by the HKICPA. This standard requires that the reporting accountants comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the

Directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at December 31, 2013 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong, June 23, 2014

The following is the text of a letter with the summary of values and valuation certificates received from CBRE Limited, prepared for the purpose of incorporation in the prospectus, in connection with their valuation as at March 31, 2014 of all the property interests of the Group.



Suite 1204-06 (Main Reception),
3/F & 4/F Three Exchange Square
8 Connaught Place
Central, Hong Kong
T 852 2820 2800
F 852 2810 0830
香港中環
康樂廣場八號
交易廣場三座1204-06室(接待處)、
3樓及4樓
電話 852 2820 2800 傳真 852 2810 0830

www.cbre.com.hk
地產代理(公司)牌照號碼
Estate Agent's License No: C-004065

June 23, 2014

The Board of Directors,

Guorui Properties Limited

15 East Zhushikou Street, Dongcheng District,
Beijing,
The People's Republic of China

Dear Sirs,

In accordance with your instructions to us to value the certain property interests held by Guorui Properties Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) in the People's Republic of China (the “**PRC**”), we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the capital values of property interests as at March 31, 2014 (the “**Valuation Date**”).

Valuation Basis, Assumptions and Methodology

Our valuation is prepared in accordance with “The HKIS Valuation Standards (2012 Edition)” (the “**Standards**”) published by The Hong Kong Institute of Surveyors (the “**HKIS**”).

Our valuation is made on the basis of Market Value which is defined by the International Valuation Standards and followed by the HKIS to mean “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.”

We have also complied with all the requirements contained in Paragraph 46 of Schedule 3 of the Companies Ordinance (Cap. 32), Chapter 5, Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

Our valuation has been made on the assumption that the owner sells the properties on the open market without the benefit or burden of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which would serve to affect the values of the property interests.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the properties nor for any expenses or taxation which may be incurred in effecting sale. Unless otherwise stated, it is assumed that the properties were free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

In valuing the properties in Group I, III and IV which are completed and held by the Group for sale, investment and owner occupation respectively in the PRC, we have adopted Direct Comparison Approach assuming sale of each of these properties in its existing state by making reference to comparable sales transactions as available in the relevant market, or where appropriate, by Income Capitalization Approach by capitalization of the net rental income derived from the existing tenancies with due allowance for the reversionary income potential of the properties.

In respect of the properties in Group II, which are held by the Group for development in PRC, we have valued them on the basis that each of these properties will be developed and completed in accordance with the Group's latest development proposals and development program provided to us. We have assumed that all consents, approvals and licences from relevant government authorities for the development proposals have been obtained without onerous conditions or delays. We have also assumed that the design and construction of the development are in compliance with the local planning regulations and have been approved by the relevant authorities. In arriving at our opinion of value, we have adopted Direct Comparison Approach by making reference to comparable sales evidence as available in the relevant market, and have also taken into account the expended construction cost and the cost that will be expended to complete the development to reflect the quality of the completed development. The "market value when completed" represents our opinion of the aggregate selling prices of the development assuming that it had been completed at the Valuation Date.

The properties in Group V which are leased to the Group in the PRC have no commercial value mainly due to the prohibition against assignment and subletting or otherwise to the lack of substantial profit rents.

Source of Information

We have relied to a considerable extent on information given by the Group, in particular, but not limited to, the sales records, planning approvals, statutory notices, easements, development scheme, site area and floor area, tenancies and relevant information. No on-site measurement has been taken. Dimensions, measurements and areas included in the valuation certificates are only approximations. We have taken every reasonable care both during inspecting the information provided to us and in making relevant enquiries. We have no reason to doubt the truth and accuracy of the information provided to us by the Group, which is material to the valuation. We were also advised by the Group that no material facts have been omitted from the information provided to us.

We have been provided with copies of the title documents relating to the properties, however due to the nature of the land registration system in the PRC, we cannot cause searches to be made on the title of the properties nor have we scrutinized all the original documents to verify ownership and encumbrances or to ascertain the subsequent amendments, if any, which may not appear on the copies handed to us.

In the course of our valuation, we have relied on the legal opinion provided by the Group's PRC legal advisor, Jingtian & Gongcheng (the "PRC Legal Opinion"). We have been provided with extracts from title documents relating to such property interests in the PRC. We have not, however, searched the original documents to verify ownership or existence of any amendment which does not appear on the copies handed to us. All documents have been used for reference only.

Property Inspection

We have inspected the properties to such extent as for the purpose of this valuation. In the course of our inspection, we did not notice any serious defects. However, we have not carried out any structural survey nor any tests were made on the building services. Therefore, we are not able to report whether the properties are free of rot, infestation or any other structural defects.

We have not carried out site measurements to verify the correctness of the site area of the property and have assumed that the site area shown on the documents and official site plan handed to us is correct. During our inspection, we have not carried out investigations on the site to determine the suitability of the ground conditions and the services for any future development. Our valuation is on the basis that these aspects are satisfactory.

The property inspections were carried out between April 1, 2014 and April 10, 2014 by Mr. Harry Chan, Ms. Ellen Liu, Ms. Petal Wang, Mr. Luckson Chen, Ms. Ella Du, Mr. Zhanbin Wang, Mr. Ingram Chan, Ms. Meg Zhang and Ms. Season Ou.

Currency

Unless otherwise stated, all monetary amounts are stated in Renminbi (“RMB”).

Disclaimers, Limitations and Qualifications

You agree to indemnify and hold us harmless against and from any and all losses, claims, actions, damages, expenses, or liabilities, including reasonable attorneys’ fees, to which we may become subjects in connection with this engagement. Your obligation for indemnification and reimbursement shall extend to any controlling person of CBRE, including any director, officer, employee, subcontractor, affiliate or agent. In the event we are subject to any liability in connection with this engagement, regardless of legal theory advanced, such liability will be limited to three times of the amount of fees we received for this engagement.

This valuation report is provided subject to the assumptions, qualifications, limitations and disclaimers detailed throughout this report. Reliance on this report and extension of our liability is conditional upon the reader’s acknowledgement and understanding of these statements. The valuer has no pecuniary interest that would conflict with the proper valuation of the property.

We enclose herewith our summary of values and valuation certificates.

Yours faithfully,
For and on behalf of
CBRE Limited

Harry C. W. Chan
FHKIS MRICS MCIREA RPS (GP)
Executive Director
Valuation & Advisory Services

Note: Mr. Harry Chan is a fellow member of Hong Kong Institute of Surveyors, a member of Royal Institution of Chartered Surveyors, a member of China Institute of Real Estate Appraisers and Agents and a Registered Professional Surveyor (General Practice). He has over 20 years’ valuation experience in the PRC and Hong Kong.

SUMMARY OF VALUES

Property Interests	Capital Value in existing state as at March 31, 2014	Interests attributable to the Group	Capital Value attributable to the Group as at March 31, 2014
	(RMB)		(RMB)
Group I — Property interests held by the Group for sale in the PRC			
1. Various residential and retail units of Beijing Glory City, Dongcheng District, Beijing, the People's Republic of China	2,184,100,000	80%	1,747,300,000
2. Various residential and retail units of Beijing Fugui Garden, Dongcheng District, Beijing, the People's Republic of China	141,700,000	91%	128,947,000
3. Various residential and retail units of Phases I and II of Zhengzhou Glory City, South of Longhu Avenue, Longhu Town, Xinzheng City, Henan Province, the People's Republic of China	280,500,000	80%	224,400,000
4. Various retail and commercial units of Phase II of Shenyang Glory City (Autoparts City) and a portion of Phase III of Shenyang Glory City (commercial units of Building C and Building E), South of Lianhe Road, Dadong District, Shenyang, Liaoning Province, the People's Republic of China	226,800,000	80%	181,440,000
5. Various residential units and car parking spaces of Yashi Garden, No. 3 Tianshan North Road, Jinping District, Shantou, Guangdong Province, the People's Republic of China	2,610,000	100%	2,610,000
6. Various residential, retail units and kindergarten of Phases I and II of Haikuotiankong Glory City (known as "S1" and "S2"), New City Centre, Da Ying Shan, Haikou, Hainan Province, the People's Republic of China	1,051,000,000	80%	840,800,000
7. Various residential units and car parking spaces of Haidian Island Glory Garden, Hai Dian Sixth Road East, Haikou, Hainan Province, the People's Republic of China	97,000,000	80%	77,600,000

Property Interests	Capital Value in existing state as at March 31, 2014	Interests attributable to the Group	Capital Value attributable to the Group as at March 31, 2014
	(RMB)		(RMB)
8. Various residential, retail units, and car parking spaces of Shantou Glory Garden, No. 31 Jinsha Road, Jinping District, Shantou, Guangdong Province, the People's Republic of China	11,300,000	100%	11,300,000
9. Various residential units and car parking spaces of Eudemonia Palace located at No. 3, Zone 1, Zhongshili Weigai, Guangqumen Wai, Dongcheng District, Beijing, the People's Republic of China	154,700,000	80%	123,760,000
Group I Sub-total:			3,338,157,000
Property Interests	Capital Value in existing state as at March 31, 2014	Interests attributable to the Group	Capital Value attributable to the Group as at March 31, 2014
	(RMB)		(RMB)
Group II — Property interests held by the Group for development in the PRC			
10. Phases III to VIII and an ancillary school of Zhengzhou Glory City, a development site located at the south of Longhu Avenue and Xuanyuan Road, Longhu Town, Xinzheng, Henan Province, the People's Republic of China	1,208,000,000	80%	966,400,000
11. Yongqing Glory City, a development site located at the south of Langba Road, Hancun Town, Yongqing County, Langfang, the People's Republic of China	1,166,000,000	80%	932,800,000
12. A portion of Phase III of Shenyang Glory City, a development site located at the south of Lianhe Road and the north of Dongbei Avenue, Dadong District, Shenyang, Liaoning Province, the People's Republic of China	828,000,000	80%	662,400,000

Property Interests	Capital Value in existing state as at March 31, 2014	Interests attributable to the Group	Capital Value attributable to the Group as at March 31, 2014
	(RMB)		(RMB)
13. Phases I, II and III of Wanning Glory City, a development site located in Wanghai Avenue, Wancheng District, Wanning, Hainan Province, the People's Republic of China	726,000,000	80%	580,800,000
14. Phases III, IV and V of Haikuotiankong Glory City, a development site (known as "S3", "S4" and "S5"), East of Long Kun Road South, Haikou, Hainan Province, the People's Republic of China	2,311,000,000	80%	1,848,800,000
15. Glory Riverview Garden, a development site located on Xin Bu Dao, Haikou, Hainan Province, the People's Republic of China	310,000,000	80%	248,000,000
16. Haikou West Coast Glory, a development site located on South of Bin Hai Road West, Haikou, Hainan Province, the People's Republic of China	237,000,000	44%	104,300,000
17. Beijing Glory Center, a development site located at the southeast corner of Chongwenmen Intersection, Dongcheng District, Beijing, the People's Republic of China	3,032,000,000	80%	2,425,600,000
18. Phases IV, V, VI and VII of Shenyang Glory City, a parcel of land located at east of Dongjian Road and north of Dongbei Avenue, Dadong District, Shenyang, Liaoning Province, the People's Republic of China	1,985,000,000	80%	1,588,000,000
19. A development site, No. B-03-06, located in Zhugang New Town, Longhu District, Shantou, Guangdong Province, the People's Republic of China	767,000,000	80%	613,600,000

APPENDIX III

PROPERTY VALUATION REPORT

	Property Interests	Capital Value in existing state as at March 31, 2014	Interests attributable to the Group	Capital Value attributable to the Group as at March 31, 2014
		(RMB)		(RMB)
20	A development site, No. GXIII-(1)-41-8, located at the south of Jinye Road, Gaoxin District, Xi'an, Shaanxi Province, the People's Republic of China	187,600,000	40.8%	76,540,800
21	A development site located at Taiping Industrial Zone, Dali Town, Nanhai District, Foshan, Guangdong Province, the People's Republic of China.	627,000,000	44%	275,880,000
Group II Sub-total:				10,323,120,800

	Property Interests	Capital Value in existing state as at March 31, 2014	Interests attributable to the Group	Capital Value attributable to the Group as at March 31, 2014
		(RMB)		(RMB)

Group III — Property interests held by the Group for investment in the PRC

22.	Beijing Glory City Complex, , No.16, No.18 and No.18-15 Chongwenmen Wai Avenue, Dongcheng District, Beijing, the People's Republic of China (excluding sold portion)	4,786,900,000	80%	3,829,500,000
23.	Lotte Mart Shopping Centre and Basement Car Parking Spaces in Region C of Phase III of Donghuashi, Beijing Glory City Middle Zone, Dongcheng District, Beijing, the People's Republic of China	836,200,000	80%	668,960,000
24.	Block 1 of Beijing Fugui Garden Shopping Mall, No. 23 Dingxin Road, Dongcheng District, Beijing, the People's Republic of China	834,000,000	91%	758,900,000
25.	Phase I of Shantou Glory City, Shantou Glory Construction Materials & Home Furnishing Exhibition Centre, Nos.170-172, Zhongshan Road, Longhu District, Shantou, Guangdong Province, the People's Republic of China	481,000,000	90%	432,900,000

APPENDIX III

PROPERTY VALUATION REPORT

<u>Property Interests</u>	<u>Capital Value in existing state as at March 31, 2014</u>	<u>Interests attributable to the Group</u>	<u>Capital Value attributable to the Group as at March 31, 2014</u>
	(RMB)		(RMB)
26. Big Box, Phase I of Shenyang Glory City, No. 398 Dongbei Avenue, Dadong District, Shenyang, Liaoning Province, the People's Republic of China	331,400,000	80%	265,120,000
27. Various Siheyuan, Beijing Glory City, Dongcheng District, Beijing, the People's Republic of China	695,300,000	80%	556,200,000
Group III Sub-total:			6,511,580,000

<u>Property Interests</u>	<u>Capital Value in existing state as at March 31, 2014</u>	<u>Interests attributable to the Group</u>	<u>Capital Value attributable to the Group as at March 31, 2014</u>
	(RMB)		(RMB)
Group IV — Property interests held by the Group for self-use in the PRC			
28. Building No. 1, No. 15 Zhushikou East Avenue, Dongcheng District, Beijing the People's Republic of China	221,600,000	80%	177,280,000
29. Information Building, No. 168 Zhongshan Road, Longhu District, Shantou, Guangdong Province, the People's Republic of China	45,000,000	90%	40,500,000
Group VI Sub-total:			217,780,000

<u>Property Interests</u>	<u>Capital Value in existing state as at March 31, 2014</u>	<u>Interests attributable to the Group</u>	<u>Capital Value attributable to the Group as at March 31, 2014</u>
	(RMB)		(RMB)
Group V — Property interests rented by the Group in the PRC			
30. Retail Unit 1 & 2 and storage on Level 2, Chongbaoxi Industrial Area, Dali Town, Nanhai District, Foshan City, Guangdong Province, the People's Republic of China			No commercial value
31. Office Units 11509 & 11511, Tower C, City Gateway, South of TangYan Road, Gaoxi District, Xi'an, Shaanxi Province, the People's Republic of China			No commercial value

<u>Property Interests</u>	<u>Capital Value in existing state as at March 31, 2014</u>	<u>Interests attributable to the Group</u>	<u>Capital Value attributable to the Group as at March 31, 2014</u>
	(RMB)		(RMB)
32. Office Units 803, 805, 806 & 808, Rongchao Economy and Trade Centre, located at the Southeast of the intersection of Jintian Road and Fuzhong Road, Futian District, Shenzhen, the People's Republic of China			No commercial value
		Group V Sub-total:	<u>No commercial value</u>
		Grand total:	<u><u>20,390,637,800</u></u>

Group I — Property interests held by the Group for sale in the PRC

VALUATION CERTIFICATE

			Capital value in existing state as at March 31, 2014																				
Property	Description and tenure	Details of occupancy																					
1. Various residential and retail units of Beijing Glory City, Dongcheng District, Beijing, the People's Republic of China	The property comprises 227 apartment units of Towers 1, 2, 3 and 5, 2 duplex apartments of Tower 7 and 25 retail units located in a 3-storey retail podium (including a 1-storey basement). The apartment towers are 16-storey residential buildings completed in 2006 and 2009. The breakdown of floor area is as follows: <table><tr><th>Portion</th><th>Floor Area (sq.m.)</th></tr><tr><td>T1, T2 and T3</td><td>4,306.1</td></tr><tr><td>T5</td><td>23,947.78</td></tr><tr><td>T7</td><td>683.33</td></tr><tr><td>Total</td><td>28,937.21</td></tr></table> The retail podium which comprises 25 retail units was completed in 2006. The breakdown of floor area is as follows: <table><tr><th>Level</th><th>GFA (sq.m.)</th></tr><tr><td>L1</td><td>4,982.83</td></tr><tr><td>L2</td><td>11,386.73</td></tr><tr><td>B1</td><td>600.57</td></tr><tr><td>Total</td><td>16,970.13</td></tr></table> The underground civil defense has a floor area of approximately 39,608 sq.m.. The land use rights of the land parcels on which the apartment buildings are situated are held for residential use for terms of 70 years expiring on August 23, 2074 and August 28, 2074. The property is held under 3 State-owned Land Use Rights Certificates for various land use terms for commercial use with the latest expiry date on April 10, 2049.	Portion	Floor Area (sq.m.)	T1, T2 and T3	4,306.1	T5	23,947.78	T7	683.33	Total	28,937.21	Level	GFA (sq.m.)	L1	4,982.83	L2	11,386.73	B1	600.57	Total	16,970.13	As at the Valuation Date, the apartment units and the duplex apartments were vacant and for sale. The 25 retail units were leased to various tenants with terms from 1 year to 8 years. The occupied area was approximately 14,322.10 sq.m and the remaining portion is vacant. The total monthly rent receivable in March 2014 was about RMB1,368,966, exclusive of management fee.	RMB2,184,100,000 80% interest attributable to the Group: RMB1,747,300,000 (Renminbi One Billion Seven Hundred Forty Seven Million and Three Hundred Thousand)
Portion	Floor Area (sq.m.)																						
T1, T2 and T3	4,306.1																						
T5	23,947.78																						
T7	683.33																						
Total	28,937.21																						
Level	GFA (sq.m.)																						
L1	4,982.83																						
L2	11,386.73																						
B1	600.57																						
Total	16,970.13																						

Notes:

1. Pursuant to the following State-owned Land Use Rights Grant Contracts and the Supplementary Agreements, the land use rights of the property have been granted to Beijing Glory Xingye Real Estate Co, Ltd.

<u>State-owned Land Use Rights Grant Contract No.</u>	<u>Date of Agreement</u>	<u>The Grantee</u>	<u>Site Area (sq.m.)</u>	<u>Consideration (RMB)</u>
Jing Di Chu (He) Zi (2009) No.0141	April 11, 2009	Glory Real Estate	299.10	4,836,492
Total			299.10	4,836,492

2. Pursuant to the State-owned Land Use Rights Certificate No. Jing Dong Guo Yong (2011 Chu) 00056 dated April 19, 2011, the land use rights of a portion of the property with a site area of 29,055.82 sqm has been granted to Beijing Glory Xingye Real Estate Co., Ltd., the major conditions are set out as follows:

Location	:	Nos.1, 2 and 3, Glory City West Zone, Donghuashi North Community, No.16, 20, 18, 18-15 Chongwenmen Wai Street, Dongcheng District
Site Area	:	29,055.82 sqm
Lot No.	:	011200400025000000
Land Use	:	Apartment, Retail, Office, Underground Retail and Underground Car Parking uses
Expiry Date	:	Apartment: August 28, 2074 Retail and Basement Retail: August 28, 2044 Office and Underground Car Parking: August 28, 2054

3. Pursuant to the following State-owned Land Use Rights Certificates, the land use rights of the land where a portion of the property is situated have been granted to Beijing Glory Xingye Real Estate Co., Ltd.

<u>State-owned Land Use Rights Certificate No.</u>	<u>Date of Issuance</u>	<u>Land Use and Expiry Date</u>	<u>Site Area (sq.m.)</u>
Jing Chong Guo Yong (2007 Chu) No.00033 ...	April 27, 2007	Residential: August 23, 2074 Commercial: August 23, 2044 Underground Car Parking: August 23, 2054	20,354.18
Jing Dong Guo Yong (2012) No.00038	March 12, 2012	Commercial: April 10, 2049	299.1
Jing Dong Guo Yong (2012) No.00039	March 12, 2012	Commercial: August 30, 2043	2,452.89
Total			23,106.17

4. In accordance with the following Building Ownership Certificates issued by Beijing Dongcheng District Housing Administration Bureau, the ownership rights of the following apartment buildings, in which the subject property is located, have been granted to Beijing Glory Xingye Real Estate Co., Ltd.

<u>Building Ownership Certificate No.</u>	<u>Building</u>	<u>Gross Floor Area</u>
X Jing Fang Quan Zheng Dong Zi 042635	Tower 1	13,136.20 sq.m.
X Jing Fang Quan Zheng Dong Zi 042637	Tower 2	13,034.79 sq.m.
X Jing Fang Quan Zheng Dong Zi 042640	Tower 3	2,981.45 sq.m.
X Jing Fang Quan Zheng Dong Zi 042638	Tower 5	34,865.20 sq.m.

5. In accordance with the Building Ownership Certificate No. Jing Fang Quan Zheng Chong Gu Zi 00503 issued by Beijing Chongwen District Housing Administration Bureau, the ownership rights of Tower No.7 with a gross floor area of 19,711.16 sqm, in which the property is located, have been granted to Beijing Glory Xingye Real Estate Co., Ltd.

6. Pursuant to the following Building Ownership Certificates, the building ownership of the following buildings where the 25 retail units situated is held by Beijing Glory Xingye Real Estate Co., Ltd.

<u>Building Ownership Certificate No.</u>	<u>Date of Issuance</u>	<u>GFA (sq.m.)</u>
Jing Fang Quan Zheng Chong Gu Zi No.00432	September 4, 2006	41,979.15
Jing Fang Quan Zheng Chong Gu Zi No.00479	November 21, 2006	18,258.16
X Jing Fang Quan Zheng Dong Zi No.050480	September 2, 2011	4,619.73
X Jing Fang Quan Zheng Dong Zi No.050481	September 2, 2011	6,783.32
X Jing Fang Quan Zheng Dong Zi No.050483	September 2, 2011	4,261.23
X Jing Fang Quan Zheng Dong Zi No.051059	September 16, 2011	1,805.31
X Jing Fang Quan Zheng Dong Zi No.050482	September 2, 2011	2,440.20
Total		80,147.10

7. The status of the title and major granted approvals and licenses, in accordance with the information provided to us, is as follows:

State-owned Land Use Rights Grant Contract	Yes
State-owned Land Use Rights Certificate	Yes
Construction Land Use Planning Permit	Yes
Construction Works Planning Permit	Yes
Construction Works Commencement Permit	Yes
Building Ownership Certificate	Yes

8. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:

- (a) Beijing Glory Xingye Real Estate Co., Ltd. is the only legal owner of the land use right of the property and is entitled to transfer, lease, mortgage (except the mortgage portion of the property) or otherwise dispose of the land use rights of the property within the land use term;
- (b) With the Group's confirmation and our checking, we did not find any violation against the contract of assignment of the right to use the state-owned land through Beijing Glory Xingye Real Estate Co., Ltd. occupancy and use on the subject land, and any violation against State-owned Land Use Rights Certificate and the condition set by Chinese Laws.
- (c) Pursuant to a mortgage contract, the ownership of some portions of the property have been mortgaged.
- (d) With the Group's confirmation, the permit of using the civil defense works with an area of approximately 39,068 sq.m. which is being occupied and used by Beijing Glory Xingye Real Estate Co., Ltd. has yet been obtained. According to Beijing People Air Defense Regulations, Beijing Glory Xingye Real Estate Co., Ltd. might be ordered to remedy such occupation and use by a specified date, and fined an amount between RMB10,000 and RMB50,000, by the Authority of People Air Defense. Beijing Glory Xingye Real Estate Co., Ltd. may be charged a penalty for any damage caused by such occupation and use pursuant to the relevant laws.
- (e) Beijing Glory Xingye Real Estate Co., Ltd. has obtained Building Ownership Certificate of the property and has the right to transfer, lease, use or otherwise dispose the property subject to the mortgage.

9. As advised by the Group, portions of the property with a gross floor area of approximately 2,106.53 sqm have been sold without delivery to the purchasers for a total consideration of RMB122,882,913. In arriving at our opinion on the capital values of such portions, we have taken into account the contract prices of these portions.

10. In valuing the property, we have assumed the market value for the apartments as shown below:

Property Section	Market Value (RMB/sq.m.)
Towers 1, 2 and 3	69,400
Tower 5 (bare shell)	68,000
Tower 7 (Duplex apartment)	79,030

In undertaking our valuation of the property, we have made reference to sales prices of apartments within the same district which have similar characteristics to the property. The prices of these apartments range from about RMB56,000 to RMB74,000 per sq.m. The unit rates assumed by us are consistent with the relevant comparables after due adjustments.

11. In valuing the property, we have assumed about RMB23,500 per sq.m. for the retail portion.

In undertaking our valuation of the property, we have made reference to sales prices of retail properties within the same district which have similar characteristics to the property. The prices of retail properties on level 1 range from about RMB53,600 to RMB67,000 per sq.m. The unit rates assumed by us are consistent with the relevant comparables after due adjustments.

VALUATION CERTIFICATE

Property	Description and tenure	Details of occupancy	Capital value in existing state as at March 31, 2014
2. Various residential and retail units of Beijing Fugui Garden, Dongcheng District, Beijing, the People's Republic of China	The property comprises one duplex apartment, an ancillary retail building and various retail units, with a total gross floor area of 4,363.85 sq.m. and 333 underground civil defense car parking spaces with a gross floor area of 21,535 sq.m.. The duplex apartment with a gross floor area of approximately 201.73 sq.m. is in a residential building with a 2-storey retail podium, completed in 2004. The ancillary retail building with a gross floor area of approximately 1,430.46 sq.m. and various retail units with a gross floor area of approximately 2,731.66 sq.m. located in the 2-storey retail podium were completed in 2008 and 2003 respectively. The property is held under 3 State-owned Land Use Rights Certificates for residential use for a term of 70 years expiring on March 7, 2072 and for commercial use for a term of 50 years expiring on January 11, 2052 and August 25, 2044.	As at the Valuation Date, the property of residential portion was vacant and for sale. The property of commercial portion was leased to various tenants with terms from 2 to 5 years. The occupancy rate was about 100%. The total monthly rent receivable in March 2014 for commercial portion of the property was about RMB436,825, exclusive of management fee.	RMB141,700,000 91% interest attributable to the Group: RMB128,947,000 (Renminbi One Hundred Twenty Eight Million Nine Hundred and Forty Seven Thousand)

Notes:

- Pursuant to the State-owned Land Use Rights Certificate No. Jing Chong Gu Guo Yong (2003) 0202 dated September 5, 2003, the land use rights of the land on which the property is located, with a site area of 27,364.14 sq.m., have been granted to Beijing Jing Du Real Estate Development Co., Ltd. (currently known as Glory Xingye (Beijing) Industrial Co., Ltd.), the major conditions are set out as follows:

Location	: Residential Building Nos. 19 to 22, Block 1 of Donghuashi South Community, Chongwen District.
Site Area	: 27,364.14 sq.m.
Lot No.	: I-2-1-024(4)-001
Land Use	: Residential, Support Facility and Basement Car Parking uses
Expiry Date	: March 7, 2072 for residential use
- In accordance with the Building Ownership Certificate No. Jing Fang Quan Zheng Chong Gu Zi 00258 issued by Beijing Chongwen Administration Bureau of Land Resources and Housing, the ownership rights of Residential Building Nos. 1 to 4, Block 1 of Donghuashi South Community, with a gross floor area of 90,366.81 sq.m., in which the subject property is located, have been granted to Beijing Jing Du Real Estate Development Co., Ltd (currently known as Glory Xingye (Beijing) Industrial Co., Ltd.).

3. In accordance with the State-owned Land Use Rights Certificate Jing Dong Guo Yong (2012Chu) No.00026 dated February 28, 2012, the land use rights of the property with a site area of approximately 638.72 sq.m. have been granted to Glory Xingye (Beijing) Industrial Co., Ltd for ancillary use for a term of 50 years until January 11, 2052.

4. According to the Building Ownership Certificate X Jing Fang Quan Zheng Dong Zi No.060846 dated March 13, 2012, the owner of the property is Glory Xingye (Beijing) Industrial Co., Ltd. The details are set out as follows:

Location : Block 1, No.23 Dingxin Road, Dongcheng District
 Gross Floor Area : 1,430.46 sq.m.
 Building Use : Commercial and Residential Building

5. In accordance with the State-owned Land Use Rights Certificate Jing Chong Guo Yong (2007 Chu) No.00120 dated October 12, 2007, the land use rights of the property with a site area of approximately 15,805.92 sq.m. have been granted to Glory Xingye (Beijing) Industrial Co., Ltd. for residential use for a term of 70 years expiring on August 25, 2074 and for commercial use for a term of 50 years expiring on August 25, 2054.

6. According to the Building Ownership Certificate X Jing Fang Quan Zheng Dong Zi No.042636 dated April 7, 2011, the owner of the property is Glory Xingye (Beijing) Industrial Co., Ltd. The details are set out as follows:

Location : Blocks 1 to 3, Tower 1, Donghuashi Lane South Zone 4, Dongcheng District
 Gross Floor Area : 5,579.77 sq.m.
 Building Use : Warehouse, Commercial Building, Residential Building

7. The status of the title and grant of major approvals and licences, in accordance with the information provided to us, is as follows:

State-owned Land Use Rights Grant Contract	Yes
State-owned Land Use Rights Certificate	Yes
Construction Land Use Planning Permit	Yes
Construction Works Planning Permit	Yes
Construction Works Commencement Permit	Yes
Building Ownership Certificate	Yes

8. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:

- (a) Glory Xingye (Beijing) Industrial Co., Ltd. is the only legal owner of the land use right of the property and is entitled to transfer, lease, mortgage or otherwise dispose of the land use rights of the property within the land use term;
- (b) With the Group's confirmation and our checking, we did not find any violation against the contract of assignment of the right to use state-owned land through Glory Xingye (Beijing) Industrial Co., Ltd. occupancy and use on the subject land, and any violation against State-owned Land Use Rights Certificate and the condition set by Chinese Laws. Also we did not find mortgage, compulsory acquisition, major litigation, major dispute, and any other condition, which will have significant disadvantageous impact on the right of land use and the ownership of property.
- (c) Glory Xingye (Beijing) Industrial Co., Ltd. has obtained Building Ownership Certificate of the Property and has the right to transfer, lease, use or otherwise dispose of the property.
- (d) With the Group's confirmation, the permit of using the civil defense works with an area of approximately 21,535 sq.m. which is being occupied and used by Glory Xingye (Beijing) Industrial Co., Ltd. has yet been obtained. According to Beijing People Air Defense Regulations, Glory Xingye (Beijing) Industrial Co., Ltd. might be ordered to remedy such occupation and use by a specified date, and fined an amount between RMB10,000 and RMB50,000 by the Authority of People Air Defense. Glory Xingye (Beijing) Industrial Co., Ltd. may be charged a penalty for any damage caused by such occupation and use pursuant to the relevant laws.

9. In valuing the property, we have assumed unit rates of approximately RMB67,900 per sq.m. for residential portion and RMB30,800 per sq.m. for commercial portion.

In undertaking our valuation of the property, we have made reference to sales prices of residential properties within the same district which have similar characteristics to the property. The prices of residential properties range from approximately RMB 56,000 to RMB 63,000 per sq.m. and the prices of retail properties on level 1 range from approximately RMB35,948 to RMB68,627 per sq.m.. The unit rates assumed by us are consistent with the relevant comparables after due adjustments.

VALUATION CERTIFICATE

Property	Description and tenure	Details of Occupancy	Capital value in existing state as at March 31, 2014
3. Various residential and retail units of Phases I and II Zhengzhou Glory City, South of Longhu Avenue, Longhu Town, Xinzhen, Henan Province, the People's Republic of China	The property comprises 55 units of low-density residential units of Phase I of Zhengzhou Glory City (the development), 53 high-rise residential units and 30 retail units of a retail podium of Phase II the development. The property consists of a gross floor area of approximately 20,658.5 sq.m. in Phase I, gross floor areas of approximately 7,048.1 sq.m. and 2,232.9 sq.m. for residential and retail portions respectively in Phase II. Phase I and II were completed in 2012 and 2013 respectively. The property is held under 6 State-owned Land Use Rights Certificates for residential use for a term of 70 years expiring in October 2079 and for commercial use for a term of 40 years expiring in October 2049.	As at the Valuation Date, the property was vacant.	RMB280,500,000 80% interest attributable to the Group: RMB224,400,000 (Renminbi Two Hundred Twenty Four Million and Four Hundred Thousand)

Notes:

1. Pursuant to the six State-owned Land Use Rights Grant Contract dated October 11, 2009 and six supplementary agreements dated April 20, 2011, entered into between China Henan Province Bureau of Homeland and Resources (the Grantor) and Xinzhen Glory Real Estate Development Co., Ltd. (the Grantee), the major terms and conditions of the property are set out as follows:

State-owned Land Use Rights Grant Contract No.	Land Area (sq.m.)	Land Use and Expiry	Land Grant Fee
Yu (Xinzhen) Chu Rang (2009) No.0086	28,362.79	Residential: October 2079	RMB9,450,000
	7,989.49	Commercial: October 2049	
Yu (Xinzhen) Chu Rang (2009) No.0073	27,140.01	Residential: October 2079	RMB20,060,000
Yu (Xinzhen) Chu Rang (2009) No.0075	21,857.59	Residential: October 2079	RMB14,200,000
Yu (Xinzhen) Chu Rang (2009) No.0082	41,293.16	Residential: October 2079	RMB28,710,000
	4,730.90	Green Area: NA	
Yu (Xinzhen) Chu Rang (2009) No.0085	18,766.62	Residential: October 2079	RMB17,940,000
Yu (Xinzhen) Chu Rang (2009) No.0080	20,486.59	Residential: October 2079	RMB15,640,000
	1,699.46	Green Area: NA	

2. In accordance with Six State-owned Land Use Rights Certificates dated May 11, 2011, the land use rights of the property have been granted to Xinzhen City Glory Real Estate Development Co., Ltd. for residential use for a term of 70 years and for commercial use for a term of 40 years.

State-owned Land Use Rights Certificate No.	Site Area (sq.m.)	Land Use and Expiry
Xin Tu Guo Yong (2011) Di 050 Hao	28,362.79	Residential, October 2079
	7,989.49	Commercial, October 2049
Xin Tu Guo Yong (2011) Di 051 Hao	27,140.01	Residential, October 2079
Xin Tu Guo Yong (2011) Di 061 Hao	21,857.59	Residential, October 2079
Xin Tu Guo Yong (2011) Di 057 Hao	46,024.56	Residential, October 2079
Xin Tu Guo Yong (2011) Di 058 Hao	18,766.62	Residential, October 2079
Xin Tu Guo Yong (2011) Di 060 Hao	22,186.05	Residential, October 2079

3. Pursuant to the Building Completion Certificate Yu Xinzhen J201212-0007 dated December 25, 2012 granted by Xinzhen City Housing and Urban Construction Bureau, the construction of Group 7 of Glory City (including Block1-3, 5-12, 15-23, 25-33, 35-43, 45-51), was completed on November 16, 2012 and recorded on December 25, 2012.
4. Pursuant to the Building Completion Certificate Yu Xinzhen J201312-0001 dated December 4, 2013 granted by Xinzhen City Housing and Urban Construction Bureau, Group Six (Phase II) of Glory City (including Block 1-3, 5-12, 15), has completed the construction on November 16, 2012 and recorded on October 12, 2013.
5. Pursuant to six Commodity Building Pre-sale Permits in relation to Phase I listed in the table below, there are 151 saleable low-density residential units with a total gross floor area of approximately 54,637.71 sq.m.. As at the Valuation Date, 96 units with a total gross floor area of approximately 33,979.3 sq.m. have been delivered to the purchasers, thus the values of these units are not included in this valuation.

<u>Commodity Building Pre-sale Permit No.</u>	<u>GFA (sq.m.)</u>
(2011) Xin Fang Guan Yu Zi Di 110022 Hao	10,695.22
(2011) Xin Fang Guan Yu Zi Di 110023 Hao	7,654.00
(2011) Xin Fang Guan Yu Zi Di 110024 Hao	8,461.52
(2011) Xin Fang Guan Yu Zi Di 110025 Hao	13,587.38
(2011) Xin Fang Guan Yu Zi Di 110026 Hao	3,866.80
(2011) Xin Fang Guan Yu Zi Di 110027 Hao	10,372.79
Total:	<u>54,637.71</u>

6. Pursuant to three Commodity Building Pre-sale Permits in relation to Phase II listed in the table below, there are saleable high-rise residential premises with a total gross floor area of approximately 124,458.81 sq.m.. As at the Valuation Date, 919 residential premises with a total gross floor area of approximately 117,551.3 sq.m. have been delivered to the purchasers, thus the values of these units have not been included in this valuation.

<u>Commodity Building Pre-sale Permit No.</u>	<u>GFA (sqm)</u>
(2012) Xin Fang Guan Yu Zi Di 120008 Hao	41,426.14
(2012) Xin Fang Guan Yu Zi Di 120031 Hao	32,469.39
(2012) Xin Fang Guan Yu Zi Di 120039 Hao	50,563.28
Total:	<u>124,458.81</u>

7. The status of the title and grant of major approvals and licenses, in accordance with the information provided to us, is as follows:

State-owned Land Use Rights Grant Contract	Yes
State-owned Land Use Rights Certificate	Yes
Building Ownership Certificate	No
Construction Land Use Planning Permit	Yes
Construction Works Planning Permit	Yes
Construction Works Commencement Permit	Yes
Pre-sale Permit	Yes
Building Completion Certificate	Yes
Business License	Yes

8. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
 - a) Xinzhen Glory Real Estate Development Co., Ltd. is the only legal owner of the land use rights of the property and is entitled to transfer, lease, mortgage or otherwise dispose of the land use rights of the property within the land use term.
 - b) With the Group's confirmation and our checking, we did not find any violation against the contract of assignment of the right to use state-owned land through Xinzhen Glory Real Estate Development Co., Ltd. occupancy and use on the subject land, and any violation against State-owned Land Use Rights Certificate and the condition set by Chinese Laws. Also we did not find mortgage, compulsory acquisition, major litigation, major dispute, and any other condition, which will have significant disadvantageous impact on the right of land use and the ownership of property.
 - c) The site with Land Use Rights Certificate number of Xin Tu Guo Yong (2011) Di 050 Hao has been mortgaged.
 - d) Xinzhen Glory Real Estate Development Co., Ltd. has obtained Pre-sale Permit of the property; the Company is legally with the right to sale the Property.

9. As advised by the Group, portions of the property comprising 26 low-density residential units of Phase I with a total gross floor area of approximately 8,877.9 sq.m., 53 high-rise residential units with a total gross floor area of approximately 7,048.1 sq.m. and 7 retail units with a total gross floor area of approximately 488.3 sq.m. have been contracted to be sold for a total consideration of about RMB135,209,625. In arriving at our opinion on the capital values of such portions, we have taken into account the contract prices of these portions.

10. In valuing the property, we have assumed about RMB12,530 per sq.m. for the low-density residential property.

In undertaking our valuation of the property, we have made reference to sales prices of low-density residential properties within the same district which have similar characteristics to the property. The prices of low-density residential properties range from about RMB10,000 to RMB 16,600 per sq.m.. The unit rates assumed by us are consistent with the relevant comparables after due adjustments.

11. In valuing the property, we have assumed about RMB5,300 per sqm for the high-rise residential property.

In undertaking our valuation of the property, we have made reference to sales prices of high-rise residential property within the same district which have similar characteristics to the property. The prices of high-rise residential properties range from RMB5,200 to RMB5,500. The unit rates assumed by us are consistent with the relevant comparables after due adjustments.

12. In valuing the property, we have assumed about RMB10,363 per sqm for the retail podium.

In undertaking our valuation of the property, we have made reference to sales prices retail podium within the same district which have similar characteristics to the property. The prices of retail podium range from about RMB9,000 to RMB20,000. The units rates assumed by us are consistent with the relevant comparables after due adjustments.

VALUATION CERTIFICATE

Property	Description and tenure	Details of occupancy	Capital value in existing state as at March 31, 2014
4. Various retail and commercial units of Phase II of Shenyang Glory City (Autoparts City) and a portion of Phase III of Shenyang Glory City (commercial units of Building C and Building E), South of Lianhe Road, Dadong District, Shenyang, Liaoning Province, the People's Republic of China	The property comprises two parts. One portion of the property consists of 197 retail units of a shopping arcade intended for selling of auto parts. Completed between 2008 and 2009, this portion has a gross floor area of approximately 30,659.03 sq.m.. Completed in 2013, another portion of the property consists of 70 commercial units of Buildings C and E with a gross floor area of approximately 4,080.27 sq.m.. The property is held under 8 State-owned Land Use Rights Certificates for commercial use for a term of 40 years expiring on March 25, 2044.	As at Valuation Date, the property was vacant and for sale.	RMB226,800,000 80% interest attributable to the Group: RMB181,440,000 (Renminbi One Hundred Eighty One Million Four Hundred and Forty Thousand)

Notes:

- Pursuant to the following State-owned Land Use Rights Certificates, the land use rights of the property have been granted to Shenyang Dadongfang Properties Co., Ltd. for commercial use.

State-owned Land Use Rights Certificate No.	Date of Issuance	Site Area (sq.m.)	Land Use and Expiry Date
Shenyang Guo Yong (2005) No.0111	April 10, 2005	6,276.40	Commercial, September 2, 2043
Shenyang Guo Yong (2004) No.0192	March 25, 2004	102,245.50	Commercial, March 25, 2044
Shenyang Guo Yong (2004) No.0492	March 25, 2004	20,335.90	Commercial, March 25, 2044
Shenyang Guo Yong (2004) No.0493	March 25, 2004	15,945.50	Commercial, March 25, 2044
Shenyang Guo Yong (2004) No.0494	March 25, 2004	16,733.80	Commercial, March 25, 2044
Shenyang Guo Yong (2004) No.0495	August 30, 2004	23,332.20	Commercial, March 25, 2044
Shenyang Guo Yong (2004) No.0496	August 30, 2004	18,295.60	Commercial, March 25, 2044
Shenyang Guo Yong (2004) No.0497	March 25, 2004	19,282.90	Commercial, March 25, 2044
Total:		222,447.80	

2. According to various Building Completion Certificates, the following buildings where the property is situated are certified as completed. The certificates presented below are for the buildings of Autoparts City. Building Completion Certificate for the commercial units of Buildings C and E have not been provided.

<u>Certificate No.</u>	<u>Date of Issuance</u>	<u>Building No.</u>	<u>Building Completion Date</u>	<u>GFA (sq.m.)</u>
2011No. 502	February 16, 2011	#1	September 21, 2009	4,946.32
2011No. 502	February 16, 2011	#2	September 21, 2009	5,850.81
2011No. 502	February 16, 2011	#3	September 21, 2009	5,850.81
2011No. 502	February 16, 2011	#4	September 21, 2009	7,722.08
2011No. 502	February 16, 2011	#5	September 21, 2009	9,125.85
2011No. 502	February 16, 2011	#6	September 21, 2009	9,125.85
2009 No.5024	February 6, 2009	#7	September 19, 2008	9,128.00
2009 No.5024	February 6, 2009	#8	September 19, 2008	9,102.00
2009 No.5025	February 6, 2009	#9	August 22, 2008	9,102.26
2009 No.5025	February 6, 2009	#10	August 22, 2008	9,153.06
2009 No.5026	February 6, 2009	#11	August 1, 2008	9,102.26
2010 No.5027	February 6, 2009	#12	July 22, 2008	9,102.00
2009 No.5021	January 24, 2009	#13	September 26, 2008	13,039.00
2009 No.5022	January 24, 2009	#14	August 22, 2008	11,302.00
2009 No.5023	January 24, 2009	#15	August 1, 2008	11,127.00
Total:				132,779.30

3. The status of the title and grant of major approvals and licences, in accordance with the information provided to us, is as follows:

State-owned Land Use Rights Grant Contract	Yes
State-owned Land Use Rights Certificate	Yes
Building Ownership Certificate	No
Construction Land Use Planning Permit	Yes
Construction Works Planning Permit	Yes
Construction Works Commencement Permit	Yes
Building Completion Certificate	Part

4. Pursuant to the State-owned Land Use Rights Purchase Agreement dated November 9, 2004 entered into between Shenyang Ye Jin Leng Zha Luo Wen Gang You Xian Gong Si (瀋陽冶金冷軋螺紋鋼有限公司) (the Seller) and Shenyang Dadongfang Properties, Co., Ltd. (the Purchaser), the major terms and conditions of the property are set out as follows:

<u>Terms and Conditions</u>	<u>Details</u>
Site Area	: 6,276.4 sqm
Land Use	: Commercial
Land Use Term	: 40 years for commercial use
Total Land Purchase Price	: RMB3,000,000

5. Pursuant to the State-owned Land Use Rights Grant Contract Shen Gui Guo Tu Chu He Zi (2004) 0099 entered into between Shenyang Planning and Land Resources Bureau (the Grantor) and Shenyang Dadongfang Properties Co., Ltd. (the Grantee), the major terms and conditions of the property are set out as follows:

<u>Terms and Conditions</u>	<u>Details</u>
Site Area	: 102,245.5 sqm
Land Use	: Commercial
Land Use Term	: 40 years for commercial use
Total Land Purchase Price	: RMB124,238,323.4

6. Pursuant to the State-owned Land Use Rights Grant Contract Shen Gui Guo Tu Chu He Zi (2004) 0262 entered into between Shenyang Plan and Land Resources Bureau (the Grantor) and Shenyang Dadongfang Properties Co., Ltd. (the Grantee), the major terms and conditions of the property are set out as follows:

<u>Terms and Conditions</u>	<u>Details</u>
Site Area	: 220,341 sqm
Land Use	: Commercial
Land Use Term	: 40 years for commercial use
Aboveground Gross Floor Area	: Subject to Construction Works Planning Permits
Underground Gross Floor Area	: Subject to Construction Works Planning Permits
Total Land Purchase Price	: RMB248,544,648.00

7. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
- a) the Group has a proper legal title to the property and has the rights to use, transfer, lease and mortgage of the property;
 - b) The current use of the property is in compliance with the planning land use;
 - c) The following portions of the property are subject to mortgages and transfer, lease and mortgage of such portions shall be subject to the prior consents from the mortgagee:

Mortgaged State-owned Land Use Rights Certificates	Mortgage No.	Mortgagee:
Shenyang Guo Yong (2004) No.0492	211002200120006000	Agriculture Bank of China Liaoning Province Branch
Shenyang Guo Yong (2004) No.0493	211002200120006000	Agriculture Bank of China Liaoning Province Branch
Shenyang Guo Yong (2004) No.0494	211002200120006000	Agriculture Bank of China Liaoning Province Branch
Shenyang Guo Yong (2004) No.0495	211002200120006000	Agriculture Bank of China Liaoning Province Branch
Shenyang Guo Yong (2004) No.0496	211002200120006000	Agriculture Bank of China Liaoning Province Branch
Shenyang Guo Yong (2004) No.0497	211002200120006000	Agriculture Bank of China Liaoning Province Branch

8. As advised by the Group, portions of the property comprising retail units of Phase I with a total gross floor area of approximately 2,058.83 sq.m. and commercial units of Buildings C and E with a total gross floor area of approximately 3,008.82 sq.m. have been contracted to be sold for considerations of about RMB12,745,679 and RMB16,509,471 respectively. In arriving at our opinion on the capital values of such portions, we have taken into account the contract prices of these units.
9. In valuing the property, we have assumed about RMB6,700 per sqm and RMB5,500 per sqm for the retail and commercial units respectively.

In undertaking our valuation of the property, we have made reference to sales prices of retail properties within similar areas which have similar characteristics to the property. The prices of the autopark properties range from about RMB9,500 to RMB11,400 per sqm. The prices of the commercial units range from RMB7,300 to RMB8,000 per sqm. The unit rates assumed by us are consistent with the relevant comparables after due adjustments.

VALUATION CERTIFICATE

Property	Description and tenure	Details of occupancy	Capital value in existing state as at March 31, 2014								
5. Various residential units and car parking spaces of Yashi Garden, No. 3 Tianshan North Road, Jinping District, Shantou, Guangdong Province, the People’s Republic of China	The property comprises 2 residential units and 11 underground car parking spaces which were completed in 2011. The total gross floor area of the property is approximately 265.83 sqm. The breakdown of floor area is as follows: <table><tr><th>Components</th><th>GFA (sq.m.)</th></tr><tr><td>2 Residential Units</td><td>134.64</td></tr><tr><td>11 Car Parking Spaces</td><td>131.19</td></tr><tr><td>Total</td><td>265.83</td></tr></table> The property is held under 3 State-owned Land Use Rights Certificates with various uses and expiry dates. For details please refer to Note 1 below.	Components	GFA (sq.m.)	2 Residential Units	134.64	11 Car Parking Spaces	131.19	Total	265.83	As at the Valuation Date, the property was vacant for sale.	RMB2,610,000 100% interest attributable to the Group: RMB2,610,000 (Renminbi Two Hundred Million Six Hundred and Ten Thousand)
Components	GFA (sq.m.)										
2 Residential Units	134.64										
11 Car Parking Spaces	131.19										
Total	265.83										

Notes:

1. According to three State-owned Land Use Rights Certificates, the property occupies three sites held under Shantou Garden Group Co., Ltd. The details are set out as follows:

State-owned Land Use Rights Certificate No.	Site Area (sq.m.)	Usage	Land Use and Expiry Date
Shan Guo Yong (2006) Zi No. 91300033	2,303.25	Residential	April 19, 2064
Shan Guo Yong (2006) Zi No. 91300034	2,497.50	Mixed	April 19, 2044
Shan Guo Yong (2005) Zi No. 91300017	4,671.00	Residential	December 28, 2070
Total	9,471.75		

2. According to the following Property Initial Registration Certificates, the property is held under Shantou Garden Group Co., Ltd.

Certificate No.	GFA (sq.m.)	Usage
310046316	70.46	Residential
310046317	64.18	Residential
310046020	8.8	Car Parking
310046031	12.72	Car Parking
310046035	8.80	Car Parking
310046036	12.72	Car Parking
310046067	12.72	Car Parking
310046069	12.72	Car Parking
310046076	12.19	Car Parking
310046095	12.62	Car Parking
310046099	12.72	Car Parking
310046111	12.72	Car Parking
310046124	12.46	Car Parking
Total	265.83	

3. The status of the title and grant of major approvals and licenses, in accordance with the information provided to us, is as follows:

State-owned Land Use Rights Grant Contract	No
State-owned Land Use Rights Certificate	Yes
Building Ownership Certificate	No
Property Initial Registration Certificate	Yes
Construction Land Use Planning Permit	No
Construction Works Planning Permit	No
Construction Works Commencement Permit	No
Building Completion Certificate	No

4. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:

- a) The land sites Shan Guo Yong 2006 Zi No. 91300033, Shan Guo Yong 2006 Zi No. 91300034 and Shan Guo Yong 2005 Zi No. 91300017 have been mortgaged.
- b) The Group has a proper legal title to the property and has the rights to use, transfer, lease of the property subject to the mortgage.

5. As advised by the Group, portions of the property comprising 2 residential units with a total gross floor area of approximately 134.64 sq.m. and 2 car parking spaces with a total gross floor area of approximately 24.91 sq.m. have been contracted to be sold for a total consideration of about RMB948,377. In arriving at our opinion on the capital values of such portions, we have taken into account the contract prices of these portions.

6. In valuing the property, we have assumed about RMB184,000 per lot for car parking spaces.

In undertaking our valuation of the property, we have made reference to sales prices of car parking spaces range from 160,000 to 220,000 per lot. The unit rates assumed by us are consistent with the relevant comparables after due adjustments.

VALUATION CERTIFICATE

Property	Description and tenure	Details of occupancy	Capital value in existing state as at March 31, 2014										
6. Various residential, retail units and kindergarten of Phases I and II of Haikuotiankong Glory City (known as “S1” and “S2”), New City Centre, Da Ying Shan, Haikou, Hainan Province, the People’s Republic of China	Completed in 2013, the property comprises 438 apartment units, 8 retail units, 2,024 car parking spaces in basement and a kindergarten. The breakdown of floor area of the property is as follows: <table><tr><th>Portions</th><th>Floor Area (sq.m.)</th></tr><tr><td>Residential</td><td>57,201.73</td></tr><tr><td>Retail</td><td>1,244.86</td></tr><tr><td>Kindergarten</td><td>1,200</td></tr><tr><td>Total</td><td>59,646.59</td></tr></table>	Portions	Floor Area (sq.m.)	Residential	57,201.73	Retail	1,244.86	Kindergarten	1,200	Total	59,646.59	As at the Valuation Date, the property was vacant and for sale.	RMB1,051,000,000 80% interest attributable to the Group: RMB840,800,000 (Renminbi Eight Hundred Forty Million and Eight Hundred Thousand)
Portions	Floor Area (sq.m.)												
Residential	57,201.73												
Retail	1,244.86												
Kindergarten	1,200												
Total	59,646.59												
As advised by the Group, there is an area of approximately 8,988 sq.m. in basement for civil defense use. The land on which Phase 1 of the property is situated is held under 2 State-owned Land Use Rights Certificates for residential use for a term of 70 years expiring on September 13, 2080. The land on which Phase 2 of the property is situated is held under a State-owned Land Use Rights Certificate for residential use for a term of 70 years expiring on October 11, 2080 and for commercial use for a term of 40 years expiring on October 11, 2050.													

Notes:

- In accordance with State-owned Land Use Rights Certificate Hai Kou Shi Guo Yong (2010) No. 011917 dated September 14, 2010, the land use rights of the property with a site area of approximately 30,887.22 sq.m. have been transferred to Hainan HNA Glory Investment & Development Co., Ltd. for residential use for a term of 70 years expiring on September 13, 2080.
- In accordance with State-owned Land Use Rights Certificates Hai Kou Shi Guo Yong (2010) No. 011913 and Hai Kou Shi Guo Yong (2010) No.011914 dated October 26, 2010, the land use rights of the property with a site area of approximately 38,192.28 sq.m. have been transferred to Hainan HNA Glory Investment & Development Co., Ltd. for residential use for a term of 70 years expiring on October 11, 2080 and commercial use for a term of 40 years expiring on October 11, 2050.

3. The status of the title and grant of major approvals and licenses, in accordance with the information provided to us, is as follows:

State-owned Land Use Rights Grant Contract	No
State-owned Land Use Rights Certificate	Yes
Building Ownership Certificate	No
Construction Land Use Planning Permit	No
Construction Works Planning Permit	Yes
Construction Works Commencement Permit	Yes
Building Completion Certificate	Yes
Business Licence	Yes

4. We have been provided with a legal opinion on the property by the Group's PRC legal advisors, which contain, inter alia, the following information.

- The Group legally owns the land use rights of the property and is entitled to legally transfer, lease, mortgage or otherwise dispose of the property.
- The Group had got the relevant construction permits and approvals and is entitled to legally develop and sell the property
- The contents of the proforma sale and purchase agreement of the property are in accordance with the PRC laws and such proforma agreement is legal, valid, binding and enforceable. For those units which has been contracted to be sold, the Group does not have the right to transfer, lease, and mortgage or otherwise dispose of the property without the purchasers' approval and termination of the relevant sale and purchase agreements.
- The following portion of the site are subject to mortgages and the transfer lease and mortgage of such portion shall be subject to the prior consent from the mortgagee:

<u>Certificate No.</u>	<u>Encumbrance No.</u>	<u>Date of Instruments</u>	<u>Creditor</u>
Hai Kou Shi Guo Yong (2010) No. 011917	22010215-2010 年省營 (抵) 字0023號	October 26, 2010	Hainan Branch, Industrial and Commercial Bank of China
Hai Kou Shi Guo Yong (2010) No. 011913	4610022011000672	July 20, 2011	Haikou Hongchenghu Branch, Bank of China
Hai Kou Shi Guo Yong (2010) No. 011914	4610022011000672	July 20, 2011	Haikou Hongchenghu Branch, Bank of China

5. As advised by the Group, portions of the property comprising 43 residential units with a total gross floor area of approximately 6,099.99 sq.m. and 1 retail shops with a gross floor area of approximately 277.18 sq.m. have been contracted to be sold for a total consideration of about RMB90,146,306. In arriving at our opinion on the capital values of such portions, we have taken into account the contract prices of these portions.
6. In valuing unsold portion of Phase 1 of the property, we have assumed about RMB13,622 per sq.m. for the residential portion and RMB42,400 per sq.m. for the retail portion.

In valuing unsold portion of Phase 2 of the property, we have assumed about RMB12,510 per sq.m. for the residential portion and RMB 36,000 per sq.m. for the retail portion.

In undertaking our valuation of the property, we have made reference to sales prices of relevant properties within the same district and similar areas which have similar characteristics to the property. The prices of retail properties on level 1 range from about RMB50,000 to RMB 57,000. The prices of residential properties range from about RMB11,000 to RMB14,000. The unit rates assumed by us are consistent with the relevant comparables after due adjustments.

VALUATION CERTIFICATE

Property	Description and tenure	Details of occupancy	Capital value in existing state as at March 31, 2014
7. Various residential units and car parking spaces of Haidian Island Glory Garden, Hai Dian Sixth Road East, Haikou, Hainan Province, the People's Republic of China	Completed in 2012, the property comprises 24 residential units 401 car parking spaces erected over a parcel of land with a site area of approximately 65,643.38 sq.m.. The residential portion has gross floor areas of approximately 3,520.55 sq.m.. As advised by the Group, there is approximately 3,208.56 sq.m. in basement for air defense use. The land is held under a State-owned Land Use Rights Certificate for residential use for a term expiring on December 27, 2069.	As at the Valuation Date, the property was vacant.	RMB97,000,000 80% interest attributable to the Group: RMB77,600,000 (Renminbi Seventy Seven Million and Six Hundred Thousand)

Notes:

- In accordance with State-owned Land Use Rights Certificate Hai Kou Shi Guo Yong (2005) No.000850 dated April 12, 2005, the land use rights of the property with a site area of approximately 65,643.38 sq.m. has been granted to Hainan Tongcheng Industrial Co., Ltd for residential use for a term expiring on December 27, 2069.
- The status of the title and grant of major approvals and licenses, in accordance with the information provided to us, is as follows:

State-owned Land Use Rights Grant Contract	No
State-owned Land Use Rights Certificate	Yes
Building Ownership Certificate	No
Construction Land Use Planning Permit	Yes
Construction Works Planning Permit	Yes
Construction Works Commencement Permit	Yes
Building Completion Certificate	Yes
Business Licence	Yes
Pre-sale Permit	Yes
- We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
 - The Group has paid the land premium in respect of the site in full and legally owns the land use rights of the property;
 - The Group had got the relevant construction permits and approvals and is entitled to legally develop and sell the property;
 - The issuer cannot provide the approval documents for this project. Hainan Tongcheng Industrial Co., Ltd did not put on file for this project, and could be required to correct behavior and being fined. (Hainan Tongcheng Industrial Co., Ltd is putting on file for this project).
- As advised by the Group, portions of the property comprising 14 residential units with a gross floor area of approximately 2,709.55 sq.m. have been contracted to be sold for a total consideration of RMB24,057,272. In arriving at our opinion on the capital values of such portions, we have taken into account the contract prices of these portions.
- In valuing the unsold portion of the property, we have assumed about RMB12,500 per sq.m. for the residential portion.

In undertaking our valuation of the property, we have made reference to sales prices of relevant properties within the same district and similar areas which have similar characteristics to the property. The prices of residential properties range from about RMB11,900 to RMB 14,600 per sq.m.. The unit rates assumed by us are consistent with the relevant comparables after due adjustments.

VALUATION CERTIFICATE

Property	Description and tenure	Details of occupancy	Capital value in existing state as at March 31, 2014										
8. Various residential, retail units, and car parking spaces of Shantou Glory Garden, No. 31 Jinsha Road, Jinping District, Shantou, Guangdong Province, the People's Republic of China	The property comprises 25 retail units, 1 residential unit and 27 underground car parking spaces in a residential development, which were completed in 2008. The total gross floor area of the property is approximately 2,767.22 sq.m., with floor area breakdown as follows: <table><tr><th>Components</th><th>GFA (sq.m.)</th></tr><tr><td>25 Retail Units</td><td>1,944.68</td></tr><tr><td>27 Car Parking Spaces</td><td>442.9</td></tr><tr><td>1 Residential Unit</td><td>79.64</td></tr><tr><td>Total</td><td><u>2,467.22</u></td></tr></table> The property is held under Shantou City Real Estate Ownership Certificates (房地產權屬證明書) for residential use for a term expiring on June 5, 2075 and for retail use for a term expiring on June 5, 2055.	Components	GFA (sq.m.)	25 Retail Units	1,944.68	27 Car Parking Spaces	442.9	1 Residential Unit	79.64	Total	<u>2,467.22</u>	As at the Valuation Date, the retail units were leased to various tenants at a total monthly rent of RMB41,896, the latest expiry date on January 14, 2015. The car parking spaces were vacant.	RMB11,300,000 100% interest attributable to the Group: RMB11,300,000 (Renminbi Eleven Million and Three Hundred Thousand)
Components	GFA (sq.m.)												
25 Retail Units	1,944.68												
27 Car Parking Spaces	442.9												
1 Residential Unit	79.64												
Total	<u>2,467.22</u>												

Notes:

1. In accordance with the following Real Estate Ownership Certificates (房地產權屬證明書), the ownership of the development having a gross floor area of 33,881.21 sqm has been registered to Shantou Garden Group Co., Ltd. (汕頭花園集團有限公司).

Real Estate Ownership Certificate No.	Building No.	GFA (sq.m.)	Car Parking Spaces
(2008)-828	1	4,147.72	20
(2008)-829	2	2,227.81	12
(2008)-830	3	2,170.96	16
(2008)-831	4	2,154.30	14
(2008)-832	5	2,170.96	12
(2008)-833	6-10	21,009.46	0
Total		33,881.21	74

2. The status of the title and grant of major approvals and licenses in accordance with the information provided to us, is as follows:

State-owned Land Use Rights Grant Contract	No
State-owned Land Use Rights Certificate	No
Building Ownership Certificate	No
Construction Land Use Planning Permit	No
Construction Works Planning Permit	No
Construction Works Commencement Permit	No
Building Completion Certificate	No
Real Estate Ownership Certificate (房地產權屬證明書)	Yes

3. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
 - a) Shantou Garden Group Co., Ltd. has a proper legal title to the property and has the rights to use, transfer, lease and mortgage of the property.
4. In valuing the property, we have assumed about RMB3,900 per sq.m. for the retail portion and RMB122,000 per lot for car parking spaces, and RMB6,000 per sq.m. for the residential unit.

In undertaking our valuation of the property, we have made reference to sales prices of retail properties within the same district which have similar characteristics to the property. The prices of retail properties on level 1 range from about RMB7,000 to RMB9,000 per sqm. The car park properties range from 125,000 to 130,000 per lot. The price of residential unit range from 5,200 to 6,400 per sqm. The unit rates assumed by us are consistent with the relevant comparables after due adjustments.

VALUATION CERTIFICATE

Property	Description and tenure	Details of occupancy	Capital value in existing state as at March 31, 2014
9. Various residential units and car parking spaces of Eudemonia Palace located at No. 3, Zone 1, Zhongshili Weigai, Guangqumen Wai, Dongcheng District, Beijing, the People's Republic of China	The property comprises 24 residential units with a total gross floor area of approximately 2,705.57 sq.m.. and 85 underground car parking spaces with a total gross floor area of approximately 6,862.46 sq.m.. The property was completed in November 2013. The property is held under a State-owned Land Use Certificate for residential use for a term expiring on August 28, 2074 and August 28, 2054 for car parking use respectively.	As at the valuation date, the property was vacant.	RMB154,700,000 80% interest attributable to the Group: RMB123,760,000 (Renminbi One Hundred Twenty Three Million Seven Hundred and Sixty Thousand)

Notes:

- Pursuant to the State-owned Land Use Rights Grant Contract dated December 3, 2010, the subsequent modification document dated October 11, 2011 entered into by Beijing Zhengyang Hengrui Property Co., Ltd and Beijing Glory Real Estate Development Co., Ltd. and Beijing Wenchang Real Estate Development Co., Ltd. (the Grantees), the major terms and conditions of the property are set out as follows:

Terms and Conditions	Details
Land Use	: Residential underground car parking uses
Land Use Term	: 70 years for residential Use 50 years for underground car parking uses.
Site Area	: 14,464.17 sq.m.
Granted Aboveground Gross Floor Area	: 24,003.04 sq.m.
Granted Underground Gross Floor Area	: 10,143.97 sq.m.
Total Land Grant Fee	: RMB360,000,000

- Pursuant to the State-owned Land Use Certificate Jing Dong Guo Yong (2011 Chu) Di 00203 Hao dated January 17, 2012, the land use rights of the property with a site area of approximately 14,464.17 sqm have been granted to Beijing Glory Xingye Real Estate Co., Ltd. for residential use for a term of expiring on August 28, 2074 and for car parking use August 28, 2054, respectively.
- Pursuant to the Construction Land Use Planning Permit dated November 16, 2000, the land use planning of the property regarding a land area of approximately 118,000 sq.m. has been permitted.
- Pursuant to the Construction Works Planning Permit dated July 17, 2012, the planning of construction works of the property with construction floor area of approximately 26,239.32 sq.m. has been permitted.
- Pursuant to the Construction Works Commencement Permit dated July 26, 2012, the construction works of the property with a construction area of approximately 26,239.32 sq.m. has been permitted to be commenced.
- The status of the title and grant of major approvals and licenses, in accordance with the information provided to us, is as follows:

State-owned Land Use Rights Transfer Contract	Yes
State-owned Land Use Certificate	Yes
Construction Land Use Planning Permit	Yes
Construction Works Planning Permit	Yes
Construction Works Commencement Permit	Yes
Pre-sale Permit	Yes
Building Completion Certificate	Part

7. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
- a) Beijing Glory Xingye Real Estate Co., Ltd. is the only legal owner of land use right of the property and is entitled to transfer, lease, mortgage (except for the mortgaged portion of the property) or otherwise dispose of the land use rights of the property within the land use term.
 - b) According to Beijing Zhengyang Henrui Real Estate Company, Beijing Wenchang Real Estate Development Co., Ltd. and Beijing Glory Xingye Real Estate Co., Ltd. signed the "Project transfer agreement of No.3 Building and underground garage, Zhongshili dilapidated residential area, Guangqumenwai" on December 3, 2010, section 1.2 of the agreement, in after the completion of the garage, Beijing Zhengyang Henrui Real Estate Company owns perpetual right to use 50% of parking spaces in the underground garage, the specific measures agreed upon by the parties sign a document separately. By the Group's confirmation and our checking, at present, there is no any other supplementary agreement in respect of this problem signed by Beijing Zhengyang Henrui Real Estate Company and Beijing Glory Xingye Real Estate Co., Ltd.
 - c) Except the above mentioned, we did not find any violation against the contract of assignment of the right to use state-owned land through Beijing Glory Xingye Real Estate Co., Ltd. occupancy and use on the subject land, and any violation against State-owned Land Use Certificate and the condition set by Chinese Laws.
 - d) The Group has obtained the relevant State-owned Land Use Certificates and the relevant effective construction approval of the property in accordance with the PRC laws and regulations. The construction of the project development in line with PRC laws and regulations.
 - e) Pursuant to a mortgage contract, the land ownership of the property has been mortgaged.
 - f) Beijing Glory Xingye Real Estate Co., Ltd. has obtained the requisite pre-sale permit of portion of the property and has the right to pre-sell the same.
8. As advised by the Group, portions of the property comprising 18 residential units with a total gross floor area of approximately 2,059.14 sq.m. have been contracted to be sold for a total consideration of RMB94,662,732. In arriving at our opinion on the capital value of such portions, we have taken into account of the contract price of these portions.
9. In valuing the property, we have assumed about RMB48,859 per sq.m. for the residential portion. In undertaking our valuation of the property, we have made reference to sales prices of residential properties within the same district which have similar characteristics of the property. The prices of residential properties range from approximately RMB56,000 to RMB64,000 per sq.m.. The unit rates assumed by us are consistent with the relevant comparables after due adjustments.

Group II — Property interests held by the Group for development in the PRC

VALUATION CERTIFICATE

Property	Description and tenure	Details of occupancy	Capital value in existing state as at March 31, 2014																		
10. Phases III to VIII and an ancillary school of Zhengzhou Glory City, a development site located at the south of Longhu Avenue and Xuanyuan Road, Longhu Town, Xinzheng, Henan Province, the People’s Republic of China	The property comprises various parcels of land on which a large-scale development consisting of seven phases is erected. The total site area of the property is approximately 327,792.41 sq.m.. The breakdown of site area is as follows: <table><tr><th>Development</th><th>Site Area (sq.m.)</th></tr><tr><td>Phase III</td><td>40,086.53</td></tr><tr><td>Phase IV</td><td>54,180.78</td></tr><tr><td>Phase V</td><td>100,911.34</td></tr><tr><td>Phase VI</td><td>73,797.92</td></tr><tr><td>Phase VII</td><td>8,381.46</td></tr><tr><td>Phase VIII</td><td>11,235.28</td></tr><tr><td>School</td><td>39,199.10</td></tr><tr><td>Total</td><td>327,792.41</td></tr></table>	Development	Site Area (sq.m.)	Phase III	40,086.53	Phase IV	54,180.78	Phase V	100,911.34	Phase VI	73,797.92	Phase VII	8,381.46	Phase VIII	11,235.28	School	39,199.10	Total	327,792.41	As at the Valuation Date, Phases III, IV, V and VI of the property were under construction while the remaining phases were vacant land.	RMB1,208,000,000 80% interest attributable to the Group RMB966,400,000 (Renminbi Nine Hundred Sixty Six Million and Four Hundred Thousand)
Development	Site Area (sq.m.)																				
Phase III	40,086.53																				
Phase IV	54,180.78																				
Phase V	100,911.34																				
Phase VI	73,797.92																				
Phase VII	8,381.46																				
Phase VIII	11,235.28																				
School	39,199.10																				
Total	327,792.41																				

According to the proposed development scheme provided by the Group, the property will comprise an aboveground gross floor area of approximately 567,278 sq.m. The whole development is scheduled to be completed by phases by the fourth quarter of 2020. The gross floor area breakdown of seven phases and the school is as follows:

Portions	GFA (sq.m.)
Residential	459,586.58
Retail	68,501.08
School	39,190.00
Total	567,277.66
Civil Defense	14,110.61

The property is held under 11 State-owned Land Use Rights Certificates for residential use for a term of 70 years expiring in October 2079, for commercial use for a term of 40 years expiring in October 2049 and for public service use for a term of 50 years expiring in October 2059.

Notes:

1. Pursuant to the following State-owned Land Use Rights Grant Contracts dated October 11, 2009 and the supplementary agreements dated April 20, 2011, entered into between China Henan Province Bureau of Homeland and Resources (the Grantor) and Xinzheng Glory Real Estate Development Co., Ltd. (the Grantee), the major terms and conditions of the property are set out as follows:

State-owned Land Use Rights Contract No.	Site Area (sq.m.)	Land Use and Expiry	Land Grant Fee
Yu (Xinzheng) Chu Rang (2009) No.0078	25,947.63	Residential: October 2079	RMB41,680,000
	8,381.46	Commercial: October 2049	
Yu (Xinzheng) Chu Rang (2009) No.0081	47,850.29	Residential: October 2079	RMB31,380,000
Yu (Xinzheng) Chu Rang (2009) No.0076	7,360.70	Residential: October 2079	RMB18,770,000
	5,584.04	Commercial: October 2049	
	2,500.28	Residential: October 2079	RMB28,140,000
Yu (Xinzheng) Chu Rang (2009) No.0074	5,651.24	Commercial: October 2049	
Yu (Xinzheng) Chu Rang (2009) No.0077	30,225.55	Residential: October 2079	RMB17,890,000
Yu (Xinzheng) Chu Rang (2009) No.0071	38,288.73	Residential: October 2079	RMB11,130,000
Yu (Xinzheng) Chu Rang (2009) No.0083	29,254.55	Residential: October 2079	RMB23,900,000
Yu (Xinzheng) Chu Rang (2009) No.0084	24,929.44	Residential: October 2079	RMB16,710,000
Yu (Xinzheng) Chu Rang (2009) No.0087	28,681.74	Residential: October 2079	RMB8,500,000
Yu (Xinzheng) Chu Rang (2009) No.0072	18,045.61	Residential: October 2079	RMB13,190,000
Yu (Xinzheng) Chu Rang (2009) No.0079	39,199.10	Public Service Facility: October 2059	RMB17,180,000

2. In accordance with the following State-owned Land Use Rights Certificates dated May 11, 2011, the land use rights of the property have been granted to Xinzheng Glory Real Estate Development Co., Ltd. with major terms as follows:

State-owned Land Use Rights Certificate No.	Site Area (sq.m.)	Land Use and Expiry
Xin Tu Guo Yong (2011) No. 047	25,947.63	Residential: October 2079
	8,383.46	Commercial: October 2049
Xin Tu Guo Yong (2011) No. 053	47,850.29	Residential: October 2079
Xin Tu Guo Yong (2011) No. 048	12,944.74	Residential: October 2079
		Commercial: October 2049
Xin Tu Guo Yong (2011) No. 049	8,151.52	Residential: October 2079
		Commercial: October 2049
Xin Tu Guo Yong (2011) No. 062	30,225.55	Residential: October 2079
Xin Tu Guo Yong (2011) No. 054	38,288.73	Residential: October 2079
Xin Tu Guo Yong (2011) No. 052	29,254.55	Residential: October 2079
Xin Tu Guo Yong (2011) No. 059	24,929.44	Residential: October 2079
Xin Tu Guo Yong (2011) No. 055	28,681.74	Residential: October 2079
Xin Tu Guo Yong (2011) No. 056	18,045.61	Residential: October 2079
Xin Tu Guo Yong (2011) No. 063	39,199.10	Public Service Facility: October 2059

3. Pursuant to the following Construction Land Use Planning Permits of the Property dated May 10, 2011, the land use planning regarding the following land have been permitted to Xinzhenh Glory Real Estate Development Co., Ltd.

<u>Construction Land Use Planning Permit No.</u>	<u>Site Area (sq.m.)</u>	<u>Land Use</u>
Di Zi No.410184201100011108107	8,381.46	Commercial
Di Zi No.410184201100014108107	25,947.63	Residential
Di Zi No.410184201100015108107	5,584.04	Commercial
Di Zi No.410184201100016108107	7,360.70	Residential
Di Zi No.410184201100017108107	5,651.24	Commercial
Di Zi No.410184201100018108107	2,500.28	Residential
Di Zi No.410184201100019108107	7,989.49	Commercial
Di Zi No.410184201100020108107	28,362.79	Residential
Di Zi No.410184201100021108107	27,140.01	Residential
Di Zi No.410184201100022108107	29,254.55	Residential
Di Zi No.410184201100023108107	47,850.29	Residential
Di Zi No.410184201100024108107	38,288.73	Residential
Di Zi No.410184201100025108107	28,681.74	Residential
Di Zi No.410184201100026108107	18,045.61	Residential
Di Zi No.410184201100027108107	46,024.56	Residential
Di Zi No.410184201100028108107	18,766.62	Residential
Di Zi No.410184201100029108107	24,929.44	Residential
Di Zi No.410184201100030108107	21,857.59	Residential
Di Zi No.410184201100031108107	30,225.55	Residential
Di Zi No.410184201100032108107	39,199.10	Public Service Facility

4. The Group has obtained the following Construction Works Planning Permits as at the Valuation Date.

<u>Construction Works Planning Permit No.</u>	<u>Date of Issuance</u>	<u>Permitted Construction Floor Area (sq.m.)</u>
Jian Zi No.410184201100023108107	July 21, 2011	231,926.51
Jian Zi No.410184201300010108102	January 11, 2013	100,023.76
Jian Zi No.410184201300007108107	March 20, 2013	65,171.06

5. The Group has obtained the following Construction Works Commencement Permits as at the Valuation Date.

<u>Construction Works Commencement Permit No.</u>	<u>Date of Issuance</u>	<u>Permitted Construction Floor Area (sq.m.)</u>
41010220110816011	August 16, 2011	68,491.47
41010220120313002	March 13, 2012	155,886.3
41010220130614025	June 14, 2013	100,023.76
41010220130614026	June 14, 2013	65,171.06

6. Pursuant to four Commodity Building Pre-sales Permits listed in the table below, the total pre saleable gross floor area of Group 4 (Phase III) consists of approximately 88,575.72 sq.m. for residential premises and 1,648.22 sq.m. for retail premises. As at the Valuation Date, all the residential premises with a total gross floor area of approximately 86,575.72 sq.m. have been pre-sold for a total consideration of about RMB453,672,905.

<u>Commodity Building Pre-sales Permit</u>	<u>GFA (sq.m.)</u>
(2013) Xin Fang Guan Yu Zi No. 130037	Residential 38,838.46
(2013) Xin Fang Guan Yu Zi No. 130079	Retail 815.14
(2013) Xin Fang Guan Yu Zi No. 130043	Residential 8,937.8
(2013) Xin Fang Guan Yu Zi No. 130046	Residential 20,010.9
	Residential 18,788.58
	Retail 833.08
Total:	Residential 86,575.72
	Retail 1,648.22

7. Pursuant to two Community Building Pre-sales Permits listed below, the total pre-saleable gross floor area of Group 5 (Phase IV) consists of approximately 58,023.1 sq.m. for residential premises and 1,123.44 sq.m. for retail premises. As at the Valuation Date, a portion of the residential premises with a total gross floor area of approximately 38,124.47 sq.m. have been pre-sold for a total consideration of about RMB268,125,247.

<u>Commodity Building Pre-sales Permit</u>	<u>GFA (sq.m.)</u>
(2013) Xin Fang Guan Yu Zi No. 130073	Residential 34,998.65
(2013) Xin Fang Guan Yu Zi No. 130077	Retail 1,123.44
	Residential 23,024.45
Total:	Residential 58,023.1
	Retail 1,123.44

8. The status of the title and grant of major approvals and licences, in accordance with the information provided to us, is as follows:

State-owned Land Use Rights Grant Contract	Yes
State-owned Land Use Rights Certificate	Yes
Building Ownership Certificate	No
Construction Land Use Planning Permit	Yes
Construction Works Planning Permit	Part
Construction Works Commencement Permit	Part
Commodity Building Pre-sales Permits	Part
Building Completion Certificate	No
Business License	Yes

9. The estimated capital values of the Phases under development of the Property if completed as at the Valuation Date are listed in the table below:

Phase	Capital Value if completed as at the Valuation Date
Phase III	RMB470,000,000
Phase IV	RMB416,000,000
Phase V	RMB865,000,000
Phase VI	RMB1,333,000,000

10. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
- The Group has a proper legal title to the property and has the rights to use, transfer, lease and mortgage of the property.
 - The current use of the property is in compliance with the planning land use.
 - According to the reply from Xinzhen City Bureau of Land and Resources, there is no such situation as unused concerned with the total seventeen sites acquired by Xinzhen Glory.
 - There is no situation, compulsory acquisition, major lawsuits, major dispute or any other situation that would seriously affect the land ownership and/or building ownership of the Property.
 - There are ten sites of the Property with Land Use Rights Certificate number of Xin Tu Guo Yong (2011) Di 047 Hao, Xin Tu Guo Yong (2011) Di 048 Hao, Xin Tu Guo Yong (2011) Di 049 Hao, Xin Tu Guo Yong (2011) Di 052 Hao, Xin Tu Guo Yong (2011) Di 053 Hao, Xin Tu Guo Yong (2011) Di 054 Hao, Xin Tu Guo Yong (2011) Di 055 Hao, Xin Tu Guo Yong (2011) Di 056 Hao, Xin Tu Guo Yong (2011) Di 057 Hao, Xin Tu Guo Yong (2011) Di 059 Hao, Xin Tu Guo Yong (2011) Di 063 Hao have been mortgaged by the date of valuation.
 - The property is free from encumbrance except for mortgaged portion.
 - There is no such circumstance as idle land concerned with the property.

11. In valuing the property, we have adopted Direct Comparison Approach taking into account the incurred construction cost and associated costs.

The assumed accommodation values for parcels of land which are clear sites are listed below:

Phase	VII	VIII	School
Accommodation Value (RMB/sq.m.)	1,337	1,337	311

The assumed unit rates on gross floor area for the Phases which are under development are listed below:

Phase	III	IV	V	VI
Unit Rate on GFA (RMB/sq.m.)	2,159	3,038	3,512	1,088

In undertaking our valuation, we have made reference to sales prices of land parcels within the same district. The accommodation values of parcels of residential land range from about RMB900 to RMB1,050 per sq.m., the accommodation values of parcels of public service facility land range from about RMB180 to RMB340 per sq.m.. The unit rates assumed by us are consistent with the relevant comparables after due adjustments. As advised by the Group, the incurred construction cost as at the Valuation Date was approximately RMB285,231,408.21. In the course of our valuation, we have taken into account such cost.

12. As advised by the Group, the approximate costs (excluding land acquisition cost) involved in the Phases which are under development of the property as at Valuation Date are listed in the table below:

Phase No.	Incurred Cost (RMB)	Outstanding Cost (RMB)
III	92,607,643.56	109,072,156.44
IV	64,329,133.47	77,912,663.86
V	114,215,778.42	91,187,690.21
VI	14,078,852.76	504,670,547.24

VALUATION CERTIFICATE

Property	Description and tenure	Details of occupancy	Capital value in existing state as at March 31, 2014																
11. Yongqing Glory City, a development site located at the south of Langba Road, Hancun Town, Yongqing County, Langfang, the People’s Republic of China	The property comprises various parcels of land for a commercial and residential development, which occupies a total site area of approximately 1,313,366 sq.m.. According to the proposed development scheme provided by the Group, the property will comprise a total gross floor area of approximately 2,136,693 sq.m.. The breakdown of the gross floor area is as follows: <table><tr><th>Portion</th><th>GFA (sq.m.)</th></tr><tr><td>Residential</td><td>1,757,449</td></tr><tr><td>Hotel</td><td>44,016</td></tr><tr><td>Retail</td><td>3,984</td></tr><tr><td>Clubhouse</td><td>2,144</td></tr><tr><td>Ancillary Facilities</td><td>9,600</td></tr><tr><td>Car parks</td><td>319,500</td></tr><tr><td>Total</td><td>2,136,693</td></tr></table>	Portion	GFA (sq.m.)	Residential	1,757,449	Hotel	44,016	Retail	3,984	Clubhouse	2,144	Ancillary Facilities	9,600	Car parks	319,500	Total	2,136,693	As at the Valuation Date, the property was under construction.	RMB1,166,000,000 80% interest attributable to the Group: RMB932,800,000 (Renminbi Nine Hundred Thirty Two Million and Eight Hundred Thousand)
Portion	GFA (sq.m.)																		
Residential	1,757,449																		
Hotel	44,016																		
Retail	3,984																		
Clubhouse	2,144																		
Ancillary Facilities	9,600																		
Car parks	319,500																		
Total	2,136,693																		
	The property is scheduled to be completed by phases by the fourth quarter of 2018. The property is held under 21 State-owned Land Use Grant Contracts for commercial use for a term of 40 years expiring on December 29, 2050 and for residential use for terms of 70 years expiring on December 29, 2080, January 25, 2081 and January 28, 2081 respectively.																		

Notes:

1. Pursuant to the following State-owned Land Use Grant Contracts, the land use rights of the property with a total site area of approximately 1,313,366.415 sq.m., have been granted to the Group.

Lot Number	Site Area (sq.m.)	Contract Date	Land Use and Term	Land Grant Fee (RMB)
2010-51	60,000.00	December 29, 2010	Commercial: 40 years	32,940,000
2010-54	33,000.00	December 29, 2010	Commercial: 40 years	18,120,000
2010-50	66,351.00	December 29, 2010	Residential: 70 years	36,430,000
2010-52	66,667.00	December 29, 2010	Residential: 70 years	36,600,000
2010-53	67,346.00	December 29, 2010	Residential: 70 years	36,970,000
2010-66	65,554.643	January 25, 2011	Residential: 70 years	38,940,000
2010-67	64,278.007	January 25, 2011	Residential: 70 years	38,190,000
2010-68	66,674.317	January 25, 2011	Residential: 70 years	39,610,000
2010-69	50,721.483	January 25, 2011	Residential: 70 years	30,130,000
2010-70	50,581.711	January 25, 2011	Residential: 70 years	30,050,000
2010-71	48,901.487	January 25, 2011	Residential: 70 years	29,050,000
2010-72	69,970.667	January 28, 2011	Residential: 70 years	41,570,000
2010-73	69,648.818	January 28, 2011	Residential: 70 years	41,380,000
2010-74	69,940.097	January 28, 2011	Residential: 70 years	41,550,000
2010-75	69,982.376	January 28, 2011	Residential: 70 years	41,570,000
2010-76	69,939.783	January 28, 2011	Residential: 70 years	41,550,000
2010-77	69,929.015	January 28, 2011	Residential: 70 years	41,540,000
2010-78	69,421.056	January 28, 2011	Residential: 70 years	41,240,000
2010-79	68,305.192	January 28, 2011	Residential: 70 years	40,580,000
2010-80	67,216.243	January 28, 2011	Residential: 70 years	39,930,000
2010-81	48,937.520	January 28, 2011	Residential: 70 years	29,070,000
Total:	<u>1,313,366.415</u>			<u>767,010,000</u>

2. Pursuant to the following State-owned Land Use Rights Certificates, the land use rights of the property with a total site area of approximately 1,313,366.34 sq.m., have been granted to the Group.

State-owned Land Use Rights Certificate No.	Site Area (sq.m.)	Date of Issuance	Land Use and Term
Yong Guo Yong (2011) Di 016 Hao	33,000.00	May 25, 2011	Commercial: 40 years
Yong Guo Yong (2011) Di 017 Hao	60,000.00	May 25, 2011	Commercial: 40 years
Yong Guo Yong (2011) Di 018 Hao	66,351.00	May 25, 2011	Residential: 70 years
Yong Guo Yong (2011) Di 019 Hao	67,346.00	May 25, 2011	Residential: 70 years
Yong Guo Yong (2011) Di 020 Hao	66,667.00	May 25, 2011	Residential: 70 years
Yong Guo Yong (2011) Di 069 Hao	50,581.71	May 13, 2011	Residential: 70 years
Yong Guo Yong (2011) Di 070 Hao	48,901.48	May 13, 2011	Residential: 70 years
Yong Guo Yong (2011) Di 071 Hao	65,554.64	May 13, 2011	Residential: 70 years
Yong Guo Yong (2011) Di 072 Hao	64,278.00	May 13, 2011	Residential: 70 years
Yong Guo Yong (2011) Di 073 Hao	66,674.31	May 13, 2011	Residential: 70 years
Yong Guo Yong (2011) Di 074 Hao	50,721.48	May 13, 2011	Residential: 70 years
Yong Guo Yong (2011) Di 143 Hao	69,939.78	August 4, 2011	Residential: 70 years
Yong Guo Yong (2012) Di 059 Hao	69,929.01	May 11, 2012	Residential: 70 years
Yong Guo Yong (2012) Di 057 Hao	69,421.05	May 11, 2012	Residential: 70 years
Yong Guo Yong (2013) Di 059 Hao	68,305.19	June 6, 2013	Residential: 70 years
Yong Guo Yong (2013) Di 061 Hao	67,216.24	June 6, 2013	Residential: 70 years
Yong Guo Yong (2013) Di 060 Hao	48,937.52	June 6, 2013	Residential: 70 years
Yong Guo Yong (2011) Di 090 Hao	69,970.66	June 5, 2011	Residential: 70 years
Yong Guo Yong (2011) Di 091 Hao	69,648.81	June 5, 2011	Residential: 70 years
Yong Guo Yong (2011) Di 141 Hao	69,940.09	August 4, 2011	Residential: 70 years
Yong Guo Yong (2011) Di 142 Hao	69,982.37	August 4, 2011	Residential: 70 years
Total:	<u>1,313,366.34</u>		

3. Pursuant to the Construction Land Use Planning Permit dated December 30, 2010 and April 15, 2011, the land use planning of the property with a total site area of approximately 1,313,366.415 sq.m. has been permitted.

4. Pursuant to the Construction Works Planning Permits dated October 17, 2011, September 4, 2012, March 27, 2013, April 23, 2013, May 7, 2013, May 20, 2013, August 15, 2013 and October 11, 2013, the planning of construction works of the property with a construction floor area of approximately 108,066.7 sq.m. has been permitted.
5. Pursuant to the Construction Works Commencement Permits dated May 3, 2012 and July 28, 2013, the construction works of the property with a construction floor area of approximately 12,103.01 sq.m. have been permitted to commence.
6. The capital value of the property if completed as at the Valuation Date would be approximately RMB10,441,000,000.
7. The status of the title and grant of major approvals and licenses, in accordance with the information provided to us, is as follows:

State-owned Land Use Rights Grant Contract	Yes
State-owned Land Use Rights Certificate	Yes
Building Ownership Certificate	No
Construction Land Use Planning Permit	Yes
Construction Works Planning Permit	Part
Construction Works Commencement Permit	Part
Business License	Yes

8. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
 - a) The Group has a proper legal title to the property and has the rights to use, transfer, lease and mortgage of the property.
 - b) The current use of the property is in compliance with the planning land use.
 - c) As the local government didn't transfer the land to the Group on time, the commencement date of 19 parcels of land of the property has been delayed. There is a low risk for these 19 parcels of land being treated as idle land or being assigned responsibility caused by delay of construction by Land Authority.
 - d) The State-owned Land Use Rights Certificate of Yong Guo Yong (2011) Di 016 Hao, Yong Guo Yong (2011) Di 017 Hao, Yong Guo Yong (2011) Di 018 Hao, Yong Guo Yong (2011) Di 019 Hao, Yong Guo Yong (2011) Di 020 Hao, Yong Guo Yong (2011) Di 069 Hao and Yong Guo Yong (2011) Di 074 Hao have been mortgaged.
9. In valuing the property, we have adopted Direct Comparison Approach taking into account the incurred construction cost and associated costs. The assumed accommodation values of the parcels of residential land are as follows:

Plot	1	2	3	4
Accommodation Value (RMB/sq.m.)	578	578	578	578

The assumed accommodation value of the parcel of commercial land is as follow:

Plot	1
Accommodation Value (RMB/sq.m.)	693

In undertaking our valuation of the property, we have made reference to prices of land parcels within the district. The accommodation values of residential land range from about RMB510 to RMB669 per sq.m.. The accommodation values of commercial land range from about RMB531 to RMB774 per sq.m.. The unit rates assumed by us are consistent with the relevant comparables after due adjustments. As advised by the Group, the incurred construction cost as at the Valuation Date was approximately RMB153,300,000. In the course of our valuation, we have taken into account such cost.

VALUATION CERTIFICATE

Property	Description and tenure	Details of occupancy	Capital value in existing state as at March 31, 2014
12. A portion of Phase III of Shenyang Glory City, a development site located at the south of Lianhe Road and the north of Dongbei Avenue, Dadong District, Shenyang, Liaoning Province, the People's Republic of China	The property comprises a development site with a site area of approximately 81,636.13 sq.m.. According to the proposed development scheme provided by the Group, the property will comprises five commercial buildings, namely Buildings A, B, C, E and F (excluding the commercial units in Buildings C and E). The undeveloped land parcel of Phase II of Shenyang Glory City (known as "Autoparts City") is included in this property. The proposed development has a total gross floor area of approximately 323,010 sq.m.. The property is scheduled to be completed by phases by the third quarter of 2018. The property is held under 8 State-owned Land Use Rights Certificates for commercial use for terms expiring on September 2, 2043, March 25, 2044 and August 25, 2044.	As at the Valuation Date, Buildings C and E of the property were under construction. The remaining portion was a vacant land. The undeveloped land parcel of Autoparts City was occupied by a third party as a car repairing garage which will be relocated by the government.	RMB828,000,000 80% interest attributable to the Group: RMB662,400,000 (Renminbi Six Hundred Sixty Two Million and Four Hundred Thousand)

Notes:

1. Pursuant to the State-owned Land Use Rights Purchase Agreement dated November 9, 2004 entered into between Shenyang Ye Jin Leng Zha Luo Wen Gang You Xian Gong Si (瀋陽冶金冷軋螺紋鋼有限公司) (the Seller) and Shenyang Dadongfang Properties Co., Ltd. (the Purchaser), the major terms and conditions of the property are set out as follows:

Terms and Conditions	Details
Site Area	: 6,276.4 sq.m.
Land Use	: Commercial
Land Use Term	: Commercial for 40 years
Total Land Purchase Price	: RMB 3,000,000

2. Pursuant to the State-owned Land Use Rights Grant Contract Shen Gui Guo Tu Chu He Zi (2004) 0099 entered into between Shenyang Planning and Land Resources Bureau (the Grantor) and Shenyang Dadongfang Properties Co., Ltd. (the Grantee), the major terms and conditions of the property are set out as follows:

Terms and Conditions	Details
Site Area	: 102,245.5 sq.m.
Land Use	: Commercial
Land Use Term	: 40 years for commercial use
Total Land Purchase Price	: RMB 124,238,323.4

3. Pursuant to the State-owned Land Use Rights Grant Contract Shen Gui Guo Tu Chu He Zi (2004) 0262 entered into between Shenyang Plan and Land Resources Bureau (the Grantor) and Shenyang Dadongfang Properties Co., Ltd. (the Grantee), the major terms and conditions of the property are set out as follows:

<u>Terms and Conditions</u>	<u>Details</u>
Site Area	: 220,341 sqm
Land Use	: Commercial
Land Use Term	: 40 years for commercial use
Aboveground Gross Floor Area	: Subject to Construction Works Planning Permits
Underground Gross Floor Area	: Subject to Construction Works Planning Permits
Total Land Purchase Price	: RMB248,544,648

4. Pursuant to the following State-owned Land Use Rights Certificates, the land use rights of the property have been granted to Shenyang Dadongfang Properties Co., Ltd. for commercial use.

<u>State-owned Land Use Rights Certificate No.</u>	<u>Date of Issuance</u>	<u>Site Area (sq.m.)</u>	<u>Land Use and Expiry Date</u>
Shenyang Guo Yong (2005) No.0111	April 10, 2005	6,276.40	Commercial, September 2, 2043
Shenyang Guo Yong (2004) No.0192	March 25, 2004	102,245.50	Commercial, March 25, 2044
Shenyang Guo Yong (2004) No.0492	March 25, 2004	20,335.90	Commercial, August 25, 2044
Shenyang Guo Yong (2004) No.0493	March 25, 2004	15,945.50	Commercial, August 25, 2044
Shenyang Guo Yong (2004) No.0494	March 25, 2004	16,733.80	Commercial, August 25, 2044
Shenyang Guo Yong (2004) No.0495	August 30, 2004	23,332.20	Commercial, August 25, 2044
Shenyang Guo Yong (2004) No.0496	August 30, 2004	18,295.60	Commercial, August 25, 2044
Shenyang Guo Yong (2004) No.0497	August 30, 2004	19,282.90	Commercial, August 25, 2044
Total:		222,447.80	

5. Pursuant to the Construction Land Use Planning Permit dated June 29, 2007, the land use planning of the property with a site area of approximately 233,747.1 sq.m. has been permitted.
6. Pursuant to the Construction Works Planning Permit dated May 19, 2011, the planning of construction works of the property with a construction floor area of approximately 72,352 sq.m. has been permitted.
7. Pursuant to the Construction Works Planning Permit dated July 14, 2011, the planning of construction works of the property with a construction floor area of approximately 77,839 sq.m. has been permitted.
8. Pursuant to the Construction Works Commencement Permit dated July 8, 2011, the construction works of the property with a construction floor area of approximately 72,352 sq.m. has been permitted to be commenced.
9. Pursuant to the Construction Works Commencement Permit dated August 16, 2011, the construction works of the property with a construction floor area of approximately 77,839 sq.m. has been permitted to commence.
10. The status of the title and grant of major approvals and licences, in accordance with the information provided to us, is as follows:

State-owned Land Use Rights Grant Contract	Yes
State-owned Land Use Rights Certificate	Yes
Building Ownership Certificate	No
Construction Land Use Planning Permit	Part
Construction Works Planning Permit	Part
Construction Works Commencement Permit	Part
Building Completion Certificate	No

11. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:

- a) The Company has a proper legal title to the property and has the rights to use, transfer, lease and mortgage of the property;
- b) The current use of the property is in compliance with the planning land use;
- c) The following portions of the property are subject to mortgages and the transfer, lease and mortgage of such portions shall be subject to the prior consents from the mortgagee:

**Mortgaged State-owned Land Use
Rights Certificate No.**

Mortgage No.

Mortgagee:

Shenyang Guo Yong (2005) No.0111	211002200120006000	Agriculture Bank of China Liaoning Province Branch
Shenyang Guo Yong (2004) No.0192	211002200120006494 21100220110004500	Agriculture Bank of China Liaoning Province Branch
Shenyang Guo Yong (2004) No.0492	211002200120006000	Agriculture Bank of China Liaoning Province Branch
Shenyang Guo Yong (2004) No.0493	211002200120006000	Agriculture Bank of China Liaoning Province Branch
Shenyang Guo Yong (2004) No.0494	211002200120006000	Agriculture Bank of China Liaoning Province Branch
Shenyang Guo Yong (2004) No.0495	211002200120006000	Agriculture Bank of China Liaoning Province Branch
Shenyang Guo Yong (2004) No.0496	211002200120006000	Agriculture Bank of China Liaoning Province Branch
Shenyang Guo Yong (2004) No.0497	211002200120006000	Agriculture Bank of China Liaoning Province Branch

12. The capital value of the proposed development if completed as at the Valuation Date would be approximately RMB2.68 billion (excluding the commercial units in Buildings C and E).

13. In valuing the property, we have adopted Direct Comparison Approach taking into account the incurred construction cost and associated costs.

The assumed accommodation values for various portions of the property on existing condition are shown as follows:

Property Section	Building A	Building B	Building C (excluding the commercial units)	Building E (excluding the commercial units)	Building F	Undeveloped Land Parcel of Autoparts City
Accommodation Value (RMB/sqm)	2,350	2,350	2,130	2,350	2,350	2,350

The assumed unit rates on gross floor area for parcels of land which are under development are as follows:

Property Section	Building C	Building E
Unit Rate on GFA (RMB/sqm)	6,271	6,911

In undertaking our valuation of the property, we have made reference to prices of land parcels within the district. The accommodation values of parcels of commercial land range from about RMB2,206 to RMB2,602 per sqm. The unit rates assumed by us are consistent with the relevant comparables after due adjustments. As advised by the Group, the incurred construction costs as at the Valuation Date were approximately RMB364,556,618.14 for Building C and Building E (excluding incurred construction costs of the commercial units in Buildings C and E). In the course of our valuation, we have taken into account such costs.

VALUATION CERTIFICATE

Property	Description and tenure	Details of occupancy	Capital value in existing state as at March 31, 2014
13. Phases I, II and III of Wanning Glory City, a development site located in Wanghai Avenue, Wancheng District, Wanning, Hainan Province, the People's Republic of China	The property comprises 3 parcels of land with a total site area of 244,339.82 sq.m.. According to the proposed development scheme provided by the Group, the property will comprise various residential units, ancillary retail portions and ancillary facilities. The property will comprise a total gross floor area of approximately 361,398 sq.m.. The property is scheduled to be completed by phases by the first quarter of 2017. The property is held under 6 State-owned Land Use Rights Certificates for residential use for terms of 70 years expiring on September 20, 2080.	As at the Valuation Date, the property was under construction.	RMB726,000,000 80% interest attributable to the Group: RMB580,800,000 (Renminbi Five Hundred Eighty Million and Eight Hundred Thousand)

Notes:

1. Pursuant to the following State-owned Land Use Rights Grant Contract, the land use rights of the property with a total site area of approximately 244,339 sq.m. have been granted to the Group for a total consideration of RMB128,556,000.

State-owned Land Use Rights

Grant Contract No.	Date of Issuance	Usage	Site Area (sq.m.)
Wan Guo Rang(He)Zi [2010] Di 1 Hao	February 20, 2010	Residential	49,575
Wan Guo Rang(He)Zi [2010] Di 2 Hao	February 20, 2010	Residential	52,608
Wan Guo Rang(He)Zi [2010] Di 3 Hao	February 20, 2010	Residential	46,078
Wan Guo Rang(He)Zi [2010] Di 4 Hao	February 20, 2010	Residential	8,915
Wan Guo Rang(He)Zi [2010] Di 5 Hao	February 20, 2010	Residential	51,205
Wan Guo Rang(He)Zi [2010] Di 6 Hao	February 20, 2010	Residential	35,958
Total :			244,339

2. In accordance with State-owned Land Use Rights Certificates Wan Guo Yong (2010) Di 100318-100323 Hao dated September 20, 2010, the land use rights of the property with a site area of approximately 244,339.82 sq.m. have been granted to Wanning Glory Real Estate Development Co., Ltd for residential use for a term of 70 years.

State-owned Land Use Rights Certificate No.	Date of Issuance	Site Area (sq.m.)	Expiry Date
Wan Guo Yong(2010) No. 100323	September 20, 2010	49,575.03	February 20, 2080
Wan Guo Yong(2010) No. 100321	September 20, 2010	52,607.86	February 20, 2080
Wan Guo Yong(2010) No. 100322	September 20, 2010	46,078.35	February 20, 2080
Wan Guo Yong(2010) No. 100318	September 20, 2010	8,915.30	February 20, 2080
Wan Guo Yong(2010) No. 100319	September 20, 2010	51,204.80	February 20, 2080
Wan Guo Yong(2010) No. 100320	September 20, 2010	35,958.48	February 20, 2080

3. The following Construction Land Use Planning Permits of the property have been obtained:

Construction Land Use Planning Permit No.	Date of Issuance	Site Area (sq.m.)
Wan Zhu Jian Di Zi No. (2010)151	September 2, 2010	10,779.83
Wan Zhu Jian Di Zi No. (2010)149	September 2, 2010	52,607.83
Wan Zhu Jian Di Zi No. (2010)150	September 2, 2010	90,952.13

4. Pursuant to the Construction Works Planning Temporary Permit Wan Zhu Jan Gui Lin (2010) No. 337 dated December 10, 2010, Planning of Phase I of Wanning Guorui City, with a construction floor area of 22,065.7 sq.m. has been permitted.
5. Pursuant to the Construction Works Planning Permit Wan Zhu Jan Gui Lin (2013) No. 133 dated September 26, 2013, Planning of Phase I of Wanning Guorui City, with a construction floor area of about 22,065.7 sq.m. has been permitted. Confirmation as a result of the planning adjustment, retrieve and send out 'Wan Zhu Jan Gui Lin (2010) No. 337 Hao.
6. Pursuant to the Construction Works Commencement Permit dated May 5, 2011, the construction works of the property with a construction floor area of approximately 179,757.79 sq.m. has been permitted to commence.
7. Pursuant to the Construction Works Commencement Permit No. 46006201402280101 dated February 28, 2014. Development location: south of Wanghai Ave, Wancheng District, Wanning city, the construction works regarding a construction area of about 106,886.79 sqm (A5-A39, thirty five buildings) has been permitted to be commenced by Wanning Glory Real Estate Development Co., Ltd.
8. Pursuant to the Pre-sale permit ([2013] Wan Fang Yu Zi No. (Yan 45)) dated August 13, 2013, Pre-sale of Phase I of the property with an area of 26,861.64 sq.m. has been permitted.
9. As advised by the Group, on December 10, 2013, Wanning City Land Resources Bureau and Wanning Glory Real Estate Development Co., Ltd. signed the "Wan Rang 2009-29A of State-owned Land Use Rights Grant Contract supplementary agreement", "Wan Rang 2009-29F of state-owned Land Use Rights Grant contract supplemental agreement." Confirmed that Block 2009-29A and 2009-29F the completion date changed to September 30, 2015.
10. As advised by the Group, on December 10, 2013, Wanning City Land Resources Bureau and Wanning Glory Real Estate Development Co., Ltd. signed the "Wan Rang 2009-29B of state-owned Land Use Rights Grant contract supplemental agreement", "Wan Rang 2009-29C of state-owned Land Use Rights Grant contract supplemental agreement", "Wan Rang 2009-29D of state-owned Land Use Rights Grant contract supplemental agreement", "Wan Rang 2009-29F of state-owned Land Use Rights Grant contract supplemental agreement." Confirmed that Block 2009-29B, 2009-29C, 2009-29D and 2009-29F commencement date changed to September 30, 2014, the completion date changed to December 31, 2016.
11. The status of the title and grant of major approvals and licences, in accordance with the information provided to us, is as follows:

State-owned Land Use Rights Grant Contract	Yes
State-owned Land Use Rights Certificate	Yes
Building Ownership Certificate	No
Construction Land Use Planning Permit	Yes
Construction Works Planning Permit	Yes (temporary)
Construction Works Commencement Permit	Yes (only A Group)
Pre-sale Permit	(only A1, A2, A4)
Building Completion Certificate	No
Business Licence	No

12. The capital value of the proposed development if completed as at the Valuation Date would be approximately RMB2.075 billion.
13. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
 - a) Wanning Glory Real Estate Development Co., Ltd. owns the land use rights legally and effectively, and it is also the only legitimate owner for this land use rights. The company has the rights to transfer, lease and mortgage the portion of the site with a land use nature for transfer.
 - b) For residential buildings of Phase I of Wanning Glory City, Wanning Glory Real Estate Development Co., Ltd. has obtained the Temporary Construction Works Planning Permit from Wanning City Housing and Urban-Rural Development Bureau on December 10, 2010, and obtained the Construction Works Commencement Permit on March 5, 2011, and this project was under construction as at the Valuation Date.
 - c) Hainan Nan Du Jiang Real Industrial Development Co., Ltd. had acquired the project land for over 2 years, and had not started construction yet. The plot ratio of this land was adjusted by the local government on January 5, 2012. This land parcel is believed not being treated as idle land by the date of issuance of the legal opinion.
 - d) by the date of issuance of the legal opinion, the construction works of four sites with State-owned Land Use Rights Certificate Nos., namely Wan Guo Yong (2010) Di 100321, Wan Guo Yong (2010) Di 100322, Wan Guo Yong (2010) Di 100318 and Wan Guo Yong (2010) Di 100320, have yet been initiated by Wanning Glory Real Estate Development Co., Ltd. Wanning City Land Resources Bureau confirmed reasons as that young crops and ground attachments thereon had not been cleared. This constitutes conditions stipulated by law that it is attributed by actions of government and its relevant departments which cause the delay to commencement of the development. As Wanning Land Environment Resource Bureau has confirmed the reason of the delay on development, the probability of the above land being treated as idle land and being penalized due to such violation is limited.

- e) Except for the above mentioned, we did not find any important violation action to the content recorded on the State-owned Land Use Rights Grant Contract, State-owned Land Use Rights Certificate, and we also didn't find any important violation to the limited condition to use land use rights stipulated by the Chinese law. We didn't find any other condition including mortgage, compulsory acquisition, important litigation, dispute and other material adverse effect to the land use rights and the ownership of building erected on except for the disclosed above.
- f) Up to the issue date of this legal opinion, Wanning Glory has got necessary authorization from relevant government department to develop and construct this project at this stage, and all of the developments and construction actions fulfill requirements stipulated by relevant construction law.
- g) According to the confirmation from issuer and after lawyer's investigation of JINGTIAN& GONGCHENG, we did not find any situation including revoked, repeal and revocation for all the authorization, permitted and certificate held by Wanning Glory, and all of the files are legal and effective during all the legal term.
- h) As at the Valuation Date, the sites held under certificates Nos. Wan Guo Yong (2010) Di 100318, Wan Guo Yong (2010) No. 100319, Wan Guo Yong (2010) No. 100320, Wan Guo Yong (2010) No. 100321, Wan Guo Yong (2010) No. 100322, Wan Guo Yong (2010) No. 100323 have been mortgaged to Bank of China Co., LTD (Hainan Branch) on June 13, 2011, details are set out as follows;

<u>Mortgaged</u>	<u>Contract No.</u>	<u>Mortgage term</u>	<u>Mortgagor</u>	<u>Mortgagee</u>
Wan Guo Yong(2010) No. 100318	Qong Zhong Yin(2011) Gong Si Di Zi No. 5	Starting from June 13, 2011 and expiring on December 31, 2016	Wanning Glory Real Estate Development Co., Ltd.	Bank of China Co., LTD (Hainan Branch)
Wan Guo Yong(2010) No. 100319				
Wan Guo Yong(2010) No. 100320				
Wan Guo Yong(2010) No. 100321				
Wan Guo Yong(2010) No. 100322				
Wan Guo Yong(2010) No. 100323				

- 14 In valuing the property, we have adopted Direct Comparison Approach taking into account the incurred construction cost and associated costs.

The assumed accommodation values for Plots A, B and C are RMB890, RMB900 and RMB910 per sq.m. respectively.

In undertaking our valuation, we have made reference to prices of land parcels within similar areas. The prices of parcels of residential land range from about RMB600 to RMB1,150 per sqm. The unit rates assumed by us are consistent with the relevant comparables after due adjustments. As advised by the Group, the incurred cost as at the Valuation Date was approximately RMB404 million and the estimated outstanding cost for completion was about RMB818 million. In the course of our valuation, we have taken into account such costs.

VALUATION CERTIFICATE

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at March 31, 2014														
14.	Phases III, IV and V of Haikuotiankong Glory City, a development site (known as “S3”, “S4” and “S5”), East of Long Kun Road South, Haikou City, Hainan Province, the People’s Republic of China	The property comprises 3 parcels of land with a total site area of approximately 72,295.62 sq.m., which form part of the development known as “Haikou Glory City.” According to the proposed development scheme provided by the Group, the property will comprise 9 blocks of apartments, 5 office towers and 7 retail podiums. The breakdown of floor area is as follows: <table><tr><th>Portions</th><th>GFA (sq.m.)</th></tr><tr><td>Residential</td><td>181,239</td></tr><tr><td>Retail</td><td>10,735</td></tr><tr><td>Basement</td><td>103,146</td></tr><tr><td>Ancillary Facilities</td><td>11,015</td></tr><tr><td>Office</td><td>198,094</td></tr><tr><td>Total</td><td>504,229</td></tr></table> There will be a total number of 4,034 car parking spaces and an area of approximately 14,220 sq.m. for civil defense use in basement within the proposed development. The property is scheduled to be completed by phases by the third quarter of 2015. The parcels of land on which S3 and S4 are situated are held under 4 State-owned Land Use Rights Certificate for residential use for terms of 70 years expiring on October 11, 2080 and for commercial use for terms of 40 years expiring on October 11, 2050. The parcel of land on which S5 is situated is held under a State-owned Land Use Rights Certificate for commercial use for a term expiring on August 11, 2064.	Portions	GFA (sq.m.)	Residential	181,239	Retail	10,735	Basement	103,146	Ancillary Facilities	11,015	Office	198,094	Total	504,229	As at the Valuation Date, the property was under construction.	RMB2,311,000,000 80% interest attributable to the Group: RMB1,848,800,000 (Renminbi One Billion Eight Hundred Forty Eight Million and Eight Hundred Thousand)
Portions	GFA (sq.m.)																	
Residential	181,239																	
Retail	10,735																	
Basement	103,146																	
Ancillary Facilities	11,015																	
Office	198,094																	
Total	504,229																	

Notes:

- Hainan Glory Investment & Development Co., Ltd. purchased 100% share of Hainan HNA Glory Investment & Development Co., Ltd. from Haikou New City Construction Development Co., Ltd. on March 24, 2010 with a price of RMB466,869,243.

2. In accordance with the following State-owned Land Use Rights Certificates, the land use rights of the property have been granted to Hainan Hainan HNA Glory Investment & Development Co., Ltd. with the major terms and conditions set out as follows:

State-owned Land Use Rights Certificate No.	Date of Issuance	Site Area (sq.m.)	Land Use and Expiry Date
Hai Kou Shi Guo Yong (2010) No. 013095	October 26, 2010	17,444.59	Residential: October 11, 2080
Hai Kou Shi Guo Yong (2010) No. 013096	October 26, 2010	9,968.31	Commercial: October 11, 2050
Hai Kou Shi Guo Yong (2010) No. 011918	October 22, 2010	22,444.73	Residential: October 11, 2080
Hai Kou Shi Guo Yong (2010) No. 011919	October 22, 2010	660.14	Commercial: October 11, 2050
Hai Kou Shi Guo Yong (2010) No. 005968	July 6, 2010	21,777.83	Commercial: August 11, 2064

3. Pursuant to the three Construction Works Planning Permits issued by Haikou Municipal Planning Bureau, the planning of the property was permitted. The details of the permit are as follows:

Construction Works Planning Permit No.	Project Name	GFA (sq.m.)	Date of Issuance
Jian Zi Di 460100201100016	Land parcel S3	152,356 above ground 41,382 basement	January 30, 2011
Jian Zi Di 460100201000169	Land parcel S4	82,330 above ground 16,500 basement	December 20, 2010
Jian Zi Di 460100201200074	Land parcel S5	197,050.08 above ground 74,310.26 basement	May 3, 2012

4. Pursuant to the two Construction Works Commencement Permits issued by Haikou Municipal Housing and Urban-Rural Construction Bureau, the construction works of the property with a construction floor area of approximately 26,239.32 sq.m. have been permitted to commence. The details of permits are as follows:

Construction Works Commencement Permit No.	Project Name	GFA (sq.m.)	Date of Issuance
460100201110240401	Boshi Yuan (S3)	193,738	October 24, 2011
460100201107260301	Jueshi Yuan (S4)	98,830	July 26, 2011

5. The status of the title and grant of major approvals and licences, in accordance with the information provided to us, is as follows:

State-owned Land Use Rights Grant Contract	No
State-owned Land Use Rights Certificate	Yes
Building Ownership Certificate	No
Construction Land Use Planning Permit	No
Construction Works Planning Permit	Yes
Construction Works Commencement Permit	Yes
Building Completion Certificate	No

6. As advised by the Group, the incurred construction cost as at the Valuation Date was approximately RMB958 million and the estimated outstanding cost for completion is about RMB967 million.

7. The capital value of the proposed development if completed as at the Valuation Date would be approximately RMB6.65 billion.

8. Pursuant to the Cooperation and Contract Supplementary Agreements entered into between Haikou New City Zone Construction Development Co., Ltd. (海口新城區建設開發有限公司) and Glory Xingye (Beijing) Properties Co., Ltd. (國瑞興業(北京)置業股份有限公司) dated June 30, 2008 and July 28, 2009, Haikou New City Zone Construction Development Co., Ltd. (海口新城區建設開發有限公司) owned about 22% of the proposed gross floor area of site S5. In the course of our valuation, we have taken into account the value of this portion.

9. Pursuant to the Office Purchase Contract entered into between Hainan HNA Glory Investment & Development Co., Ltd. and Agricultural Bank of China Co., Ltd., Hainan branch dated December 30, 2011 the office building known as Block A with a proposed gross floor area of 49,231 sq.m. has been contracted to be sold to Agricultural bank of China Co., Ltd., Hainan branch for a consideration of RMB498,372,000 upon completion.

10. Portions of S3 and S4 of the property comprising 142 residential units with a gross floor area of approximately 17,278.77 sqm, 59 retail shops with a gross floor area of approximately 6,408.52 sqm have been contracted to be sold for a total consideration of about RMB474,112,904. In arriving at our opinion on the capital value of such portions, we have taken into account the contract prices of those portions.

11. We have been provided with a legal opinion on the property by the Group's PRC legal advisors, which contains, inter alia, the following information.
- a) The Group legally owns the land use rights of the property and is entitled to legally transfer, lease, mortgage or otherwise dispose of the property.
 - b) The Group has got the relevant construction permits and approvals and is entitled to legally develop and sell the property.
 - c) The contents of the proforma sale and purchase agreement of the property are in accordance with the PRC laws and such proforma agreement is legal, valid, binding and enforceable. For those units which has been contracted to be sold, the Group does not have the right to transfer, lease, and mortgage or otherwise dispose of the property without the purchasers' approval and termination of the relevant sale and purchase agreements.
 - d) With the Group's confirmation, part of the construction works of S5 had commenced before the relevant Construction Works Commencement Permit was granted. The construction works might be suspended, due date of completion might be changed, and Hainan HNA Glory Investment & Development Co., Ltd might be fined an amount equivalent to 1% to 2% of the relevant construction contract sum. Given that the permit for the commencement of construction works of S5 was granted by Haikou Housing and Urban and Rural Development Bureau to Hainan HNA Glory Investment & Development Co., Ltd. on August 5, 2013, to Hainan HNA Glory Investment & Development Co., Ltd, the probability of being penalized due to the violation is limited.
 - e) The land which the subject sited have been mortgaged.
12. In valuing the property, we have adopted Direct Comparison Approach taking into account the incurred construction cost and associated costs. The assumed accommodation value is about RMB5,950 per sq.m..

In undertaking our valuation of the property, we have made reference to prices of land parcels within the district. The prices of land range from about RMB2,300 to RMB3,195 per sqm. The unit rate assumed by us is consistent with the relevant comparables after due adjustments. As advised by the Group, the incurred construction cost as at the Valuation Date was approximately RMB958 million. In the course of our valuation, we have taken into account such cost.

VALUATION CERTIFICATE

Property	Description and tenure	Details of occupancy	Capital value in existing state as at March 31, 2014								
15. Glory Riverview Garden, a development site located on Xin Bu Dao, Haikou, Hainan Province, the People’s Republic of China	The property comprises a development site of approximately 36,633.89 sq.m.. According to the proposed development scheme provided by the Group, the property will be developed into a residential development known as “Riverview Garden.” The breakdown of floor area is as follows: <table><tr><th>Portions</th><th>GFA (sq.m.)</th></tr><tr><td>Residential</td><td>18,317</td></tr><tr><td>Basement</td><td>3,265</td></tr><tr><td>Total</td><td>21,582</td></tr></table> As advised by the Group, on June 30, 2010, the Property is scheduled to be completed in the fourth quarter of 2015. The property is held under a State-owned Land Use Rights Certificate for residential use for a term expiring on February 24, 2064.	Portions	GFA (sq.m.)	Residential	18,317	Basement	3,265	Total	21,582	As at the Valuation Date, the property was under construction.	RMB310,000,000 80% interest attributable to the Group: RMB248,000,000 (Renminbi Two Hundred and Forty Eight Million)
Portions	GFA (sq.m.)										
Residential	18,317										
Basement	3,265										
Total	21,582										

Notes:

- Hainan Glory Investment & Development Co., Ltd. purchased 25% share of Hainan Nanduijiang Real Industrial Development Co., Ltd. from Zhou Zhou on June 30, 2010 for a consideration of RMB100,000,000.
- In accordance with State-owned Land Use Rights Certificate Hai Kou Shi Guo Yong (2012) No.000473 dated January 12, 2012, the land use rights of the property having a site area of approximately 36,633.89 sq.m. have been granted to Hainan Nanduijiang Industrial Co., Ltd for residential use for a term expiring on February 24, 2064.
- Pursuant to the Construction Works Planning Permit issued by Hai Kou Municipal Planning Bureau, the planning of the property was permitted. The details of the permit are as follows:

Construction Work Planning

Permit No.	Project Name	GFA (sq.m.)	Date of Issuance
No. 460100201400024	Glory Riverview Garden	18,317 (aboveground) 3,265 (underground)	17 March 2014

- The status of the title and grant of major approvals and licenses, in accordance with the information provided to us, is as follows:

State-owned Land Use Rights Grant Contract	No
State-owned Land Use Rights Certificate	Yes
Building Ownership Certificate	No
Construction Land Use Planning Permit	No
Construction Works Planning Permit	Yes
Construction Works Commencement Permit	No
Building Completion Certificate	No

- As advised by the Group, the incurred construction cost as at the Valuation Date was approximately RMB46.3 million and the estimated outstanding cost for completion is about RMB71.6 million.

6. The capital value of the proposed development if completed as at the Valuation Date would be approximately RMB514 million.
7. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
 - a) The Group has a proper legal title to the property and has the rights to use, transfer, lease and mortgage of the property.
 - b) The property is free from encumbrance.
 - c) Hainan Nanduijiang Real Industrial Development Co., Ltd. has acquired the project land for over 2 years, and has not started construction yet. The plot ratio of this land was adjusted by the local government on January 5, 2012. This land parcel is believed not being treated as idle land by the date of issuance of the legal opinion.
8. In valuing the property, we have adopted Direct Comparison Approach taking into account of the incurred consideration cost and associated costs. The assumed land value is about RMB7,165 per sq.m. on site area.

In undertaking our valuation of the property, we have made reference to prices of land parcels within similar areas. The prices of land range from about RMB4,941 to RMB8,150 per sq.m. on site area. The unit rate assumed by us is consistent with the relevant comparables after due adjustments. As advised by the Group, the incurred construction cost as at the Valuation Date was approximately RMB46.3 million. In the course of our valuation, we have taken into account such cost.

VALUATION CERTIFICATE

Property	Description and tenure	Details of occupancy	Capital value in existing state as at March 31, 2014
16. Haikou West Coast Glory, a development site located on South of Bin Hai Road West, Haikou, Hainan Province, the People's Republic of China	The property comprises a development site of approximately 34,120.88 sq.m.. The site has a maximum above ground permissible gross floor area of approximately 17,060.44 sq.m.. According to the proposed development scheme provided by the Group, the property will be developed into a residential development known as "West Coast" is to be developed. The property is scheduled to be completed in the third quarter of 2016. The property is held under a State-owned Land Use Rights Certificate for residential use for a term expiring on May 7, 2065.	As at the Valuation Date, the property was vacant.	RMB237,000,000 44% interest attributable to the Group: RMB104,300,000 (Renminbi One Hundred Four Million and Three Hundred Thousand)

Notes:

- Beijing Glory Xingye Real Estate Co., Ltd. purchased 55% share of Haikou Hangrui Industrial Development Co., Ltd. from Hainan HNA Real Estate Holding Co., Ltd. on December 11, 2008 for a consideration price of RMB 100,000,000.
- In accordance with State-owned Land Use Rights Certificate Hai Kou Shi Guo Yong (2013) No.007906 dated August 28, 2013, the land use rights of the property with a site area of approximately 34,120.88 sq.m. have been granted to Haikou Hangrui Industrial Development Co., Ltd for residential use for a term expiring on May 7, 2065.
- The status of the title and grant of major approvals and licenses, in accordance with the information provided to us, is as follows:

State-owned Land Use Rights Grant Contract	No
State-owned Land Use Rights Certificate	Yes
Building Ownership Certificate	No
Construction Land Use Planning Permit	No
Construction Works Planning Permit	No
Construction Works Commencement Permit	No
Building Completion Certificate	No
- We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
 - The Group has a proper legal title to the property and has the rights to use, transfer, lease and mortgage of the property;
 - The property is free from encumbrance.
- In valuing the property, we have adopted Direct Comparison Approach. The assumed land value is about RMB6,946 per sq.m. on site area.

In undertaking our valuation of the property, we have made reference to prices of land parcels within the similar area. The prices of parcels of land range from about RMB4,941 to RMB8,150 per sq.m. on site area. The unit rate assumed by us is consistent with the relevant comparables after due adjustments.

VALUATION CERTIFICATE

Property	Description and tenure	Details of occupancy	Capital value in existing state as at March 31, 2014
17. Beijing Glory Center, a development site located at the southeast corner of Chongwenmen Intersection, Dongcheng District, Beijing, the People's Republic of China	The property comprises a parcel of land with a site area of approximately 12,738.18 sq.m.. The land parcel has a maximum permissible gross floor area of approximately 140,021 sq.m. for office, retail, car parking and facility use. As advised by the Group, the property is scheduled to be completed in the third quarter of 2016. The property is held for commercial use for a term of 40 years and for composite use for a term of 50 years.	As at the Valuation Date, the property was under construction.	RMB3,032,000,000 80% interest attributable to the Group: RMB2,425,600,000 (Renminbi Two Billion Four Hundred Twenty Five Million and Six Hundred Thousand)

Notes:

1. In accordance with State-owned Land Use Rights Grant Contract No. Jing Di Chu [He] Zi (2013) No.0073 dated March 13, 2013 entered into between Beijing Municipal Bureau of Land and Resources (the Grantor) and Beijing Glory Xingye Real Estate Co., Ltd. (the Grantee), the use and development of the site are subject to, inter alia, the following major terms and conditions:

Location	:	Southeast corner of Chongwenmen Intersection, Dongcheng District
Site Area	:	12,738.183 sqm
Land Use	:	Commercial, Composite
Land Use Term	:	40 years for commercial use; 50 years for composite use;
Planned GFA	:	85,000 sq.m.
Land Grant Fee	:	RMB2,777,800,000

2. In accordance with the supplementary agreement to the State-owned Land Use Rights Grant Contract No. Jing Di Chu [He] Zi (2013) No.0073 entered into between Beijing Municipal Bureau of Land and Resources (the Grantor) and Beijing Glory Xingye Real Estate Co., Ltd. (the Grantee), the major term as below:

Updated Total Planned GFA	:	140,021.18 sq.m.
Aboveground Planned GFA	:	85,800 sqm (4,380 sqm for retail use, 81,420 sq.m. for office use)
Underground Planned GFA	:	54,221.18 sqm (12,389 sqm for retail use; 116 sq.m. for underground property management room; 18,470.79 sq.m. for underground car parking use, 23,245.39 sq.m. for other non-operational use)
Updated Land Use Term	:	40 years for commercial and underground commercial uses; 50 years for office, underground property management room and underground car parking uses;
Additional Land Grant Fee	:	RMB150,968,135

3. In accordance with State-owned Land Use Rights Certificate No. Jing Dong Guo Yong (2014 Chu) No.00030 dated February 27, 2014, the use and development of the site are subject to, inter alia, the following major terms and conditions:

Location	:	Southeast corner of Chongwenmen Intersection, Dongcheng District
Site Area	:	12,738.18 sq.m.
Land Use	:	Commercial, Underground Commercial Office, Underground Car Park, Underground Composite (Property Management Room)
Expiry Date	:	March 12, 2053 for commercial use and underground commercial use; March 12, 2063 for office, underground car parking, underground composite use (property management room);

4. Pursuant to Construction Land Use Planning Permit No. 2013 Gui Di No. 0041 dated July 19, 2013, the subject project, with a permitted construction site area of 12,738.183 sq.m. and located in Southeast corner of Chongwenmen intersection, Dongcheng District, Beijing, in compliance with the town planning requirements. The user of the land is Beijing Glory Xingye Real Estate Co., Ltd..

5. Construction Works Planning Permit Jian Zi No. 110000201300487 (2013 Gui Jian Zi No.0081) issued by Planning Committee of Beijing Municipality dated 1 November, 2013:

Construction Subjects	:	Commercial Finance
Location	:	Southeast of the intersection of Chongwenmen Road, Dongcheng District
Construction Floor Area	:	140,021.18 sq.m.

6. Construction Works Commencement Permit No.[2004] Shi Jian Zi No.0117 issued by Beijing Municipal Commission of Housing and Urban-Rural Development dated 6 March, 2014:

Construction Subjects	:	Commercial Finance
Location	:	Southeast of the intersection of Chongwenmen road, Dongcheng District
Construction Floor Area	:	140,021.18 sqm

7. The capital value of the property if completed as at Valuation Date would be approximately RMB 4,989,600,000.

8. The status of the title and grant of major approvals and licences, in accordance with the information provided to us, is as follows:

i.	State-owned Land Use Rights Grant Contract	Yes
ii.	State-owned Land Use Rights Certificate	Yes
iii.	Construction Land Use Planning Permit	Yes
iv.	Construction Works Planning Permit	Yes
v.	Construction Works Commencement Permit	Yes
vi.	Building Ownership Certificate	No

9. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:

- a) Pursuant to PRC laws and regulations, the State-owned construction land use right transfer contract entered into between Beijing Glory Xingye Real Estate Co., Ltd. (the Grantee) and China Beijing Bureau of Homeland and Resources (the Grantor) of the property is legal and valid.
- b) The Group has got the relevant construction permits and approvals and is entitled to legally develop.

10. In valuing the property, we have adopted Direct Comparison Approach taking into account the incurred associated costs. The assumed accommodation value is about RMB 32,380 per sq.m..

In undertaking our valuation of the property, we have made reference to prices of land parcels within the district. The prices of accommodation value range from about RMB 34,200 to RMB 43,220 per sq.m.. The unit rate assumed by us is consistent with the relevant comparables after due adjustments. The incurred construction cost as at the valuation date was about RMB37,665,610 which excluded land cost, management fee, preliminary fee and interest fee.

VALUATION CERTIFICATE

Property	Description and tenure	Details of occupancy	Capital value in existing state as at March 31, 2014
18. Phases IV, V, VI and VII of Shenyang Glory City, a parcel of land located at east of Dongjian Road and north of Dongbei Avenue, Dadong District, Shenyang, Liaoning Province, the People's Republic of China	The property comprises 4 parcels of land with a total site area of approximately 405,137.69 sq.m.. It is proposed for a residential and commercial development with a maximum permissible gross floor area of approximately 1,012,844 sq.m.. There are approximately 296,172.03 sq.m. of land are with government issued Land use right certificates, and there are approximately 108,965.66 sq.m. of land are without government issued Land use right certificate. The property is scheduled to be completed by phases by the third quarter of 2018. The property is held for residential use for a term of 70 years and commercial use for a term of 40 years.	As at Valuation Date, the property was occupied by several third parties who will be relocated by local government. There was construction in progress on the land.	RMB1,985,000,000 80% interest attributable to the Group: RMB1,588,000,000 (Renminbi One Billion Five Hundred and Eighty Eight Million)

Notes:

- Pursuant to the State-owned Land Use Rights Grant Contract No. 2101042012A0019 entered into between Dadong Branch of Shenyang Planning and Land Resources Bureau (the Grantor) and Shenyang Dadongfang Properties Co., Ltd. (the Grantee), the major terms and conditions of the property are set out as follows:

Terms and Conditions	Details
Land Use	: Residential and Commercial
Land Use Term	: 70 years for residential use, 40 years for commercial use
Site Area	: 92,630.5 sqm
Total Land Purchase Price	: RMB 483,994,362.5

- Pursuant to the State-owned Land Use Rights Grant Contract No. 2101042013A0018 entered into between Dadong Branch of Shenyang Planning and Land Resources Bureau (the Grantor) and Shenyang Dadongfang Properties Co., Ltd. (the Grantee), the major terms and conditions of the property are set out as follows:

Terms and Conditions	Details
Land Use	: Residential and Commercial
Land Use Term	: 70 years for residential use, 40 years for commercial use
Site Area	: 135,019.19 sq.m.
Total Land Purchase Price	: RMB 705,475,267.75

3. Pursuant to the State-owned Land Use Rights Grant Contract Shen Gui Guo Tu Chu He Zi (2004) 0262 entered into between Shenyang Plan and Land Resources Bureau (the Grantor) and Shenyang Dadongfang Properties Co., Ltd. (the Grantee), the major terms and conditions of the property are set out as follows:

<u>Terms and Conditions</u>	<u>Details</u>
Land Use	: Commercial
Land Use Term	: 40 years for commercial use
Site Area	: 220,341 sq.m.
Total Land Purchase Price	: RMB 248,544,648

4. Pursuant to eight State-owned Land Use Rights Certificates, the land use rights of the property, with a total site area of 161,162.84 sqm, have been granted to Shenyang Dadongfang Properties Co., Ltd. , the details are as follows:

<u>State-owned Land Use Rights Certificate No.</u>	<u>Date of Issuance</u>	<u>Site Area (sq.m.)</u>	<u>Land Use and Expiry Date</u>
Shenyang Guo Yong (2004) No.0486	August 30, 2004	11,029.60	Commercial, August 25, 2044
Shenyang Guo Yong (2004) No.0487	August 30, 2004	9,015.50	Commercial, August 25, 2044
Shenyang Guo Yong (2004) No.0488	August 20, 2004	20,780.00	Commercial, August 25, 2044
Shenyang Guo Yong (2004) No.0489	August 30, 2004	15,770.50	Commercial, August 25, 2044
Shenyang Guo Yong (2004) No.0490	August 30, 2004	15,826.60	Commercial, August 25, 2044
Shenyang Guo Yong (2004) No.0491	August 3, 2004	18,170.50	Commercial, August 25, 2044
Shenyang Guo Yong (2004) No.0498	August 30, 2004	15,822.30	Commercial, August 25, 2044
Shenyang Da Dong Guo Yong (2013) No.0000015	April 10, 2013	54,747.84	Commercial, December 28, 2052; Residential, December 28, 2082
Shenyang Da Dong Guo Yong (2013) No.0000049	December 2, 2013	135,019.19	September 25, 2053
Total:		<u>296,172.03</u>	

5. The status of the title and grant of major approvals and licences, in accordance with the information provided to us, is as follows:

State-owned Land Use Rights Grant Contract	Part
State-owned Land Use Rights Certificate	Part
Building Ownership Certificate	No
Construction Land Use Planning Permit	No
Construction Works Planning Permit	No
Construction Works Commencement Permit	No
Building Completion Certificate	No

6. The State-owned Land Use Right Certificate of a portion of the land within Phase IV, which is named as Plot B, has not been obtained. The value of this portion of land is not included in the capital value of the property No.18. If the Company obtained the Land Use Right Certificate, the value of the land portion within Phase IV (Plot B) would have been RMB225,000,000.
7. The State-owned Land Use Right Certificate of a portion of the land within Phase VI, which is named as Plot D, has not been obtained. The value of this portion of land is not included in the capital value of the property No.18. If the Company obtained the Land Use Rights Certificate, the value of the land portion within Phase VI (Plot D) would have been RMB117,000,000.
8. The State-owned Land Use Right Certificate of a portion of land within Phase VII, which is named as Plot E, has not been obtained. The value of Plot E is not included in the capital value of the property No.18. If the company obtained the Land Use Rights Certificate, the value of Phase VII (Plot E) would have been RMB300,000,000.
9. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
- The Group has a proper legal title to the property and has the rights to use, transfer, lease and mortgage of the property;
 - The current use of the property is in compliance with the planning land use;

- c) The following portions of the property are subject to mortgages and the transfer, lease and mortgage of such portions shall be subject to the prior consents from the mortgagee

**Mortgaged State-owned Land Use
Rights Certificates No.**

Mortgage No.

Mortgagee

Shenyang Guo Yong (2004) No.0486	211002200120006494; 21100220110006500	Agriculture Bank of China Liaoning Province Branch
Shenyang Guo Yong (2004) No.0487	211002200120006494; 21100220110006500	Agriculture Bank of China Liaoning Province Branch
Shenyang Guo Yong (2004) No.0488	211002200120006494; 21100220110006500	Agriculture Bank of China Liaoning Province Branch
Shenyang Guo Yong (2004) No.0489	211002200120006494; 21100220110006500	Agriculture Bank of China Liaoning Province Branch
Shenyang Guo Yong (2004) No.0490	211002200120006494; 21100220110006500	Agriculture Bank of China Liaoning Province Branch
Shenyang Guo Yong (2004) No.0491	211002200120006000	Agriculture Bank of China Liaoning Province Branch
Shenyang Guo Yong (2004) No.0498	211002200120006494; 21100220110006500	Agriculture Bank of China Liaoning Province Branch

10. In valuing the property, we have adopted Direct Comparison Approach. The assumed accommodation values for the property are shown as follows:

Portion	Accommodation Value (RMB/sq.m.)
Phase V (Plot B)	2,370
Phase IV (Plot C)	2,370
Phase VI (Plot D)	2,350
Phase VII (Plot E)	2,350

In undertaking our valuation of the property, we have made reference to prices of land parcels within the similar areas. The prices of accommodation value range from about RMB2,190 to RMB2,500 per sqm for residential use, and from about RMB2,200 to RMB2,600 per sqm for commercial use. The unit rates assumed by us are consistent with the relevant comparables after due adjustments. The incurred construction cost as at the Valuation Date was about RMB207,900,000. In the course of our valuation, we have taken into account such cost.

VALUATION CERTIFICATE

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at March 31, 2014								
19.	A development site, No. B-03-06 , located in Zhugang New Town Longhu District, Shantou City, Guangdong Province, the People’s Republic of China	The property comprises a parcel of land in Zhugang New Town for residential, commercial and exhibition uses. The overall maximum plot ratio is 4.75 in which 4.5 is for residential use and 5.0 is for commercial and exhibition uses. According to the State-owned Land Use Rights Grant Contract and State-owned Land Use Rights Certificate provided by the Group, the GFA of the property when completed for exhibition use shall exceed 40,000 sq.m., and a 5-star hotel shall be erected thereon. The breakdown of above ground floor area is as follows: <table><thead><tr><th>Portion</th><th>GFA (sq.m.)</th></tr></thead><tbody><tr><td>Residential</td><td>122,469.8</td></tr><tr><td>Commercial and Exhibition</td><td>136,078.0</td></tr><tr><td>Total</td><td>258,547.8</td></tr></tbody></table> The property is scheduled to be completed in the fourth quarter of 2017. The property is held under a State-owned Land Use Rights Certificates for residential use for a term of 70 years expiring on October 7, 2083 and for commercial use for a term of 40 years expiring on October 7, 2053.	Portion	GFA (sq.m.)	Residential	122,469.8	Commercial and Exhibition	136,078.0	Total	258,547.8	As at the Valuation Date, the property was vacant.	RMB767,000,000 80% interest attributable to the Group: RMB613,600,000 (Renminbi Six Hundred Thirteen Million and Six Hundred Thousand)
Portion	GFA (sq.m.)											
Residential	122,469.8											
Commercial and Exhibition	136,078.0											
Total	258,547.8											

Notes:

1. Pursuant to the following State-owned Land Use Rights Grant Contract, the land use rights of the site, with a total site area of approximately 54,431.1 sqm has been granted to the Group for a total consideration of RMB675,000,000.

State-owned Land Use Rights	Date of Issuance	Usage	Site Area (sq.m.)
Grant Contract No.			
440501-2013-000016	September 9, 2013	Residential/Commercial	54,431.1

2. According to the State-owned Land Use Rights Certificates, the property occupies a site held by Shantou Glory Real Estate Development Co., Ltd., The details are set out as follows:

State-owned Land Use Rights	Site Area	Usage	Land Use and Expiry Date
Certificate No.	(sq.m.)		
Shan Guo Yong (2013) Zi No. 75000609	54,431.10	Residential, Commercial, Business compatible with Book Exhibition	Residential, October 7, 2083; Commercial, October 7, 2053
Total	54,431.10		

3. Pursuant to Construction Land Use Planning Permit 2013 Shan Gui Di Zi Di No. 036 dated September 22, 2013, the subject property, with a permitted construction site area of 65,822.1 sq.m. and located in site No. B-03-06, Zhugang New Town, Longhu District, Shantou City, in compliance with the town planning requirements. The user of the land is Shantou Glory Real Estate Development Co., Ltd..

4. The status of the title and grant of major approvals and licences, in accordance with the information provided to us, is as follows:

State-owned Land Use Rights Grant Contract	Yes
State-owned Land Use Rights Certificate	Yes
Building Ownership Certificate	No
Construction Land Use Planning Permit	Yes
Construction Works Planning Permit	No
Construction Works Commencement Permit	No
Building Completion Certificate	No

5. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:

The Company has a proper legal title to the property and has the rights to use, transfer, lease and mortgage of the property.

6. In valuing the property, we have adopted Direct Comparison Approach taking into account the incurred construction cost and associated costs. The assumed accommodation values are about RMB3,810 per sq.m. for residential use and about RMB2,120 per sq.m. for commercial use.

In undertaking our valuation of the property, we have made reference to prices of land parcels within the same district and similar areas. The prices of land parcels of residential land range from about RMB3,360 to RMB 4,540 per sq.m. and those of land parcels for commercial use range from about RMB1,240 to RMB 3,220 per sq.m.. The unit rates assumed by us are consistent with the relevant comparables after due adjustments.

VALUATION CERTIFICATE

Property	Description and tenure	Details of occupancy	Capital value in existing state as at March 31, 2014
20. A development site, No. GXIII-(1)-41-8, located at the south of Jinye Road, Gaoxin District, Xi'an, Shaanxi Province, the People's Republic of China	The property comprises a parcel of land with a site area of approximately 19,162 sq.m.. The property is scheduled to be completed in the third quarter of 2020. The property is held under a State-owned Land Use Rights Certificate for commercial services use for a term of 40 years expiring on January 30, 2052.	As at the Valuation Date, the property was vacant.	RMB187,600,000 40.8% interest attributable to the Group: RMB76,540,800 (Renminbi Seventy Six Million Five Hundred Forty Thousand and Eight Hundred)

Notes:

- Pursuant to the State-owned Land Use Rights Grant Contract No. 26825 dated January 19, 2012, entered into between The Bureau of Land and Resources of Xi'an (the Grantor) and Shanxi Huawei Shida Industrial Co., Ltd. (the Grantee), the use and development of the site are subject to, inter alia, the following major terms and conditions:

Location	: South of Jinye Road, East of Planning Road, West of Planning Road, North of Planning Road
Site Area	: 19,162 sq.m.
Total Grant Fee	: RMB116,000,000
Land Use	: Commercial services (Retail, Hotel, Office)
Land Use Term	: 40 years
Planning control parameters	: Aboveground GFA: 172,458 sq.m. to 210,782 sq.m. (GFA of retail portion shall not be less than 60,000 sqm) Underground GFA: 48,000 sq.m. (Underground floors shall not be less than three floors) Plot Ratio: 9 to 11 Height Restriction: 150 to 200 meters Permitted Site Coverage: less than 45% Greening rate: more than 25% Car park spaces index: 0.8 lot per 100 sq.m.
- Pursuant to the State-owned Land Use Rights Certificate dated October 9, 2012, the land use rights of the land comprising a site area of 19,162 sqm, have been granted to Shanxi Huawei Shida Industrial Co., Ltd. The major conditions are set out as follows:

Location	: South of Jinye Road, Gaoxin District, Xi'an
Site Area	: 19,162 sq.m.
Land Use	: Commercial services (Retail, Hotel, Office)
Expiry Date	: January 30, 2052
- Pursuant to the Construction Land Use Planning Permit dated August 24, 2012, the land use planning of the property regarding a land area of about 41.75 mu (including levied on road 13.007 mu) has been permitted.
- The status of the title and grant of major approvals and licences, in accordance with the information provided to us, is as follows:

State-owned Land Use Rights Grant Contract	Yes
State-owned Land Use Certificate	Yes
Building Ownership Certificate	No
Construction Land Use Planning Permit	Yes
Construction Works Planning Permit	No
Construction Works Commencement Permit	No
Building Completion Certificate	No
Business Licence	Yes
- We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
 - The Group is the only legal owner of the land use rights of the property and is entitled to occupy, use, develop, lease, mortgage and transfer the property within the residual term of its land use rights to either local or overseas purchasers at no extra land premium or other onerous payment payable to the relevant authorities;

- b) All land premium, costs of resettlement and provision of public utilities, and expenses otherwise payable in respect of the grant of the property interest have been fully settled;
- 6. In valuing the property, we have adopted Direct Comparison Approach. The assumed accommodation values for Property are RMB 890 sqm.

In undertaking our valuation, we have made reference to prices of land within the district. The prices of commercial land range from about RMB 650 to RMB 1,350 per sqm. The unit rate assumed by us is consistent with the relevant comparables after due adjustments.

VALUATION CERTIFICATE

Property	Description and tenure	Details of occupancy	Capital value in existing state as at March 31, 2014
21. A land parcel located at Taiping Industrial Zone, Dali Town, Nanhai District, Foshan, Guangdong Province, the People's Republic of China	The property comprises a parcel of land with a site area of approximately 120,813.5 sqm for residential, commercial use. As advised by the Group, the property is proposed to be developed into a large scale residential development with various ancillary facilities with a total floor area of approximately 456,375 sqm, inclusive of basement area. The property is scheduled to be completed in the second quarter of 2016. The property is held under a State-owned Land Use Rights Certificate for residential use for a term of 70 years and commercial use for a term of and 40 years commencing on December 31, 2013.	As at the Valuation Date, the property was vacant.	RMB627,000,000 44% interest attributable to the Group: RMB275,880,000 (Renminbi Two Hundred Seventy Five Million Eight Hundred and Eighty Thousand)

Notes:

1. Pursuant to the following State-owned Land Use Rights Grant Contract(No.440605-2013-000201), the land use rights of the site, with a total site area of approximately 120,813.5 sqm has been granted to the Foshan Guohua Properties Co., Ltd. (佛山市國華置業有限公司) with a total consideration of RMB625,400,000.

State-owned Land Use Rights Grant Contract No.	Date of Issuance	Usage	Site Area (sq.m.)
440605-2013-000201	December 31, 2013	Residential & Commercial	120,813.5

2. According to the State-owned Land Use Rights Certificate, the property occupies a site held under Foshan Guohua Properties Co., Ltd. (佛山市國華置業有限公司), The details are set out as follows:

State-owned Land Use Right Certificate No.	Site Area (sq.m.)	Usage	Land Use and Expiry Date
Fo Fu Nan Guo Yong(2014) No.0701484	120,813.5	Residential, Retail & Commercial	Residential, December 30, 2083; Commercial, December 30, 2053
Total	120,813.5		

3. The status of the title and grant of major approvals and licences, in accordance with the information provided to us, is as follows:

State-owned Land Use Rights Grant Contract	Yes
State-owned Land Use Certificate	Yes
Building Ownership Certificate	No
Construction Land Use Planning Permit	No
Construction Works Planning Permit	No
Construction Works Commencement Permit	No
Building Completion Certificate	No

4. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:

- a) The Company has a proper legal title to the property and has the rights to use, transfer, lease and mortgage of the property;

Group III — Property interests held by the Group for investment in the PRC

VALUATION CERTIFICATE

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at March 31, 2014															
22.	Beijing Glory City Complex, No.16, No.18 and No.18-15 Chongwenmen Wai Avenue, Dongcheng District, Beijing, the People’s Republic of China (excluding sold portion)	The property comprises a 5-storey shopping mall (inclusive of 2 basement levels basement, a 11-storey office tower over the shopping mall and 588 car parking spaces located on B3 and B4 floors of Block 1 (know as “Glory Mall”). The property was completed in 2009. With an expansion of a floor area of approximately 3,761.79 sq.m. in its retail portion in 2011, the property has a gross floor area of approximately 112,554.09 sq.m., exclusive of a sold portion. The breakdown of floor area of the property is as follows: <table><tr><th>Portion</th><th>Level</th><th>GFA (sq.m.)</th></tr><tr><td>Retail</td><td>B2-L3</td><td>84,903.54</td></tr><tr><td>Office</td><td>L6, L8, L12-L15</td><td>9,808.35</td></tr><tr><td>Basement car park</td><td>B3 and B4</td><td>17,842.2</td></tr><tr><td></td><td>Total</td><td>112,554.09</td></tr></table> The underground civil defense areas are approximately 13,501.99 sq.m. for accommodation of car parking spaces. The property is held under a State-owned Land Use Rights Certificates for commercial use for a term of 40 years expiring on August 28, 2044, for office and car parking uses for a term of 50 years expiring on August 28, 2054	Portion	Level	GFA (sq.m.)	Retail	B2-L3	84,903.54	Office	L6, L8, L12-L15	9,808.35	Basement car park	B3 and B4	17,842.2		Total	112,554.09	As at the Valuation Date, a floor area of approximately 38,585.21 sq.m. of the shopping mall was leased to various tenants with a majority of terms of 2 to 6 years whilst. A floor area of approximately 6,036.92 sq.m. of the office portion was leased to various tenants for a majority of terms of 3 or 5 years. The total monthly rent receivable in March 2014 for the retail and office portions was about RMB12,936,021, exclusive of management fee. As at the Valuation Date, 132 car parking spaces were leased to various tenants under fixed tenancies and 426 car parking spaces were leased on an hourly basis.	RMB4,786,900,000 80% interest attributable to the Group: RMB3,829,500,000 (Renminbi Three Billion Eight Hundred Twenty Nine Million and Five Hundred Thousand)
Portion	Level	GFA (sq.m.)																	
Retail	B2-L3	84,903.54																	
Office	L6, L8, L12-L15	9,808.35																	
Basement car park	B3 and B4	17,842.2																	
	Total	112,554.09																	

Notes:

- Pursuant to the State-owned Land Use Rights Certificate No. Jing Dong Guo Yong (2011 Chu) 00056 dated April 19, 2011, the land use rights of the parcel of land on which the property is erected, with a site area of 29,055.82 sq.m., has been granted to Beijing Glory Xingye Real Estate Co., Ltd. The major terms and conditions are set out as follows:

Location	: Block Nos.1, 2 and 3, Glory City West Zone, Donghua Shi North Community, Chongwen District; No.16, 20, 18, 18-15 Chongwenmen Wai Street.
Site Area	: 29,055.82 sq.m.
Lot No.	: 030200400025
Land Use	: Apartment, Commercial, Office, Underground Retail and Underground Car Parking uses
Expiry Date	: Apartment: August 28, 2074 Commercial and Underground Retail: August 28, 2044 Office and Car Parking: August 28, 2054

2. Pursuant to the Building Ownership Certificate No. X Jing Fang Quan Zheng Dong Zi 050484, the registered owner of the property is Beijing Glory Real Estate Co., Ltd, and the property is held for commercial and car parking uses, with a gross floor area of approximately 103,366.95 sq.m.
3. Pursuant to the Building Ownership Certificate No. X Jing Fang Quan Zheng Dong Zi 042491 issued by Beijing Chongwen District Housing Management Bureau, the ownership of the office building (also known as Beijing Glory City Office Building) with a gross floor area of 33,482.55 sq.m, is held by Beijing Glory Xingye Real Estate Co., Ltd.
4. Pursuant to the Building Ownership Certificate No. X Jing Fang Quan Zheng Dong Zi 050478, the registered owner of the property is Beijing Glory Xingye Real Estate Co., Ltd, and the property is held for commercial, ancillary space and car parking uses, with a gross floor area of approximately 9,875.33 sq.m.
5. As advised by the Group, there was an expansion of floor area of approximately 3,761.79 sqm in the retail portion of the property in 2011.
6. The status of the title and grant of major approvals and licences, in accordance with the information provided to us, is as follows:

i.	State-owned Land Use Rights Grant Contract	Yes
ii.	State-owned Land Use Rights Certificate	Yes
iii.	Construction Land Use Planning Permit	Yes
iv.	Construction Works Planning Permit	Yes
v.	Construction Works Commencement Permit	Yes
vi.	Building Ownership Certificate	Yes
7. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
 - (a) Beijing Glory Xingye Real Estate Co., Ltd. is the only legal owner of land use rights of the property and is entitled to transfer, lease, mortgage (except for the mortgage portion of the property) or otherwise dispose of the land use rights of the property within the land use term.
 - (b) With the Group's confirmation and our checking, we did not find any violation against the contract of assignment of the right to use state-owned land through Beijing Glory Xingye Real Estate Co., Ltd. occupancy and use on the subject land, and any violation against State-owned Land Use Rights Certificate and the condition set by Chinese Laws.
 - (c) Pursuant to a mortgage contract, the ownership of above land and buildings have been mortgaged.
 - (d) With the Group's confirmation, the permit of using the civil defense works with an area of approximately 13,501.99 sqm which is being occupied and used by Beijing Glory Xingye Real Estate Co., Ltd. has yet been obtained. According to Beijing People Air Defense Regulations, Beijing Glory Xingye Real Estate Co., Ltd. might be ordered to remedy such occupation and use by a specified date, and fined an amount between RMB10,000 and RMB50,000 by the Authority of People Air Defense. Beijing Glory Xingye Real Estate Co., Ltd. may be charged a penalty for any damage caused by such occupation and use pursuant to the relevant laws.
 - (e) Beijing Glory Xingye Real Estate Co., Ltd. has obtained Building Ownership Certificate of the property and has the right to transfer, lease, use or otherwise dispose of the property subject to the mortgage;
8. Our key assumptions under the Income Capitalization Approach are as follows:

Portion	Market Monthly Rent (per sq.m.)	Capitalization Rate
Retail	RMB700 to RMB900 on NFA (level 1)	6%
Office	RMB190 to RMB230 on GFA	7%-7.25%

In undertaking our valuation, we have made reference to lettings within the property as well as other similar properties in the same district. The monthly rental levels of major retail letting of level 1 premises range from approximately RMB700 per sqm to RMB900 per sqm on NFA. The monthly rental levels of office lettings range from approximately RMB190 per sqm to RMB230 per sqm on GFA.

We have collected and analyzed the rates of return of relevant market segment which indicate yields of approximately 5%-8% for retail properties and approximately 6%-8% for offices.

The above market rents assumed by us are consistent with the relevant comparables after due adjustments. The capitalization rates adopted are reasonable having regard to the analysed yields.

VALUATION CERTIFICATE

Property	Description and tenure	Details of occupancy	Capital value in existing state as at March 31, 2014
23. Lotte Mart Shopping Centre and Basement Car Parking Spaces in Region C of Phase III of Donghuashi, Beijing Glory City Middle Zone, Dongcheng District, Beijing, the People's Republic of China	The property comprises an underground retail portion located on basement level 2 of a residential development known as Glory City, and 209 car parking spaces located on basement level 1 of the western part of Glory City Middle Zone.	As at the Valuation Date, portions of the retail premises with an area of approximately 21,183.72 sq.m. was leased to various tenants with a majority of terms of 1 to 3 years and the longest term of 15 years.	RMB836,200,000
Lotte Mart Shopping	The property was completed in 2006.	The total monthly rent receivable in March 2014 was about RMB1,716,224.75, exclusive of management fee.	80% interest attributable to the Group: RMB668,960,000 (Renminbi Six Hundred Sixty Eight Million Nine Hundred and Sixty Thousand)
	The underground retail portion and the basement car park portion have gross floor areas of approximately 29,128.30 sq.m. and 8,481 sq.m. respectively.	47 car parking spaces were leased to various tenants under fixed tenancies and 162 car parking spaces were leased on an hourly basis.	
	The property is held under a State-owned Land Use Rights Certificate for commercial use for a term of 40 years expiring on August 23, 2044 and for underground car parking use for a term of 50 years expiring on August 23, 2054.		

Notes:

- Pursuant to the State-owned Land Use Rights Certificate No. Jing Chong Guo Yong (2007 Chu) 00033 dated April 27, 2007, the land use rights of the land on which the property is erected, with a site area of 20,354.18 sq.m. have been granted to Beijing Glory Xingye Real Estate Co., Ltd. The major conditions are set out as follows:

Location : Nos.4, 5, 7, 12 & 13 Building, Glory City Middle Zone, Chongwen District.
 Site Area : 20,354.18 sq.m.
 Lot No. : 0302024001
 Land Use : Residential, Retail and Underground Car parking uses
 Expiry Date : Residential: August 23, 2074
 Retail and Underground Retail: August 23, 2044
 Office and Car parking: August 23, 2054

- Pursuant to the Building Ownership Certificate X Jing Fang Quan Zheng Dong No. 051060 the registered owner of the property is Beijing Glory Xingye Real Estate. Co., Ltd, and the property is for underground retail and underground car parking uses, with a gross floor area of approximately 43,718.02 sq.m.. The property ownership has been pledged to Beijing Chongwen Branch of Agricultural Bank of China.
- The status of the title and grant of major approvals and licences, in accordance with the information provided to us, is as follows:

i.	State-owned Land Use Rights Grant Contract	Yes
ii.	State-owned Land Use Rights Certificate	Yes
iii.	Construction Land Use Planning Permit	Yes
iv.	Construction Works Planning Permit	Yes
v.	Construction Works Commencement Permit	Yes
vi.	Building Ownership Certificate	Yes

4. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
- (a) Beijing Glory Xingye Real Estate Co., Ltd. is the only legal owner of land use rights of the property and is entitled to transfer, lease, mortgage (except for the mortgage portion of the property) or otherwise dispose of the land use rights of the property within the land use term;
 - (b) With the Group's confirmation and our checking, we did not find any violation against the contract of assignment of the right to use the state-owned land through Beijing Glory Xingye Real Estate Co., Ltd. occupancy and use on the subject land, and any violation against State-owned Land Use Rights Certificate and the condition set by the Chinese Laws.
 - (c) Pursuant to the State-owned Land Use Rights Certificate No. Jing Chong Guo Yong (2007 Chu) 00033, the land ownership of the property has been mortgaged.
 - (d) Beijing Glory Xingye Real Estate Co., Ltd. has obtained Building Ownership Certificate of the Property and has the right to transfer, lease, use or otherwise dispose of the property subject to the mortgage.
5. Our key assumptions under the Income Capitalization Approach are as follows:

<u>Property</u>	<u>Market Monthly Rent of L1 (per sq.m.)</u>	<u>Capitalization Rate</u>
Lotte Mart Shopping Centre . . .	RMB700 to RMB900 on NFA	6%-8%

In undertaking our valuation, we have made reference to lettings within the property as well as other similar properties in the same district. The monthly rental levels of major retail lettings of level 1 premises range from approximately RMB700 per sqm to RMB900 per sqm on NFA.

We have collected and analyzed the rates of return of relevant market segment which indicate yields of approximately 5%-8% for retail properties.

The above market rent assumed by us is consistent with the relevant comparables after due adjustments. The capitalization rate adopted is reasonable having regard to the analyzed yields.

VALUATION CERTIFICATE

Property	Description and tenure	Details of occupancy	Capital value in existing state as at March 31, 2014
24. Block 1 of Beijing Fugui Garden Shopping Mall, No. 23 Dingxin Road, Dongcheng District, Beijing, the People's Republic of China	Completed in 2003, the property comprises various retail units in a 4-storey retail podium (inclusive of a basement level). The development has a total site area of approximately 4,360.21 sq.m. and a total gross floor area of approximately 26,146.04 sq.m.. In addition it has a civil defense area of 10,200 sq.m. for accommodation of underground car parking spaces. The property is held under a State-owned Land Use Rights Certificates for commercial and underground commercial uses for a term of 40 years expiring on November 29, 2044.	As at the Valuation Date, about 85.8% of floor space was leased to various tenants with terms from 1 to 20 years. The vacant portion of the proportion had an area of approximately 2,810 sq.m.. The total monthly rent receivable in March 2014 was about RMB 2,480,512, exclusive of management fee.	RMB834,000,000 91% interest attributable to the Group: RMB758,900,000 (Renminbi Seven Hundred Fifty Eight Million and Nine Hundred Thousand)

Notes:

- Pursuant to the State-owned Land Use Rights Certificate Jing Dong Guo Yong (2011 Chu) No.00051 dated April 14, 2011, the land use rights of the property having a site area of approximately 4,360.21 sq.m. have been granted to Glory Xingye (Beijing) Industrial Co., Ltd. for commercial and underground commercial uses for a term of 40 years expiring on November 29, 2044.
- According to the Building Ownership Certificate X Jing Fang Quan Zheng Dong Zi No.042258 dated March 29, 2011, the owner of the property is Glory Xingye (Beijing) Industrial Co., Ltd. The details are set out as follows:

Location	: No.35 Guangqumen Wai Avenue, Dongcheng District
Gross Floor Area	: 26,146.04 sq.m.
Building Use	: Commercial
- The status of the title and grant of major approvals and licenses, in accordance with the information provided to us, is as follows:

i. State-owned Land Use Rights Grant Contract	Yes
ii. State-owned Land Use Rights Certificate	Yes
iii. Construction Land Use Planning Permit	Yes
iv. Construction Works Planning Permit	Yes
v. Construction Works Commencement Permit	Yes
vi. Building Ownership Certificate	Yes
- We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
 - Glory Xingye (Beijing) Industrial Co., Ltd. has a proper legal title to the property and has the rights to use, transfer, lease and mortgage of the property (except for the mortgage portion of the property).
 - Fuguiyuan Shopping Mall has been mortgaged.

- (c) With the Group's confirmation, the permit of using the civil defense works with an area of approximately 10,200 sq.m. which is being occupied and used by Glory Xingye (Beijing) Industrial Co., Ltd has yet been obtained. According to Beijing People Air Defense Regulations, Glory Xingye (Beijing) Industrial Co., Ltd. might be ordered to remedy such occupation and use by a specified date, and fined an amount between RMB10,000 and RMB50,000 by the Authority of People Air Defense. Glory Xingye (Beijing) Industrial Co., Ltd. may be charged a penalty for any damage caused by such occupation and use pursuant to the relevant laws.
5. Our key assumptions under the Income Capitalization Approach are as follows:

<u>Market Monthly Rent (per sqm)</u>	<u>Capitalization Rate</u>
RMB156 to RMB456 on NFA	5%-6%

In undertaking our valuation, we have made reference to lettings within the property as well as other similar properties within the same district. The monthly rental levels of retail property letting on level 1 range from approximately RMB400 per sqm to RMB470 per sqm on NFA.

We have collected and analyzed the rates of return of relevant market segments which indicate yields of approximately 5%-8% for retail property.

The above market rent assumed by us is consistent with the relevant comparables after due adjustments. The capitalization rate adopted is reasonable having regard to the analyzed yields.

VALUATION CERTIFICATE

Property	Description and tenure	Details of occupancy	Capital value in existing state as at March 31, 2014								
25. Phase I of Shantou Glory City, Shantou Glory Construction Materials & Home Furnishing Exhibition Centre, Nos.170-172, Zhongshan Road, Longhu District, Shantou City, Guangdong Province, the People’s Republic of China	Completed in 2008, the property comprises two blocks of 3 to 4-storey buildings in Shantou Glory Construction Materials & Home Furnishing Exhibition Centre. The property occupies a site with a total site area of approximately 50,998.77 sq.m. The property has a total gross floor area of approximately 62,398.44 sq.m. The breakdown of the floor area is as follows: <table><tr><th>Components</th><th>GFA (sq.m.)</th></tr><tr><td>Block 1</td><td>32,763.52</td></tr><tr><td>Block 2</td><td>29,634.92</td></tr><tr><td>Total</td><td>62,398.44</td></tr></table> The property is held under 3 State-owned Land Use Rights Certificates for commercial use, for logistics use and for storage use for a term of 50 years commencing from May 28, 2004.	Components	GFA (sq.m.)	Block 1	32,763.52	Block 2	29,634.92	Total	62,398.44	As at Valuation Date, portions of the property with an area of approximately 49,205.1 sq.m was leased to various tenants with terms from 2 to 8 years and the latest expiry on May 31, 2021. The total monthly rent receivable in February 2014 was about RMB2,398,444 exclusive of management fee. The remaining area was vacant.	RMB481,000,000 90% interest attributable to the Group: RMB432,900,000 (Renminbi Four Hundred Thirty Two Million and Nine Hundred Thousand)
Components	GFA (sq.m.)										
Block 1	32,763.52										
Block 2	29,634.92										
Total	62,398.44										

Notes:

1. According to two Realty Title Certificates, the property with a total gross floor area of approximately 62,398.44 sqm is held for logistics and storage uses for a term of 50 years commencing from May 28, 2004. The details are set out as follows:

Realty Title Certificate No.	Site Area (sq.m.)	Gross Floor Area (sq.m.)	Usage	No. of Storeys
Yue Fang Di Quan Zheng Shan Zi No. 1000078426	21,490.20	32,763.52	Construction Material Logistics and Storage	4
Yue Fang Di Quan Zheng Shan Zi No. 1000078428	29,508.57	29,634.92	Logistics Complex	3
Total	50,998.77	62,398.44		

2. The status of the title and grant of major approvals and licenses, in accordance with the information provided to us, is as follows:

State-owned Land Use Rights Grant Contract	Yes
State-owned Land Use Rights Certificate	Yes
Realty Title Certificate	Yes
Construction Land Use Planning Permit	Yes
Construction Works Planning Permit	Yes
Construction Works Commencement Permit	Yes
Building Completion Certificate	Yes
Business License	Yes

3. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:

- (a) The Group has a proper legal title to the property and has the rights to use, transfer, lease and mortgage of the property.
- (b) The property is free from encumbrance except for mortgaged portion.
- (c) The following portions of the property are subject to mortgages:

Mortgaged State-owned

Land Use Rights Certificate No.	Encumbrance No.	Date of Instrument	Mortgagee
Yue Fang Di Quan Zheng Shan Zi Di No. 1000078426	Shan ICBC Branch 2011 Di Zi #A335 /SCXT2012 (DXT) Zi #160-7	November 30, 2011 / December 26, 2012	Shantou Branch of Industrial and Commercial Bank of China / Sichuan Trust Co., Ltd.
Yue Fang Di Quan Zheng Shan Zi Di No. 1000078428	Shan ICBC Branch 2011 Di Zi #A335 / SCXT2012 (DXT) Zi #160-7	November 30, 2011/ December 26, 2012	Shantou Branch of Industrial and Commercial Bank of China / Sichuan Trust Co., Ltd.

4. Our key assumptions under the Income Capitalization Approach as follows:

Market Monthly Rent (per sqm)**Capitalization Rate**

RMB 30 to RMB 67 on GFA

8%-8.25%

In undertaking our valuation, we have made reference to lettings within the property as well as other similar properties in the district. The monthly rental levels of those letting on level 1 range from approximately RMB43 per sqm to RMB77 per sq.m. on GFA.

We have collected and analyzed the rates of return of relevant market segment which indicate yields of approximately 4.2%-6.7% for retail properties.

The above market rent assumed by us is consistent with the relevant comparables after due adjustments. The capitalization rate adopted is reasonable having regard to the analysed yields.

In undertaking our valuation of the property, we have made reference to sales prices of retail properties within the same district which have similar characteristics to the property. The prices of retail properties on level 1 range from about RMB23,800 to RMB27,800 per sqm.

VALUATION CERTIFICATE

Property	Description and tenure	Details of occupancy	Capital value in existing state as at March 31, 2014
26. Big Box, Phase I of Shenyang Glory City, No. 398 Dongbei Avenue, Dadong District, Shenyang, Liaoning Province, the People's Republic of China	Completed in 2009, the property is a 4-storey building with a gross floor area of 50,840.78 sqm. The property is held under a State-owned Land Use Rights Certificates for commercial use for a term of 40 years expiring on March 25, 2044.	As at Valuation Date, the property is leased to a tenant for a term of 3 years expiring on August 30, 2016.	RMB331,400,000 80% interest attributable to the Group: RMB265,120,000 (Renminbi Two Hundred Sixty Five Million One Hundred and Twenty Thousand)

Notes:

- Pursuant to a tenancy agreement entered into between Shenyang Dadongfang Properties Co., Ltd. (the Lesser) and Liaoning Yongtai Investment Management Company (遼寧永泰投資管理有限公司) (the Lessee), the property was leased at an annual rental of RMB18,556,885 on an en-bloc basis commencing from August 30, 2013 and expiring on to August 30, 2016, exclusive of management fee, with a 6-month rent free period at the beginning of the tenancy.
- Pursuant to the State-owned Land Use Rights Certificate Shen Yang Guo Yong (2004) No.0192 dated March 25, 2004, the land use rights of the property, with a site area of 102,245.5 sqm, has been granted to Shenyang Dadongfang Properties Co., Ltd. for commercial use for a term expiring on March 25, 2044.
- Pursuant to the Building Ownership Certificate No. N060269586 dated April 10, 2007, the ownership of the property with a gross floor area of 50,840.78 sqm is held by Shenyang Dadongfang Properties Co., Ltd.
- Pursuant to the State-owned Land Use Rights Grant Contract Shen Gui Guo Tu Chu He Zi (2004) 0099 entered into between Shenyang Planning and Land Resources Bureau (the Grantor) and Shenyang Dadongfang Properties Co., Ltd. (the Grantee), the major terms and conditions of the property are set out as follows:

Terms and Conditions	Details
Site Area	: 102,245.5 sqm
Land Use	: Commercial
Land Use Term	: Commercial for 40 years
Total Land Purchase Price	: RMB124,238,323.4

- The status of the title and grant of major approvals and licences, in accordance with the information provided to us, is as follows:

State-owned Land Use Rights Grant Contract	Yes
State-owned Land Use Rights Certificate	Yes
Building Ownership Certificate	Yes
Construction Land Use Planning Permit	Yes
Construction Works Planning Permit	Yes
Construction Works Commencement Permit	Yes
Building Completion Certificate	Yes

- We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contain, inter alia, the following:
 - The Group has a proper legal title to the property and has the rights to use, transfer, lease and mortgage of the property;
 - The current use of the property is in compliance with the planning land use;

- c) The following portions of the property are subject to mortgages and the transfer, lease and mortgage of such portions shall be subject to the prior consents from the mortgagee:

**Corresponding State-owned Land Use
Rights Certificates or projects
mortgaged**

Mortgage No.

Mortgagee

Shenyang Guo Yong (2004) No.0192	211002200120006494; 21100220110004500	Agriculture Bank of China Liaoning Province Branch
Building Ownership Certificate No. N060269586	21100220110003900	Agriculture Bank of China Liaoning Province Branch

7. Our key assumptions under the Income Capitalization Approach is as follows:

Market Monthly Rent (per sq.m.)

Capitalization Rate

RMB33 on GFA

5.25%

In undertaking our valuation, we have made reference to lettings within the property as well as other similar properties. The monthly rental levels of those major retail letting of en-bloc premises range from approximately RMB32 per sq.m. to RMB43 per sq.m. on GFA.

We have collected and analyzed the rates of return of relevant market segment which indicate yields of approximately 4%-6.5% for retail properties.

The above market rent assumed by us is consistent with the relevant comparables after due adjustments. The capitalization rate adopted is reasonable having regard to the analyzed yields.

VALUATION CERTIFICATE

Property	Description and tenure	Details of occupancy	Capital value in existing state as at March 31, 2014
27. Various Siheyuan, Beijing Glory City, Dongcheng District, Beijing, the People's Republic of China	Completed between 2008 and 2012, the property comprises 12 units of siheyuan with a total gross floor area of approximately 7,218.54 sqm. and a total site area of approximately 5,395 sqm. The property is held under a State-owned Land Use Rights Certificates for residential use for a term of 70 years and for storage use for a term of 50 years commencing on August 29, 2004.	As at the Valuation Date, the property was fully leased to various tenants with a majority of terms of 1 to 2 years and the longest term of 8 years. The total monthly rent receivable in March 2014 was about RMB1,266,667, exclusive of management fee.	RMB695,300,000 80% interest attributable to the Group: RMB556,200,000 (Renminbi Five Hundred Fifty Six Million and Two Hundred Thousand)

Notes:

1. Pursuant to the State-owned Land Use Rights Certificate No. Jing Chong Guo Yong (2006 Chu) 0062 dated November 20, 2006, the land use rights of a parcel of land with a site area of approximately 2,437 sq.m., has been granted to Beijing Glory Xingye Real Estate Co., Ltd. The major conditions are set out as follows:

Location : Nos.1 to 7, Site B of Siheyuan, Donghuashi North Community, Dongcheng District
 Site Area : 2,437 sq.m.
 Land Use : Residential and Storage
 Expiry Date : Residential: August 28, 2074
 Storage: August 28, 2054

2. Pursuant to the State-owned Land Use Rights Certificate No. Jing Dong Guo Yong (2011 Chu) 00172 dated November 28, 2011, the land use rights of a parcel of land with a site area of 2,958 sq.m., has been granted to Beijing Glory Xingye Real Estate Co., Ltd. The major conditions are set out as follows:

Location : Block Nos.12,14,16,18,20 Glory West Road, Dongcheng District;
 Site Area : 2,958 sq.m.
 Land Use : Residential, Storage
 Expiry Date : Residential: August 28, 2074
 Storage: August 28, 2054

3. Pursuant to the following Building Ownership Certificates, the ownership of the property is held by Beijing Glory Xingye Real Estate Co., Ltd..

Certificate No.	Location	Date of Issue	Status	GFA(sq.m.)
X Jing Fang Quan Zheng Dong Zi No.075832	No.1 Glory North Road	December 17, 2012	Mortgaged	902.54
X Jing Fang Quan Zheng Dong Zi No.075829	No.3 Glory North Road	December 17, 2012	Mortgaged	514.44
X Jing Fang Quan Zheng Dong Zi No.075827	No.5 Glory North Road	December 17, 2012	Mortgaged	526.05
X Jing Fang Quan Zheng Dong Zi No.075828	No.7 Glory North Road	December 17, 2012	Mortgaged	477.93
X Jing Fang Quan Zheng Dong Zi No.075826	No.9 Glory North Road	December 17, 2012	Mortgaged	545.71
X Jing Fang Quan Zheng Dong Zi No.075810	No.11 Glory North Road	December 17, 2012	Mortgaged	477.24
X Jing Fang Quan Zheng Dong Zi No.075809	No.13 Glory North Road	December 17, 2012	Mortgaged	477.24
X Jing Fang Quan Zheng Dong Zi No.060633	No.12 Glory West Road	March 8, 2012	None	730.33
X Jing Fang Quan Zheng Dong Zi No.053758	No.14 Glory West Road	October 28, 2011	None	566.51
X Jing Fang Quan Zheng Dong Zi No.053989	No.16 Glory West Road	November 2, 2011	None	621.95
X Jing Fang Quan Zheng Dong Zi No.054070	No.18 Glory West Road	November 3, 2011	None	691.26
X Jing Fang Quan Zheng Dong Zi No.054109	No.20 Glory West Road	November 3, 2011	None	687.34
Total				<u>7,218.54</u>

4. The status of the title and grant of major approvals and licences, in accordance with the information provided to us, is as follows:

State-owned Land Use Rights Grant Contract	Yes
State-owned Land Use Rights Certificate	Yes
Building Ownership Certificates	Yes
Construction Land Use Planning Permit	Yes
Construction Works Planning Permit	Yes
Construction Works Commencement Permit	Yes
Building Completion Certificate	Yes

5. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:

- a) Beijing Glory Xingye Real Estate Co., Ltd. is the only legal owner of land use right of the property and is entitled to transfer, lease, mortgage (except for the mortgage portion of the property) or otherwise dispose of the land use rights of the property within the land use term.
- b) With the Group's confirmation and our checking, we did not find any violation against the contract of assignment of the right to use state-owned land through Beijing Glory Xingye Real Estate Co., Ltd. occupancy and use on the subject land, and any violation against State-owned Land Use Rights Certificate and the condition set by Chinese Laws.
- c) Pursuant to the State-owned Land Use Rights Certificates, the land ownership of the property has been mortgaged.
- d) Beijing Glory Xingye Real Estate Co., Ltd. has obtained Building Ownership Certificate of the Property and has the right to transfer, lease, use or otherwise dispose of the property subject to the mortgage.

6. Our key assumptions under the Income Capitalization Approach as follows:

<u>Property</u>	<u>Market Monthly Rent (per sq.m.)</u>	<u>Capitalization Rate</u>
Siheyuan Beijing Glory City	RMB249 on GFA	2%-2.5%

In undertaking our valuation, we have made reference to lettings within the property as well as other similar properties. The monthly rental levels of siheyuan lettings range from approximately RMB187 per sqm to RMB420 per sqm on GFA.

We have collected and analyzed the rates of return of relevant market segment which indicate yields of approximately 2%-2.5% for residential properties.

The above market rent assumed by us is consistent with the relevant comparables after due adjustments. The capitalization rate adopted is reasonable having regard to the analysed yields.

7. In valuing the property, we have assumed about RMB131,000 per sq.m. on site area for siheyuan properties.

In undertaking our valuation of the property, we have made reference to sales prices of siheyuan units within similar areas which have characteristics comparable to the property. The prices of siheyuan properties range from about RMB117,000 to RMB167,000 per sq.m. on site area. The unit rates assumed by us are consistent with the relevant comparables after due adjustments.

Group IV— Property interests held by the Group for self-use in the PRC

VALUATION CERTIFICATE

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at March 31, 2014																					
28	Building No. 1, No. 15 Zhushikou East Avenue, Dongcheng District, Beijing, the People's Republic of China	Completed in 2003, the property comprises a 4-storey office building (inclusive of a basement level). The gross floor area of the property is approximately 10,915.64 sq.m. The breakdown of the floor area is as follows: <table><thead><tr><th>Level</th><th>No.</th><th>GFA (sq.m.)</th></tr></thead><tbody><tr><td>B1</td><td>1-1</td><td>3,106.15</td></tr><tr><td>L1</td><td>1-3</td><td>2,672.80</td></tr><tr><td>L2</td><td>1-6</td><td>2,608.95</td></tr><tr><td>L3</td><td>1-8</td><td>2,512.33</td></tr><tr><td></td><td>iv.1</td><td>15.41</td></tr><tr><td colspan="2">Total</td><td>10,915.64</td></tr></tbody></table> The property is held under a State-owned Land Use Rights Certificates for office use for a term of 50 years expiring on May 27, 2051.	Level	No.	GFA (sq.m.)	B1	1-1	3,106.15	L1	1-3	2,672.80	L2	1-6	2,608.95	L3	1-8	2,512.33		iv.1	15.41	Total		10,915.64	As at the Valuation Date, the property is owner-occupied.	RMB221,600,000 80% interest attributable to the Group: RMB177,280,000 (Renminbi One Hundred Seventy Seven Million Two Hundred and Eighty Thousand)
Level	No.	GFA (sq.m.)																							
B1	1-1	3,106.15																							
L1	1-3	2,672.80																							
L2	1-6	2,608.95																							
L3	1-8	2,512.33																							
	iv.1	15.41																							
Total		10,915.64																							

Notes:

- Pursuant to Building Ownership Certificate X Jing Fang Quan Zheng Dong No. 042482 (X 京房權證東字第 042482), the registered owner of the property with a total gross floor area of 10,915.64 sq.m, is Beijing Glory Xingye Real Estate Co., Ltd, (北京國瑞興業地產股份有限公司). The property has been mortgaged.
- Pursuant to the State-owned Land Use Rights Certificate No. Jing Dong Guo Yong (2011 Chu) 00054 dated April 19, 2011, the land use rights of the land on which the property is erected, with a site area of 2,879.28 sq.m., has been granted to Beijing Glory Xingye Real Estate Co., Ltd. The major conditions are set out as follows:

Location	: No. 15 Zhushikou East Avenue, Dongcheng District
Site Area	: 2,879.28 sq.m.
Lot No.	: 011101400138000000
Land Use	: Commercial, Office
Expiry Date	: Commercial: May 27, 2041 Office: May 27, 2051
- The status of the title and grant of major approvals and licences, in accordance with the information provided to us, is as follows:

i.	State-owned Land Use Rights Grant Contract	Yes
ii.	State-owned Land Use Rights Certificate	Yes
iii.	Construction Land Use Planning Permit	No
iv.	Construction Works Planning Permit	No
v.	Construction Works Commencement Permit	Yes
vi.	Building Ownership Certificate	Yes
- We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
 - Beijing Glory Xingye Real Estate Co., Ltd. is the only legal owner of land use right of the property and is entitled to transfer, lease, mortgage (except for the mortgage portion of the property) or otherwise dispose of the land use rights of the property within the land use term.

- b) With the Group's confirmation and our checking, we did not find any violation against the contract of assignment of the right to use state-owned land through Beijing Glory Xingye Real Estate Co., Ltd. occupancy and use on the subject land, and any violation against State-owned Land Use Rights Certificate and the condition set by Chinese Laws.
 - c) Pursuant to the State-owned Land Use Rights Certificate, the land ownership of the property has been mortgaged.
 - d) Beijing Glory Xingye Real Estate Co., Ltd. has obtain Building Ownership Certificate of the Property and has the right to transfer, lease, use or otherwise dispose of the property subject to the mortgage.
5. In valuing the property, we have assumed about RMB29,000 per sq.m. for the office portion and RMB190,000 per lot for underground car parking spaces.

In undertaking our valuation of the property, we have made reference to sales prices of offices within the same district which have similar characteristics to the property. The prices of office range from about RMB32,000 to RMB49,000 per sq.m.. The unit rate assumed by us is consistent with the relevant comparables after due adjustments.

VALUATION CERTIFICATE

Property	Description and tenure	Details of occupancy	Capital value in existing state as at March 31, 2014
29. Information Building, No.168 Zhongshan Road, Longhu District, Shantou, Guangdong Province, the People's Republic of China	The property is a 4-storey building known as the Information Building of Shantou Glory Construction Materials & Home Furnishing Exhibition Centre (汕頭國瑞建材家居博覽中心) which was completed in 2009.	As at the Valuation Date, the property was vacant.	RMB45,000,000 90% interest attributable to the Group: RMB40,500,000 (Renminbi Forty Million and Five Hundred Thousand)
	The property occupies a site with a site area of approximately 7,270.03 sq.m.		
	The property has a total gross floor area of approximately 7,301.16 sq.m.		
	The property is held under 3 State-owned Land Use Rights Certificates for logistics and storage uses for a term of 50 years commencing on May 28, 2004.		

Notes:

1. According to a Realty Title Certificate, the property with a gross floor area of 36,778.60 sq.m. is held under Shantou Glory Construction Material & Home Furnishing Exhibition Center Co., Ltd. for logistics and storage uses for a term of 50 years commencing from May 28, 2004. The details are set out as follows:

Certificate No.	Site Area (sq.m.)	Gross Floor Area (sq.m.)	No. of Storey
Yue Fang D. Quan Zheng Shan Zi No. 1000078427	7,270.03 (entire site: 36,778.60)	7,301.16	4

2. The status of the title and grant of major approvals and licences, in accordance with the information provided to us, is as follows:

State-owned Land Use Rights Grant Contract	No
Realty Title Certificate	Yes
Construction Land Use Planning Permit	No
Construction Works Planning Permit	No
Construction Works Commencement Permit	No
Building Completion Certificate	No
Business Licence	No

3. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
- The Group has a proper legal title to the property and has the rights to use, transfer, lease and mortgage of the property.
 - The current use of the property is in compliance with the planning land use.
 - The property except for the below mortgage is free from encumbrance.

d) The following parts of the property are subject to mortgages as follows:

Mortgaged State-owned Land Use Rights Certificate No.	Encumbrance No.	Date of Instrument	Mortgagee
Yue Fang Di Quan Zheng Shan Zi Di 1000078427	Shan ICBC Branch 2011 Di Zi #A335 / SCXT2012 (DXT) Zi #160-7	November 30, 2011 / December 26, 2012	Shantou Branch of Industrial and Commercial Bank of China / Sichuan Trust Co., Ltd.

The Group cannot transfer as a gift, assign, sell, lease further mortgage or otherwise dispose of the parts of the property to any third party without the prior written consent corresponding creditor.

4. In valuing the property, we have assumed about RMB6,300 per sq.m. for the property.

In undertaking our valuation of the property, we have made reference to sales prices of offices within the same district which have similar characteristics to the property. The prices of offices range from about RMB7,500 to RMB11,800 per sq.m.. The unit rate assumed by us is consistent with the relevant comparables after due adjustments.

Group V— Property interests rented by the Group in the PRC

VALUATION CERTIFICATE

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at March 31, 2014
30.	Retail Units 1&2 and storage on Level 2, Chongbaoxi Industrial Area, Dali Town, Nanhai District, Foshan, Guangdong Province, the People's Republic of China	The property comprises two retail podiums with a total gross floor area of approximately 144 sq.m. and a storage with a gross floor area of approximately 605 sq.m. on the 2nd level. The property is leased to Foshan Guohua Properties Co., Ltd. (佛山市國華置業有限公司) for a term of 1 year expiring on January 14, 2015.	As at the Valuation Date, the property is occupied by the Group for office and storage uses.	No commercial value

Notes:

1. According to a tenancy agreement entered into between Foshan City Nanhai District Dali Town Taiping Village Chongbiaoxi Joint-equity Cooperative (佛山市南海區大瀝鎮太平村衝表西股份合作經濟社) the Lessor and Foshan Guohua Properties Co., Ltd. (佛山市國華置業有限公司) the Lessee dated December 30, 2013, the Lessor agreed to lease the property to the Lessee for a term of 1 year with the expiry date on January 14, 2015 at a current annual rent of RMB135,000, exclusive of tax.
2. We have not been provided any title certificate of the property.
3. We were advised that the owner is a third party independent to the Group.
4. We have been provided with a legal opinion on the property interest prepared by the Group's PRC legal advisor, which contains, inter alia, the following information:
 - a) The lessor has acquired the State-owned Land Use Certificate and Building Ownership Certificate of the property.
 - b) The tenancy agreement has been registered in the relevant authorities. The lessor is the legal owner of the property and is entitled to lease the property. The Group is entitled to use the property according to the tenancy agreement.

VALUATION CERTIFICATE

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at March 31, 2014
31.	Office Units 11509 & 11511, Tower C, City Gateway, South of Tangyan Road, Gaoxin District, Xi'an, Shaanxi Province, the People's Republic of China	Completed in 2008, the property comprises two office units with a total gross floor area of approximately 340.99 sq.m on the 15th level of a 20-storey office tower. The property was leased to Shanxi Huawei Shida Industrial Co., Ltd. (陝西華威世達實業有限公司) for a term of 1 year expiring on November 4, 2014.	As at the Valuation Date, the property is currently occupied by the Group for office use.	No commercial value

Notes:

1. According to a tenancy agreement entered into between Wenlei Li (李文磊) the Lessor and Shanxi Huawei Shida Industrial Co., Ltd. (陝西華威世達實業有限公司) the Lessee dated November 5, 2014, the Lessor agreed to lease the property to the Lessee for a term of 1 year with the expiry date on November 4, 2014 at a current annual rent of RMB418,763.04.
2. Pursuant to the Xi'an Real Estate Sales Contract Registered No.Y11045437,Y11066073, the owner of the property with a total proposed gross floor area of 341.01 sq.m., is Wenlei Li (李文磊) and the land use right is for office use for a term expiring on August 10, 2056.
3. We were advised that the owner is an independent third party from the Group.
4. We have been provided with a legal opinion on the property prepared by the Group's PRC legal advisor, which contains, inter alia, the following information:
 - a) The lessor has acquired the State-owned Land Use Certificate and Building Ownership Certificate of the property.
 - b) The tenancy agreement has been registered in the relevant authorities. The lessor is the legal owner of the property and is entitled to lease the property. The Group is entitled to use the property according to the tenancy agreement.

VALUATION CERTIFICATE

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at March 31, 2014
32.	Office Units 803, 805, 806 & 808, Rongchao Economy and Trade Centre, located at the southeast of the intersection of Jintian Road and Fuzhong Road, Futian District, Shenzhen, the People's Republic of China	Completed in 2009, the property comprises four office units with a total gross floor area of approximately 675.04 sq.m on the 8th level of a 48-storey office tower. The property is leased to Beijing Glory Xinye Real Estate Co., Ltd. (北京國瑞興業地產股份有限公司) for a term of 1 year expiring on July 11, 2014.	As at the Valuation Date, the property is currently occupied by the Group for office use.	No commercial value

Notes:

1. According to a tenancy agreement entered into between Jianrong Li (李建容) the Lessor and Beijing Glory Xinye Real Estate Co., Ltd. (北京國瑞興業地產股份有限公司) the Lessee dated June 26, 2013, the Lessor agreed to lease the property to the lessee for a term of 1 year with an expiry date on July 11, 2014 at a current annual rent of RMB1,701,096.
2. Pursuant to the Housing Lease Certificate Registered No. FuHQ027599, the registration of the tenancy agreement has been undergone.
3. We have not been provided with any title certificate of the property.
4. We were advised that the owner is an independent third party from the Group.
5. We have been provided with a legal opinion on the property prepared by the Group's PRC legal advisor, which contains, inter alia, the following information:
 - a) The lessor has acquired the State-owned Land Use Certificate and Building Ownership Certificate of the property.
 - b) The tenancy agreement has been registered in the relevant authorities. The lessor is the legal owner of the property and is entitled to lease the property. The Group is entitled to use the property according to the tenancy agreement.



June 2014

The Directors
Guorui Properties Limited

BOCI Asia Limited

Dear Sir,

Savills (Hong Kong) Limited
23/F Two Exchange Square
Central, Hong Kong

EA LICENCE: C-002450
T: (852) 2842 4400
savills.com

As requested we have prepared a property market overview to be inserted into the prospectus for the listing of Guorui Properties Limited (the “**Company**”). The report includes an overview of the China economy as well as the property market, and an overview of the property sectors of nine cities, namely Beijing, Shenyang, Zhengzhou, Langfang, Haikou, Wanning, Shantou, Foshan and Xi’an.

MARKET RESEARCH REPORT

1.	Macro overview of China	4
1.1.	Economic indicators	4
1.2.	Metropolitan regions of China	5
1.3.	Economic comparison of nine cities	8
1.4.	Property market comparison of nine cities	10
1.5.	Real estate policy overview	13
1.6.	Urbanization and real estate market in China	15
2.	Beijing market research	16
2.1.	Beijing macro economic overview	16
2.2.	Beijing retail market overview	18
2.3.	Beijing Grade A office market overview	25
2.4.	Beijing Grade A apartment market overview	28
2.5.	Beijing Chongwai Avenue market overview	31
2.6.	Competition	36
3.	Langfang market research	40
3.1.	Langfang overview	40
3.2.	Langfang residential market	42
3.3.	Yongqing market study	44
4.	Shenyang market research	48
4.1.	Shenyang overview	48
4.2.	Shenyang residential market	52
4.3.	Upper-tier hotel market overview	55
4.4.	Shenyang retail market overview	57
4.5.	Shenyang's auto parts retail market	59
4.6.	Shengyang office market overview	61
4.7.	Dadong market overview	66
4.8.	Competition	69
5.	Zhengzhou market research	69
5.1.	Zhengzhou macro economic overview	69
5.2.	Zhengzhou real estate market overview	73
5.3.	Zhengzhou residential market overview	73
5.4.	Longhu Town residential market overview	77
6.	Shantou market research	80
6.1.	Shantou macro economic overview	80
6.2.	Shantou residential market overview	85
6.3.	Shantou home furnishing store market overview	88
6.4.	Shantou five-star hotel market overview	90
7.	Foshan market research	91
7.1.	Foshan macro overview	91
7.2.	Foshan residential market overview	95
7.3.	Dali Town residential market overview	97

8.	Hainan market research	99
8.1.	Hainan Province overview	99
8.2.	Haikou overview	101
8.3.	Haikou office market overview	105
8.4.	Haikou residential market	108
8.5.	Submarket market overview	111
8.6.	Competition	114
9.	Wanning property market overview	115
9.1.	Wanning overview	115
9.2.	Wanning residential market	118
9.3.	Market outlook	121
9.4.	Wancheng market analysis	121
10.	Xi'an market research	123
10.1.	Xi'an macro economic overview	123
10.2.	Xi'an office market overview	128
10.3.	HTIDZ office market overview	130
11.	Prices of construction materials and other raw materials	133
	Limitations on the report	133

1. Macro overview of China

1.1. Economic indicators

Table 1-1: Key statistics — China, 2007 – 2013

Indices / Year	2007	2008	2009	2010	2011	2012	2013	2007 – 2013 CAGR (%)
GDP (RMB billion)	26,581	31,405	34,090	40,151	47,288	51,932	56,885	13.5
YoY growth rate	14.2	9.6	9.2	10.4	9.3	7.8	7.7	—
GDP per capita (RMB)	20,169	23,708	25,608	30,015	35,181	38,355	41,804	12.9
Total population (million persons)	1,321.3	1,328.0	1,334.5	1,340.9	1,347.4	1,354.0	1,360.7	0.5
Disposable income per capita (RMB)	13,786	15,781	17,175	19,109	21,810	24,565	26,955	11.8
Consumer price index (CPI)	104.8	105.9	99.3	103.2	105.3	102.6	102.6	—
Real estate investment (RMB billion)	2,529.8	3,120.3	3,624.2	4,826.0	6,179.7	7,180.4	8,601.3	22.6
Fixed-asset investment (FAI) (RMB billion)	13,762	17,282.8	22,459.9	27,812.2	31,148.5	37,467.6	44,707.4	21.7
Retail sales (RMB billion)	8,921	11,483.0	13,267.8	15,699.8	18,391.9	21,030.7	23,781.0	17.8

Source: National Bureau of Statistics

China has maintained strong economic growth, recording a CAGR of 13.5% from 2007 to 2013, despite the global economic slowdown. GDP in 2013 stood at RMB56,885 billion, according to the announcement released by the National Bureau of Statistics of China, representing a real growth rate of 7.7%. In the first quarter of 2014, nominal GDP reached RMB12,821 billion, representing a 7.4% increase from the corresponding period in 2013.

According to the report released by the National Bureau of Statistics, the urbanization rate has accelerated, reached 53.7% at the end of 2013, up 1.1 percentage points (ppts) compared with the end of 2012. Meanwhile, the wealth of urban residents has also grown rapidly, underpinned by the robust national economy. The average disposable income of urban residents in 2013 stood at RMB26,955 per capita, an increase of 9.7% YoY.

Boosted by the rising per capita disposable incomes of China's sizeable population, the domestic market has been expanding. The retail sales volume in 2013 stood at RMB23,781 billion, reflecting the strong purchasing power of citizens. The inflation rate remained under control in 2013, with the yearly growth in CPI slowing to 2.6%. In the first quarter of 2014, the retail sales volume reached RMB6,208.1 billion, representing a 12.0% increase from the corresponding period in 2013.

FAI has maintained strong momentum, increasing at a seven-year compound annual growth rate (CAGR) of 21.7% per annum from 2007 to 2013. To maintain a balance between facilitating investment and stabilizing price levels, the central bank has been carefully adjusting the benchmark one-year lending rate. The rate recorded a generally rising trend from 2009 to 2011, in order to prevent overheating in the investment market, after a sharp cut in rates in mid-2008 to tackle the negative effects of the global financial crisis. The rate in 2013 fell marginally, again to speed up economic growth, given a rise in CPI of just 2.6%. In the first quarter of 2014, the FAI reached RMB6,832.2 billion, representing a 17.6% increase from the corresponding period in 2013.

China's economic growth has fueled the growth of the real estate industry. Total investment in real estate has increased precipitously, registering at RMB8,601.3 billion in 2013 and representing a CAGR of 22.6% over the seven years from 2007. In the first quarter of 2014, the real estate investment reached RMB1,533.9 billion, representing a 16.8% increase from the corresponding period in 2013.

1.2. Metropolitan regions of China

According to the National Development and Reform Commission of China (NDRC), the Pearl River Delta (PRD), Yangtze River Delta (YRD) and Beijing-Tianjin Metropolis¹ are three major economic regions in China and will spearhead China's economic growth in the near future.

The following chart lists the three major economic regions of China and their historical GDP.

Table 1-2: China and major economic regions' GDPs

Indices / Years	2007	2008	2009	2010	2011	2012	2013	2007 – 2013 CAGR
	RMB billion							(%)
Units								
China	26,581	31,405	34,051	39,798	47,288	51,932	56,885	13.5
YRD	5,699	6,585	7,249	8,631	10,062	10,877	11,833	12.9
PRD	2,576	2,995	3,215	3,767	4,372	4,790	5,306	12.8
Beijing-Tianjin Metropolis	1,510	1,783	1,967	2,334	2,756	3,069	3,387	14.4

Source: Bureau of Statistics of local governments

Note 1. YRD includes Shanghai, Jiangsu Province and Zhejiang Province.

Note 2. PRD includes Guangzhou, Shenzhen, Foshan, Zhuhai, Zhongshan, Zhaoqing, Huizhou, Dongguan and Jiangmen.

1.2.1 PRD economy and real estate market

The PRD is one of most economically dynamic regions of China and a major manufacturing centre. The zone is formed by nine cities, namely Guangzhou, Shenzhen, Foshan, Zhuhai, Zhongshan, Zhaoqing, Huizhou, Dongguan and Jiangmen. Its GDP reached RMB5,306 billion in 2013, accounting for approximately 9.3% of the total GDP in China with 4.2% of China's total population. In December 2008, the NDRC published a proposed mid-term development plan 《珠江三角洲地區改革發展規劃綱要》 for the PRD. According to the plan, by 2020, GDP per capita in the PRD will reach RMB135,000, the tertiary industry will account for 60% of total GDP of the PRD and the urbanization rate will reach 85%. The PRD is also one of the China's largest consumer markets. Strong demand of for consumer goods is driven by growing incomes and the influx of tourists. In 2011, the PRD enjoyed a per capita GDP of RMB77,637, 2.2 times the national average of RMB35,181. The region accounted for 9.3% of the nation's total retail sales with 4.2% of China's total population. Retail sales in the region reached RMB1,458 billion in 2011 with a 15.6% rise from 2010.

Table 1-3: Economic indicators of the PRD

Indices / Years	2007	2008	2009	2010	2011	2012	2013	2007 – 2013 CAGR (%)
Real estate investment (RMB billion)	224	256	258	312	402	448	539	15.8
GFA completed (million sq m)	33	34	39	42	45	30	45	5.3
GFA sold (million sq m)	49	38	55	56	55	58	N/A	N/A

Source: Guangdong Bureau of Statistics

The PRD real estate market is highly developed, with real estate investment recorded at RMB539 billion in 2013, while GFA completed increased from 33 million sq m in 2007 to 45 million sq m in 2013 and GFA sold grew from 49 million sq m in 2007 to 58 million sq m in 2012. In December 2008, the NDRC published "The Outline of Development Planning of PRD between 2008 and 2020." It strengthened the importance of the PRD in China's economy and proposed a mid-term development plan for the region. It stated that by 2020, the GDP per capita in the PRD will be RMB135,000, the proportion of GDP accounted for by the tertiary industry will be 60% and the urbanization rate will be around 85%. The prosperity of the tertiary industry and the rising urbanization rate will further promote the growth of the regional real estate market.

¹ Beijing-Tianjin Metropolis is a metropolitan area in China, consisting of Beijing and Tianjin.

Table 1-4: Disposable incomes per capita of nine cities in the PRD, 2007 – 2013

Disposable income per capita (RMB)			
Cities / Years	2007	2013	2007 – 2013 CAGR (%)
Guangzhou	18,951	42,066	14.2
Shenzhen	24,870	44,653	10.2
Zhuhai	19,290	36,375	11.2
Foshan	21,112	38,040	10.3
Huizhou	17,310	32,992	11.3
Dongguan	27,025	46,594	9.5
Zhongshan	20,317	34,274	9.1
Jiangmen	15,149	29,772	11.9
Zhaoqing	12,794	23,929	11.0

Source: Guangdong Bureau of Statistics

The combined GDP of Guangzhou and Shenzhen, the two major cities in this region, historically accounted for around 55% of the PRD total. In addition, the economies of Guangzhou and Shenzhen are fast-growing, as Guangzhou's GDP increased at a CAGR of 13.9% from RMB705.0 billion in 2007 to RMB1,542 billion in 2013, while Shenzhen's GDP increased at a CAGR of 13.5% from RMB676.5 billion in 2007 to RMB1,450 billion in 2013. According to the Bureau of Statistics of Guangdong Province, disposable incomes per capita of Guangzhou and Shenzhen were RMB42,066 and RMB44,653 respectively in 2013, with a 14.2% and 10.2% CAGR respectively from 2007 to 2013.

In Shenzhen, the GFA sold was larger than GFA completed between 2009 and 2011 (the GFA sold and GFA completed represent the demand and supply of properties respectively). The sales amount of real properties in Shenzhen was stable between 2007 and 2012 and reached RMB103,009.8 million in 2012. Therefore, it is expected strong demand for properties will continue over the next three years.

For Guangzhou, the demand for real properties was strong between 2007 to 2012, as the GFA sold was consistently larger than the GFA completed except for 2011, when strict Home Purchase Restrictions (HPRs) were enacted. Overall, there is a 14.9 million sq m gap between total GFA completed and total GFA sold between 2007 and 2012. In addition, the sales amount reached RMB175,475.0 million in 2012, representing a historical high between 2007 and 2012. According to previous analysis, we expect the property market in Guangzhou will continue to grow in the next three years.

The following table shows GFA completed and GFA sold in Shenzhen and Guangzhou between 2007 and 2013.

Table 1-5: Real estate market indicators of Shenzhen, 2007 – 2013

	GFA completed (million sq m)	GFA sold (million sq m)	Sales amount (RMB million)
2007	6.4	5.6	77,991.3
2008	6.3	4.7	59,109.1
2009	4.0	7.6	111,387.6
2010	3.4	4.7	89,255.3
2011	3.3	5.0	106,086.5
2012	4.3	4.1	103,009.8
2013	3.5	N/A	N/A

Source: Bureau of Statistics of Shenzhen; CRIC

Note: Sales amount equals GFA sold multiply average selling price

Table 1-6: Real estate market indicators of Guangzhou, 2007 – 2013

	GFA completed (thousand sq m)	GFA sold (thousand sq m)	Sales volume (RMB million)
2007	8.2	14.7	117,202.0
2008	9.4	10.8	93,507.3
2009	9.6	13.8	128,615.1
2010	10.9	14.1	167,499.0
2011	12.6	11.9	144,525.2
2012	12.9	13.3	175,475.0
2013	11.4	N/A	N/A
Total	75.1	N/A	N/A

Source: Bureau of Statistics of Guangzhou; CRIC

1.2.2 YRD economy and real estate market

The YRD refers to 16 cities in Shanghai, southern Jiangsu, and eastern and northern Zhejiang, including Shanghai, Nanjing, Suzhou, Wuxi, Changzhou, Yangzhou, Zhenjiang, Nantong, Taizhou (Zhejiang), Hangzhou, Ningbo, Huzhou, Jiaxing, Shaoxing, Zhoushan and Taizhou (Jiangsu). These 16 cities cover an area of 110,915 sq km, which is about 1.1% of China's total land area. The total population of YRD stood at 109 million at the end of 2011, accounting for about 8.1% of China's total population. In its broadest sense, the YRD encompasses Shanghai, and Zhejiang and Jiangsu provinces.

The YRD is one of China's leading economic regions. In 2013, the GDP of the YRD increased by 8.8% and stood at RMB11,833 billion, which accounted for approximately 20.8% of China's overall GDP. The wealth of local residents is also growing rapidly, with disposable income per capita nearly doubling over the past six years and recorded at RMB38,080 in 2013. With the growth of disposable income, the retail sales increased rapidly with an annual growth rate of 13.5% in 2012 and amounted to RMB3,150 billion at the end of 2012. In addition, The YRD is heavily industrialized with advanced infrastructure systems. Real estate investment witnessed rapid growth from 2007 to 2013, although a series of HPRs were released in 2011. According to the Bureau of Statistics of local governments, in 2013, real estate investment in the YRD was recorded at RMB1,623 billion, with a CAGR of 19.3% over the past six years. The GFA completed was recorded at 167 million sq m in 2013, while 187 million sq m of property was sold in 2013.

In June 2010, the NDRC released a regional development plan for the YRD. According to the plan, the YRD will be developed into a world-class metropolitan area, which will be a hub of logistics, finance and international trade in China. By 2020, the GDP per capita will be RMB110,000, the proportion of GDP accounted for by the tertiary industry will be 53% and the urbanization rate will rise to 72%.

Table 1-7: Economic indicators of the YRD, 2007 – 2013

Indices / Years	2007	2008	2009	2010	2011	2012	2013	2007 – 2013 CAGR (%)
Real estate investment (RMB billion)								
.....	565	645	706	931	1,221	1,381	1,623	19.3
GFA completed (million sq m)	155	150	153	148	152	164	167	1.3
GFA sold (million sq m)	158	107	192	164	133	149	187	2.8
Disposable income per capita (RMB)	17,062	21,494	24,095	26,607	30,359	34,033	38,080	14.3

Source: Bureau of Statistics of local governments

1.2.3 Beijing-Tianjin Metropolis economy and real estate market

Beijing is the capital of China. It is also the nation's political, cultural and educational centre. Tianjin is one of the four direct-controlled municipalities of China. Beijing and Tianjin together account for 6.0% of China's total GDP with about 2.6% of China's total population in 2013. Real estate investment increased from RMB250 billion in 2007 to RMB496 billion in 2013, with a 12.1% CAGR over six years. In 2013, total GFA completed stood at 66 million sq m and GFA sold was recorded at 37 million sq m.

Table 1-8: Economic indicators of the BER — Beijing and Tianjin, 2007 – 2013

Indices / Years	2007	2008	2009	2010	2011	2012	2013	2007 – 2013 CAGR (%)
Real estate investment (RMB billion)	250	256	307	377	412	441	496	12.1
GFA completed (million sq m)	49	51	55	46	48	51	66	5.3
GFA sold (million sq m)	37	26	40	32	31	36	37	0.1

Source: Bureau of Statistics of local governments

1.3. Economic comparison of nine cities

Table 1-9: Nine cities — economic index comparison, 2013

Indices / Cities	Beijing	Shenyang	Zhengzhou	Langfang	Haikou	Wanning	Shantou	Foshan	Xi'an
Population (million persons)	21.15	8.26	9.19	4.39	3.17	0.55	5.4	7.30	8.59
GDP (RMB billion) ..	1,950.1	715.9	620.7	194.3	90.5	14.7	150.6	701.0	488.4
YoY growth rate (%)	7.7	8.8	10.0	9.1	9.9	10.2	13.0	10.0	11.1
GDP per capita (RMB)	93,213	86,850	68,070	N/A	41,955	26,580	28,661	N/A	N/A
Disposable income per capita (RMB)	40,321	29,074	26,615	26,985	24,461	22,038	22,207	38,038	33,100
CPI (previous year = 100)	103.3	102.5	102.8	103.3	102.9	N/A	102.5	102.5	102.7
Retail sales (RMB billion)	837.5	318.6	758.6	63.7	45.7	4.5	115.9	226.4	754.8
Actual foreign direct investment (FDI) (US\$ billion)	8.52	5.81	3.32	0.68	0.51	0.14	0.15	2.52	3.13

Source: National Bureau of Statistics

This report focuses on nine cities, namely Beijing, Shenyang in Liaoning Province, Zhengzhou in Henan Province, Langfang in Hebei Province, Haikou and Wanning in Hainan Province, Shantou and Foshan in Guangdong Province, and Xi'an in Shaanxi Province.

Administratively speaking, only Beijing is a directly controlled municipality in China, while Shenyang, Zhengzhou, Xi'an and Haikou are the capital cities of their respective provinces. Langfang, Wanning, Shantou and Foshan are prefecture-level cities.

Classified by their economic strength and development levels, Beijing is one of the four first-tier cities in China. Shenyang, Zhengzhou, Foshan, Xi'an and Haikou are defined as second-tier cities which serve as the regional growth hubs of their respective provinces. Langfang, Wanning and Shantou are cities which only have local impacts.

Beijing, the capital city of China and the only first-tier city among the nine cities, significantly surpassed the other eight cities in terms of major economic indicators, such as GDP, disposable income per capita and retail sales. However, it has the lowest GDP growth of 7.7% as a result of its high base. As the political, economic and cultural centre of China, Beijing plays a central role in leading the country's economic growth. It accommodates the headquarters of numerous large state-owned enterprises (SOEs), reputable domestic private enterprises and multinational companies. With the country's economy continuing to mature, Beijing is becoming a world-class metropolis. For the year ending December 31, 2013, Beijing ranked the second in China in terms of average selling price and total transaction volume of residential properties.

Shenyang, a major manufacturing and logistics base in northeast China, is the capital city of Liaoning Province, and ranks third in terms of overall economic scale. Shenyang's disposable income per capita is the fourth highest after Beijing, Foshan and Xi'an, reaching RMB29,074 in 2013. Shenyang also ranked second in its utilization of overseas investment in 2013, at US\$5.81 billion. Due to its geographical proximity, it is especially favored by investors from Korea, Japan and Russia. For the year ending December 31, 2013, Shenyang ranked the second in Liaoning Province in terms of average selling price of residential properties.

Zhengzhou, a major transportation hub as well as a mining and manufacturing centre in central China, follows Shenyang in terms of GDP and retail sales, whereas its disposable income per capita ranks sixth out of the nine cities, standing at RMB26,615 in 2013. Zhengzhou is the capital city of Henan Province and is supported by the high-speed express railway network. Zhengzhou East Station in Zhengzhou is the junction of the Beijing-Guangzhou High-speed Railway and the East-West Xuzhou-Lanzhou High-speed Railway. Aside from well developed manufacturing industry, such as textiles, electrical equipment and cigarettes, it has an abundance of natural resources, including coal and aluminum. For the year ending December 31, 2013, Zhengzhou ranked the first in Henan Province in terms of average selling price of residential properties.

Foshan and Shantou are in Guangdong Province. Foshan is located on the PRD which is the economic centre of the province, while Shantou is in the east. Foshan is a major manufacturing city in the PRD. It ranks first in terms of GDP per capita and third in GDP and disposable income per capita among the nine cities. Under the Guangzhou-Foshan (Guangfo) unification, Foshan has been enhancing its connections with the rest of Guangdong Province by establishing a range of intercity transportation, including the Guangfo Metro and road links. According to a document released on January 8, 2013 by the Guangzhou Municipal Development & Reform Commission, Guangfo City will have doubled in size since 2010, with an urbanization rate as high as 90%. For the year ending December 31, 2013, Foshan ranked the fourth in Guangdong Province in terms of average selling price of residential properties.

Shantou is another industry-based city which ranks sixth in GDP and eighth in GDP per capita and disposable incomes. It also has relatively strong retail sales, ranking sixth among the nine cities. Garments and textiles, toys and plastics manufacturing are the major light industries in Shantou.

Langfang in Hebei Province is located between Tianjin and Beijing. Langfang is taking advantage of its short distance from Tianjin Port and Beijing Capital International Airport to develop its information technology sector. Langfang took fifth place with regards to GDP per capita and GDP among the nine cities. For the year ending December 31, 2013, Langfang ranked the first in Hebei Province in terms of average selling price of residential properties due to its geographic advantage of being close to Beijing.

Haikou and Wanning are in Hainan Province whose warm weather, beautiful landscapes and long shorelines have made it a popular tourist destination. In 2010, the Hainan International Tourism Island Development Planning Outline was approved aimed at developing the province into a first-class island leisure resort by 2020, with the tourism industry contributing over 12% of GDP and the total contribution of tertiary industries reaching 60%.

Haikou, a second-tier city, is the capital city located in the north of the province, while Wanning is in the east. Haikou ranks eighth in terms of population and retail sales and seventh in terms of GDP per

capita and disposable income per capita among the nine cities. It is focused on developing its industries, including entertainment and leisure, real estate and modern services. For the year ending December 31, 2013, in terms of average selling price of residential properties, Haikou ranked fourth in Hainan Province and transaction volume was in the first place in Hainan Province.

Wanning is the smallest city in terms of GDP, population and retail sales. In contrast, however, Wanning achieved the second highest economic growth rate of 10.3% in 2013. Although the city has less developed infrastructure, beautiful landscapes provide the city with a strong potential for the tourism industry. The city is now upgrading its infrastructure, including roads, electricity networks and water provision, to improve prospects for coastal tourism. For the year ending December 31, 2013, Wanning ranked the third in Hainan Province in terms of average selling price of residential properties.

Xi'an is the capital of Shaanxi Province, and a sub-provincial city in the People's Republic of China. It is the economic and cultural center of Shaanxi Province, and one of the oldest cities in China, with more than 3,100 years of history. For the year ending December 31, 2013, Xi'an ranked the first in Shaanxi Province in terms of average selling price of residential properties.

1.4. Property market comparison of nine cities

All nine cities have experienced booming real estate markets during the period of fast economic growth. Beijing recorded the highest real estate investment total among the nine cities, at RMB315.3 billion in 2012, nearly the sum of real estate investment in Shenyang and Zhengzhou, which ranked second and third respectively. In line with its economic development level, Beijing also recorded the highest prices across all three property sectors.

Table 1-10: Nine cities — property market comparison, 2012

Indices / Cities	Beijing	Shenyang	Zhengzhou	Langfang	Haikou	Wanning	Shantou	Foshan	Xi'an
Real estate investment									
(RMB billion)	315.3	194.3	109.5	24.3	17.6	5.9	8.3	63.8	128.2
Residential	162.8	133.1	67.6	19.5	13.0	5.0	5.8	43.2	101.2
Office	38.5	10.1	N/A	0.4	1.1	0.0	N/A	1.7	N/A
Retail	27.6	35.9	N/A	1.9	N/A	0.2	N/A	4.1	N/A
Total GFA completed									
(million sq m)	23.9	20.7	14.5	6.1	3.1	0.1	2.1	6.5	10.6
Residential	15.2	16.4	10.4	5.1	2.3	0.1	1.6	5.1	9.0
Office	2.3	0.6	0.6	0.0	0.0	0.0	N/A	0.0	N/A
Retail	2.4	2.5	1.7	0.5	0.4	0.0	N/A	0.3	N/A
Total GFA sold (million sq m)									
(million sq m)	19.4	24.7	14.4	7.1	2.7	0.5	1.9	8.0	15.4
Residential	14.8	22.0	12.3	6.5	2.5	0.5	1.7	7.1	13.8
Office	2.5	0.2	1.1	0.1	0.0	0.0	N/A	0.1	N/A
Retail	1.1	1.9	0.7	0.3	0.1	0.0	N/A	0.2	N/A
Average sales price									
(RMB per sq m)	17,022	6,321	6,253	5,877	6,825	8,943	6,039	8,046	9,993
Residential	16,553	5,989	5,643	5,581	6,512	8,943	5,879	7,944	N/A
Office	22,114	11,288	9,455	7,167	30,294	N/A	N/A	N/A	N/A
Retail	20,476	9,712	13,683	11,764	17,020	N/A	N/A	N/A	N/A

Source: National Bureau of Statistics

Note 1: The figures which were extremely small compared with those of its counterparts will appear as 0.0 in the table when rounded to one decimal place in the same unit as the other cities.

The supply of raw land is limited in Beijing, especially within the Second Ring Road. In 2013, only 32,754 sq m of raw land was entered the transaction market, which accounts for 0.2% of total supply in the

city. In addition, the Beijing population continued to increase between 2007 and 2013. The average population growth rate was 4.3% between 2007 and 2013, which is much higher than 0.5%, the average population growth rate of China in the same period. The limited supply of raw land combined with the strong population growth makes real properties valuable assets. It also promotes the demand for properties in neighboring area of Beijing as a result of the shortage of supply in Beijing's central area. For instance, the adjacent city such as Langfang is becoming a popular choice for many people working in Beijing. The following table shows raw land transactions within Beijing's Second Ring Road between 2007 and 2013.

Table 1-11: Raw land supply in Beijing, 2007 – 2013

	2007	2008	2009	2010	2011	2012	2013
Raw land supply within 2nd Ring Road (sq m)	12,698	0.0	6,295	2,500	26,276	33,291	32,754
Total land supply in Beijing (million sq m)	6.0	10.1	13.7	20.6	13.9	9.9	20.8
Percent (%)	0.2	0.0	0.0	0.0	0.2	0.3	0.2

Source: Savills Research & Consultancy

The following table shows the annual growth rate of the population in China and Beijing between 2007 and 2013.

Table 1-12: Population growth rate in Beijing and China, 2007 – 2013

	2007	2008	2009	2010	2011	2012	2013	Average (2007 – 2013)
China	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%
Beijing	3.3%	3.8%	3.5%	11.7%	2.9%	2.5%	2.2%	4.3%

Source: Bureau of Statistics of PRC; Bureau of Statistics of Beijing

Significantly, notable real estate developments also took place outside the first-tier cities during this period of nationwide economic and real estate growth. In addition, the increasing competition in first-tier cities has driven many developers to seek opportunities in second- and even other cities. The second-tier cities of Shenyang, Zhengzhou, Haikou, Xi'an and Foshan have all achieved significant economic success in recent years, consequently resulting in expanding property demand.

With rapid economic development and rising levels of urbanization, the residential sector now accounts for the largest share of real estate development among the five cities. Although these cities are still dominated by the manufacturing and tourism industries, the services sector has begun to create more demand for office properties. The increasing wealth of residents is very likely to generate high consumption needs, and even trigger the entry and expansion of luxury retail brands. In all, these factors have created strong demand for real estate of all types and classes. Therefore, construction levels have been kept high and property prices have followed an upward trend over the past few years, despite several rounds of nationwide cooling measures.

Langfang, Wanning and Shantou are transforming from agricultural- and industry-based economies to service-based economies. The resulting urbanization and the rising incomes of residents have created substantial demand for real estate. Compared with the other six cities, the real estate markets in these three cities are heavily biased towards residential development, with very little office supply. This is reflective of the economic characteristics of the cities, which are dominated by manufacturing and processing, housed in factories and private farmhouses.

The following table shows total GFA sold and the CAGR of total GFA sold in nine cities between 2008 and 2013.

Table 1-13: Nine cities — total GFA sold, 2008 – 2013

Cities / Years	Total GFA sold (million sq m)						CAGR 2008 – 2013 (%)
	2008	2009	2010	2011	2012	2013	
Beijing	13.4	23.6	16.4	14.4	19.4	19.0	7.2
Langfang	4.2	6.3	8.2	7.3	7.1	N/A	N/A
Shenyang	14.7	15.3	17.5	21.7	24.7	22.6	9.0
Zhengzhou	7.0	12.0	15.6	15.6	14.4	16.2	18.3
Shantou	1.4	1.3	1.6	1.7	1.9	1.7	4.0
Foshan	5.4	7.8	8.9	8.7	7.9	N/A	N/A
Haikou	1.7	1.9	2.1	2.3	2.7	3.4	14.9
Wanning	0.1	0.2	0.4	0.4	0.5	0.6	43.1
Xi'an	7.6	12.6	15.9	17.8	15.4	N/A	N/A

Source: Bureau of Statistics of local governments

Note: Bureau of Statistics of Wanning does not release total GFA sold in 2007

The total GFA sold in Beijing, Langfang, Shenyang, Zhengzhou, Shantou, Foshan, Haikou, Wanning and Xi'an increased at a CAGR of 9.7%, 14.0%, 13.9%, 19.8%, 7.9%, 10%, 12.3%, 64.6% and 15.2% from 2008 to 2012. The significant growth of total GFA sold in these cities reflects the strong demand for properties in these cities. Especially after 2010, the Chinese government enacted several HPRs to restrain the real estate market. The CAGR of total GFA sold in Zhengzhou, Haikou and Wanning still exceeded 10%, which shows the strong demand for real properties in these cities.

Table 1-14: Population growth rate in china and nine cities, 2007-2013

	Population growth rate ² (2007-2013)
China	0.5%
Beijing	3.9%
Langfang	1.5%
Shenyang	0.5%
Haikou	2.1%
Zhengzhou	3.7%
Wanning	0.0%
Shantou	1.3%
Foshan	2.5%
Xi'an	1.1%

Note: Certain house purchasers in Haikou and Wanning may be not included as only permanent residents in urban areas are counted.

The increase of city population is a major factor contributes to the strong demand for properties. During 2007 and 2013, the population in Beijing, Langfang, Zhengzhou, Shantou, Foshan and Xi'an increased at a CAGR of 3.9%, 1.5%, 0.5%, 2.1%, 3.7%, 0.0%, 1.3%, 2.5% and 1.1% respectively, which exceeded the China's average population growth rate. The increase of population in these cities was mainly caused by urbanization process, which is expected to continue in next ten years. According to the National Bureau of Statistics, by the end of 2012, China had a total urban population of 711.8 million, or 52.6% of the total population. As projected by the China Centre for International Economic Exchanges (CCIEE), China's urbanization rate will reach 57% in 2020, and approximately 70% by the end of 2030. Based on previous analysis, we expect the strong demand for properties in these cities will continue during the next three years.

² Only the number of permanent residents in urban areas are calculated

1.5. Real estate policy overview

1.5.1. Real estate regulations from 2010 to 2013

The Chinese central government has introduced a set of measures, focused on curbing speculative purchases, increasing residential housing supply and monitoring land and residential housing sales, in order to ensure the healthy growth of the real estate market. The major measures are listed as follow:

2010.01: Circular 4

The circular focuses on four main points, namely:

- Local governments should provide more land and favorable policies to facilitate public housing development for low-income households.
- Reinforcement of different tax treatments, mortgage rates and down payments for first-home and multiple home buyers.
- Regulation of the financing environment in the real estate development market, preventing over-leverage.
- Regulation of land supply, land transactions and housing transactions.

2010.03: State-owned Assets Supervision and Administration Commission announcement

- 16 central SOEs, which have property development as a major element of their business, were allowed to continue their focus on real estate. Another 78 SOEs, whose major business is not property development, will be required to withdraw from the property sector once all current real estate projects are completed.

2010.04: 19 specific land policies issued by the Ministry of Land and Resources

- More than 70% of the total supply will be for affordable housing, renovating shanty town areas and small- and medium-sized apartments.
- Land hoarding will be strictly monitored and forbidden. The 20% deposit and 50% down payment is required to be paid within a month.

2010.04: Circular 10

- For first-home buyers: down payment raised from 20% to 30% for units above 90 sq m.
- For second-home buyers: down payment raised from 40% to 50%; minimum mortgage rates at 1.1 times the People's Bank of China benchmark lending rate (previously 70% to 80%).
- For third-home buyers: banks can increase down payment rates if necessary to curb speculation.

2010.05: Land appreciation tax (LAT) policy

- The increase in the land price will be considered in determining how much tax to levy;
- Other matters related to LAT calculation methods are clarified.

2010.09: [2010] Circular 151

- Local governments with overheated property markets to limit individual households from purchasing multiple residential properties;
- Down payments for first-home purchases raised from 20% to 30%, mortgages temporarily suspended for buyers of third or additional properties.
- Tax adjustments introduced, including an investigation of LAT settlement and the potential launch of the real estate tax.

2010.11: Circular on Further Regulating the Administration of Premises Purchases by Overseas Organizations and Individuals

- For individuals, overseas nationals can only be eligible to purchase one home for their own use, if they can provide proof of having worked in the country for at least one year prior to the purchase. In addition, a written statement is required to prove they have no other homes in the country when making home purchases.
- For overseas organizations, they can only purchase non-residential property for their own use in the cities where they have registered. Residential housing purchase is strictly forbidden for overseas institutes.

2011.01: Further policies to control house prices

- Local governments to be responsible for controlling local property markets.
- Local governments responsible for social welfare housing construction and property price stabilization.
- Increased investment in social housing and supply of public housing for rent.
- Sales tax (unchanged at 5.5%) will be levied on the contract price for normal residences sold within five years of purchase.
- For second-home purchases the minimum down payment is raised from 50% to 60%.
- Prohibition on outsiders buying residential properties and limits on the number of property purchases by locals.

2011.03: [2011] Circular 548

- Developers are required to release prices for each home for sale, including base prices, locations in the building, and total value. The price can not be increased once publicly released. In addition, new homes can not be sold before prices are approved by the related department.

2012.02: [2012] Circular 167

The NDRC has released a notice focusing on the following aspects:

- The quotation of long-term home mortgage loans for overseas buyers from branches of overseas banks has been cut.
- Renminbi funds borrowed by overseas banks for a term of longer than one year will be regarded as long-term debt.
- Only short-term home mortgage loans from overseas banks are allowed.

2012.02: NDRC meeting

- According to the NDRC, the construction of a national wide inquiry system has been accelerated. It will be launched in June 2012.
- The system will be able to check individual housing information in major cities including four first-tier cities and most provincial capitals.

1.5.2. HPR policy in 2013

On February 20, 2013, the State Council requested that local governments enact stricter regulations to alleviate fast-growing house prices in major cities.

2013.2.20/ 2013.3.1: Five regulation rules in the housing market

- Local governments are required to release housing price easing targets in 2013.
- To strictly curb speculation in the housing market.
- To strictly implement differentiated mortgage policies; banks could raise the down payment and mortgage rate for second home purchase based on local residential market performance; an individual income tax of 20% would be levied on capital gains made by those home sellers whose families own more than one apartment.
- To increase land plot supply for mass housing.
- To speed-up public housing supply.
- To improve the individual housing ownership system.

On March 25, Guangdong released the first of the latest real estate regulations. Beijing, Shanghai and Chongqing then published their rules on March 30. Beijing will strive to maintain house prices at 2012 levels, or even to reduce the prices of properties positioned for self occupation and upgrading. In contrast, other cities will allow housing prices to grow in line with local GDP and per capita disposable income growth.

1.6. Urbanization and real estate market in China

Along with the economic growth, China experienced a rapid urbanization process. China's urbanization rate increased continuously from 45.9% in 2007 to 53.7% in 2013. The Chinese government expects urbanization to be an engine driving economic development and the real estate industry in the next decade. As projected by the China Center for International Economic Exchanges (CCIEE), China's urbanization rate will reach 57% in 2020 and 70% by the end of 2030. The 12th Five-Year Plan continues to support urbanization across the country. The following table shows selected information on urbanization for the periods indicated:

Table 1-15: Urbanization in china

	2007	2008	2009	2010	2011	2012	2013	CAGR (%)
Urban residents (million)	606.3	624.0	645.1	669.8	690.8	711.8	731.1	3.2
Total population (million)	1,321.3	1,328.0	1,334.5	1,340.9	1,347.4	1,354.0	1,360.7	0.5
Urbanization rate (%)	45.9	47.0	48.3	50.0	51.3	52.6	53.7	—

Source: National Bureau of Statistics of China

China's economic growth has fueled the development of the real estate industry. Total real estate investment in China increased at a CAGR of 22.6% from RMB2,529 billion in 2007 to RMB8,601 billion in 2013. In the meantime, both GFA under construction and GFA completed have increased significantly. Demand for properties, driven by economic development, urbanization and increased disposable incomes, has played a key role in the growth of the real estate industry as well as housing prices. Demand for properties increased at a CAGR of 9.1% from 774 million sq.m. in 2007 to 1,306 million sq.m. in 2013. The average selling price of properties increased at a CAGR of 8.3% from RMB3,864 per sq.m. in 2007 to RMB6,235 per sq.m. in 2013.

In the first quarter of 2014, the real estate investment reached RMB1,533.9 billion, representing a 16.8% increase from the corresponding period in 2013. The growth in real estate investment then turned down. In the first four months of 2014, the real estate investment reached RMB2,232 billion representing a 16.4% increase from the corresponding period in 2013, but the growth rate decreased 0.4% from the first quarter. The total GFA completed and the total GFA sold in China decreased by 0.3% and 6.9%, respectively, from the first four months of 2013 to the first four months of 2014. The average selling price of properties in China reached RMB6,607 per sq.m., representing a 0.9% decrease from the corresponding period in 2013.

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

Table 1-16: Real estate investment in china

	2007	2008	2009	2010	2011	2012	2013	CAGR (%)
Real estate investment (RMB billion)	2,529	3,120	3,624	4,826	6,180	7,180	8,601	22.6
Raw land transaction volume (million sq.m.) . .	402	394	319	400	443	357	388	-0.6
Properties under construction (million sq.m.)	2,363	2,833	3,204	4,055	5,068	5,734	6,656	18.8
Total GFA completed (million sq.m.)	606	665	727	787	926	994	1,014	9.0
Total GFA sold (million sq.m.)	774	660	948	1,048	1,094	1,113	1,306	9.1
Average selling price of properties (RMB per sq.m.)	3,864	3,800	4,681	5,032	5,357	5,791	6,235	8.3

Source: National Bureau of Statistics of China

2. Beijing market research

2.1. Beijing macro economic overview

2.1.1. Beijing overview

Beijing is the capital city of China, as well as the cultural and educational centre of the country. It is situated in the Northern China, covering a total land area of 16,410 sq km, comprising 16 districts and two counties which can be categorized into four regions: core Capital Function districts (Dongcheng District, Xicheng District, Chongwen District and Xuanwu District); Urban Function Extended districts (Chaoyang District, Fengtai District, Shijingshan District and Haidian District); New Urban Development districts (Fangshan District, Tongzhou District, Shunyi District, Changping District and Daxing District); and Ecological Preservation Development districts (Pinggu District, Huairou District, Mentougou District, Miyun County and Yanqing County).

Map 2-1: Map of greater Beijing

The 12th Five-year Plan for the National Economic and Social Development of Beijing (2011 to 2015) is a strategic plan that focuses on making Beijing a world-class city with Chinese characteristics. The average GDP growth rate is targeted at 8% per annum and the tertiary industry will account for more than 78% of the municipality's industry activity. The per capita disposable incomes of urban residents and the net incomes of rural residents will increase at an annual rate of 8%.

2.1.2. *Beijing macro economic overview*

While Beijing's economy has boomed over the past decade, the growth rate has been slowing since 2011. By the end of 2013, Beijing's nominal GDP reached RMB1,950.1 billion and the growth rate decreased to 7.7%, while GDP per capita registered RMB93,213. In the first quarter of 2014, Beijing's nominal GDP reached RMB441.3 billion, representing a 7.1% increase from the corresponding period in 2013.

FAI totalled RMB703.22 billion, an increase of 8.8% YoY, but a decline of 1.9 pts compared with the 10.7% annual growth rate recorded over the last five years. This is due to China's economic slowdown and the municipal government continuing to place curbs on the housing market, as well as faltering real estate development and investment growth.

Beijing remains an important strategic market for multinational companies and overseas capital. Actual FDI increased 14% to RMB8.04 billion in 2012, with double the growth rate compared with the annual growth rate of the last five years, providing demand for the commercial market. Real estate investment stood at RMB348.34 billion in 2013, an increase of 10.5% YoY. In the first quarter of 2014, real estate investment in Beijing reached RMB53.8 billion, representing a 8.9% increase from the corresponding period in 2013.

Table 2-1: Beijing's key statistics, 2007 – 2013

Indices/Year	GDP	Growth rate	GDP per capita	FAI	Actual FDI	Real estate investment
	(RMB billion)	(% YoY)	(RMB)	(RMB billion)	(US\$ billion)	(RMB billion)
2007	984.68	14.5	60,096	396.66	5.07	199.58
2008	1,111.50	9.1	64,491	384.85	6.08	190.87
2009	1,215.30	10.1	66,940	485.84	6.12	233.77
2010	1,411.40	10.2	73,856	549.35	6.36	290.11
2011	1,625.20	8.1	81,658	591.06	7.05	303.63
2012	1,780.10	7.7	87,091	646.28	8.04	315.34
2013	1,950.10	7.7	93,213	703.22	8.52	348.34
CAGR (%)	12.1	—	7.6	10.0	9.0	9.7

Source: Beijing Statistical Yearbook 2012, Bureau of Statistics of Beijing

Up to 2013, Beijing's total population was reported at 21.1 million, 86.3% of which are urban residents. The per capita disposable incomes and living expenditure of urban residents increased by 10.6% and 9.3% respectively. Retail sales stood at RMB837.5 billion, representing an increase of 8.7% YoY.

2.1.3. Beijing property market

Real estate investment in Beijing increased from RMB199.6 billion in 2007 to RMB348.3 billion in 2013, representing a CAGR of 9.7%. The total GFA completed decreased by 1.3% from 28.9 million sq m in 2007 to 26.7 million sq m in 2013. The total GFA sold decreased by 2.3% from 21.8 million sq m in 2007 to 19.0 million sq m in 2013. The average selling price increased at a CAGR of 8.1% from RMB11,553 per sq m in 2007 to RMB17,022 in 2012. In the first quarter of 2014, the total GFA completed reached 3.6 million sq m, representing a 97.7% increase over the corresponding periods in 2013. In the first quarter of 2014, the total GFA sold reached 2.6 million sq m, representing a 34.3% decrease over the corresponding periods in 2013.

Table 2-2: real estate investment in Beijing, 2007 – 2013

	2007	2008	2009	2010	2011	2012	2013	CAGR (%)
Real estate investment (RMB billion) . . .	199.6	190.9	233.8	290.1	303.6	315.3	348.3	9.7
Residential	99.2	94.1	90.7	150.9	177.83	162.8	172.5	9.7
Office	24.2	17.1	16.7	25.9	36.4	38.5	61.2	16.7
Retail	26.7	24.0	20.1	33.6	29.7	27.6	N/A	—
Total GFA completed (million sq m) . . .	28.9	25.6	26.8	23.9	22.5	23.9	26.7	-1.3
Total GFA sold (million sq m)	21.8	13.4	23.6	16.4	14.4	19.4	19.0	-2.3
Average selling price (RMB per sq m) . .	11,553	12,418	13,799	17,782	16,852	17,022	N/A	—

Source: Bureau of Statistics of Beijing

2.2. Beijing retail market overview

The GFA of retail properties completed decreased by 25% from 3.2 million sq m in 2007 to 2.4 million sq m in 2012. The GFA of retail properties sold decreased by 21.4% from 1.4 million sq m in 2007 to 1.1 million sq m in 2012. The average selling price of retail properties increased at a CAGR of 3.1% from RMB17,585 per sq m in 2007 to RMB20,476 per sq m in 2012.

Table 2-3: Beijing retail property market, 2007 – 2012

	2007	2008	2009	2010	2011	2012	CAGR (%)
GFA completed (million sq m)	3.2	3.1	3.2	2.7	2.3	2.4	-5.6
GFA sold (million sq m)	1.4	1.1	1.6	1.4	1.1	1.1	-4.7
Average selling price (RMB per sq m)	17,585	17,148	19,091	22,452	24,920	20,476	3.1

Source: Bureau of Statistics of Beijing

2.2.1. Factors affecting Beijing's retail market

While the overall economic prosperity of Beijing is regarded as the main reason behind the recent retail market boom, four further factors have had an impact on retailing in the city.

Table 2-4: Beijing retail sales, urban disposable income and living expenditure, 2007 – 2013

Year / Indices	Total population (Million)	Growth rate (% YoY)	Retail sales (RMB billion)	Disposable income per capita (RMB)	Growth rate (% YoY)	Living expenditure per capita (RMB)	Growth rate (% YoY)
2007	16.76	4.7	383.52	21,989	13.9	15,330	8.7
2008	17.71	5.7	464.55	24,725	12.4	16,460	7.4
2009	18.60	5.0	530.99	26,738	8.1	17,893	8.7
2010	19.61	5.4	622.93	29,073	8.8	19,934	10.7
2011	20.19	2.9	690.03	32,903	13.2	21,984	10.3
2012	20.69	2.5	770.28	36,469	10.8	24,046	10.3
2013	21.15	2.2	837.51	40,321	10.6	26,275	9.3

Source: Bureau of Statistics of Beijing

Spending power and consumption patterns of residents

As the city's GDP increased at a CAGR of 12.1% from RMB985 billion in 2007 to RMB1,950 billion in 2013, and its per capita disposable income increased at a CAGR of 10.6% from RMB21,989 in 2007 to RMB40,321 in 2013. During the same period, per capita living expenditure rose from RMB15,330 to RMB26,275.

Among the eight retail categories, such as food, clothing, healthcare and medical services, transport and communications, education, cultural and recreational services, and housing, food constituted the largest item in both 2000 and 2013.

However, a significant fall in its share of total expenditure is also recorded from 36.3% in 2000 to 31.3% in 2012. The reduction in expenditure on essential living items means more expenditure can be diverted to garments, leisure, communications, health services and education. According to the same chart, spending on clothes, healthcare and medical services, education, and cultural and recreation services increased by around 1% to 2% between 2000 and 2012. Among all the retail categories, transport and communications recorded the largest growth, rising from 7.1% to 15.7% of total spending. This implies improved mobility for the average resident and the increased ownership of automobiles and mobile phones.

Chart 2-1: Comparison of consumer spending composition, 2000 vs 2012



Source: Beijing Statistics Bureau

Tourist spending

Beijing has long been a major international tourist destination and tourism plays a vital role in the local economy. In 2013, the city welcomed 4.5 million international visitors and 247 million domestic visitors. The total revenue generated by tourism reached RMB396.3 billion, accounting for 20.3% of GDP. Of the total tourist revenue, RMB366.6 billion, or 93% was generated by domestic tourists and the remaining RMB29.7 billion, or 7%, was accounted for by international tourists.

Table 2-5: Tourist spending in Beijing, 2007 – 2013

Year / Indices	Domestic visitors		International visitors		Total tourism revenue (RMB billion)
	No. of tourists (million)	Revenue (RMB billion)	No. of tourists (million)	Revenue (US\$ billion)	
2007	140.0	175.36	4.4	4.58	210.3
2008	140.0	190.7	3.8	4.46	221.9
2009	160.0	214.5	4.1	4.36	244.2
2010	180.0	242.5	4.9	5.04	276.8
2011	210.0	286.4	5.2	5.42	321.6
2012	230.0	330.1	5.0	5.15	362.7
2013	247.0	366.6	4.5	4.79	396.3

Source: Beijing Statistics Bureau

Climate

A typical city in the continental monsoon climate zone, Beijing features a temperate semi-humid climate, a short spring and autumn and a long summer and winter, with a year-round temperature averaging 14°C and an annual rainfall of around 721.1 mm. The hot summer and harsh winter climate makes indoor shopping the most favored retail activity in Beijing. Consequently, department stores and covered markets are the most developed retail formats, while open-air shopping venues such as street shops are relatively less developed in Beijing.

Infrastructure

Beijing's existing rail network, besides providing a vital link between communities, is also a popular choice of location for retail centres. Currently, Beijing has 16 Metro lines totalling 442 km, carrying more than 8 million passengers a day. By 2015, the city will have increased the total length of the rail network to 762 km, with five new Metro lines expected to be completed, including line 8 (phase III) and line 16, and the Haidian, Yan-Fang and New Airport lines.

The development of the Metro system will have a far reaching impact on the retail market by enhancing the accessibility of existing and future retail properties located on or besides the Metro stations. Similar to existing retail facilities which are mostly located around Metro stations, new retail developments are likely to break ground around the new stations. Some areas may even evolve as new retail centres altogether.

Map 2-2: Beijing's Metro plans in 2015



Source: Savills Research & Consultancy

Suburbanization of large retail premises and the rise of the community-based shopping centre

Sizeable shopping facilities, such as large department stores and shopping centres, used to be concentrated in the city centre serving the entire urban area. Because of the rapid suburbanization of residential developments over the past few years, quite a number of new suburban communities have been developed, such as Wangjing, Tongzhou, Shunyi and Yizhuang. This has led to many of the city's residents, a particularly high percentage of whom are well educated, earning high incomes and aged between 20 and 45, flocking to live in these new communities. Given the wealthy catchments now available in suburban locations, large retail operators are targeting suburban communities.

2.2.2. Beijing mid- to high-end retail property distribution³

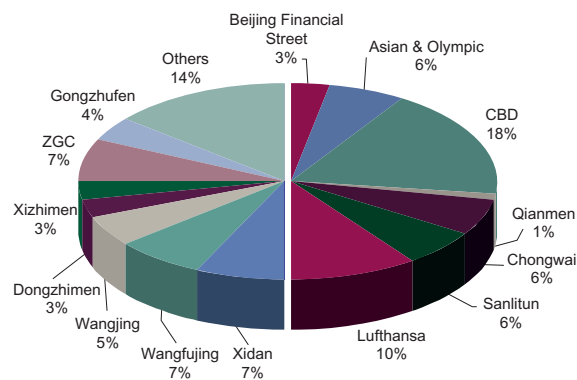
Map 2-3: Distribution map of retail zones



Source: Savills Research & Consultancy

According to Savills statistics, total mid- to high-end retail space totalled 9.0 million sq m in Q1/2014, 62.6% of which was accounted for by shopping malls and 29.8% by department stores. There are 14 established retail zones including the CBD, Sanlitun, Lufthansa, Beijing Financial Street (BFS), Xidan, Wangfujing (WFJ), Qianmen, Chongwai Avenue and so on.

Chart 2-2: Distribution of retail space, 2014



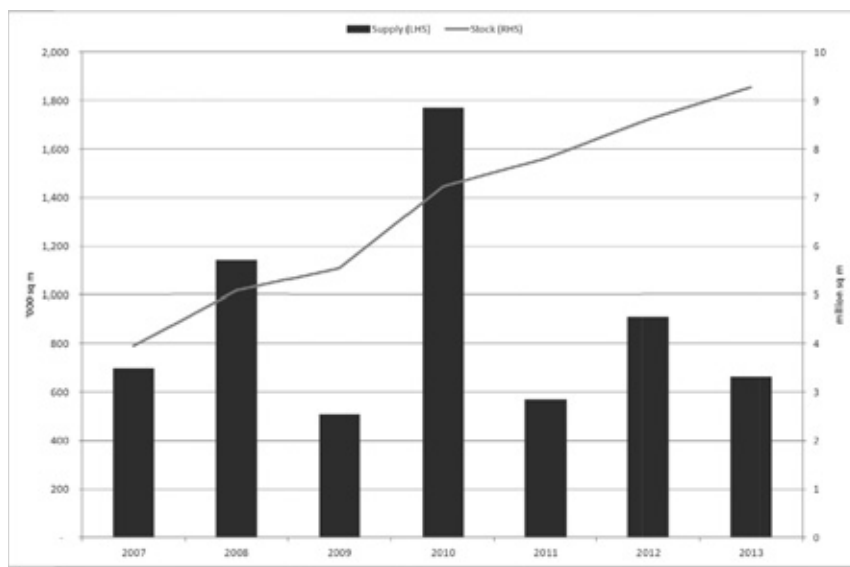
Source: Savills Research & Consultancy

³ 'Mid- to high-end retail property' here refers to large-scale department stores and shopping malls with a mid- to high-end merchandise mix and retail area of over 10,000 sq m (gross) in the major retail zones of Beijing.

2.2.3. Mid- to high-end shopping mall market trends

As a growing consumer city, Beijing has enjoyed a booming retail market over the past few years. Retail sales recorded a compound annual growth rate of 17.5% from 2007 to 2010, but decelerated to 10.8% and 11.6% in 2011 and 2012 respectively, due to declining car sales under the driving license restrictions issued by the municipal government and slower F&B growth under the crackdown on official waste and extravagance implemented by the central government.

Chart 2-3: Beijing's mid-to high-end retail market supply and vacancy rate, 2007 – 2013



Source: Savills Research & Consultancy

The mid- to high-end retail market has witnessed surging supply over the past five years. More than 1.7 million sq m of supply was recorded in 2010, an historical peak, as a result of the launch of three shopping malls with retail GFAs larger than 200,000 sq m, including Chaoyang Joy City. To capture the retail opportunities during the 2008 Olympics, 1.1 million sq m of retail space was completed in 2008, the second supply peak following 2010. New supply in 2013 stood at 661,000 sq m.

Retailers with strong brand awareness in China, including high-end and luxury brands such as Louis Vuitton, Gucci and Hermes, and fast-fashion retailers such as Zara and H&M, have expanded aggressively over the past five years. Partly due to the slowing of the economy and retail sales growth, they became more conservative in opening new stores from the second half of 2012. However, late-comers, including designer brands such as Alexander Wang and fashion retailers such as Abercrombie & Fitch, have been active and have gained market share over the last few quarters. Demand from the F&B, entertainment and children's sectors was stronger, driven by the increasing expenditure of consumers in these sectors over recent years.

The city-wide average vacancy rate of Beijing's mid- to high-end shopping centres was recorded at 6.0% by the Q1 2014. Well-established retail catchments such as Dongzhimen, ZGC and Chongwenmen all saw vacancy rates of less than 5%. These catchments experience more frequent tenant mix adjustments to achieve a better performance.

Spurred by an active leasing market, Beijing's average mid- to high-end shopping mall first-floor rent stood at RMB815 per sq m per month at the end of 2011, with a YoY growth rate of 11.8%. However, due to the slowdown in retailer expansion plans, landlords were cautious in quoting rents for potential tenants. The growth rate of the city-wide prime shopping mall first-floor rent declined to 6.1% YoY and the average rent stood at RMB865 per sq m per month at the end of 2012. Xidan, WFJ and Sanlitun are among the top three retail areas in terms of rents, reporting RMB1,700, RMB1,467 and RMB1,300 per sq m per month respectively.

2.2.4 Mid- to high-end shopping mall market outlook

The impact of e-shopping should not be underestimated, given its rapid development in recent years. Tmall.com and Taobao Marketplace set a record for the highest single-day transaction volume during a special promotion on November 11, 2013, facilitating the sales of goods totalling RMB35 billion on that day.

Beijing generated RMB25.64 billion of online retail sales in 2011, accounting for 3.7% of the city's total retail sales. In the first quarter of 2013, however, online retail sales increased by 57.1% YoY to RMB21.4 billion, accounting for 10% of total retail sales. This data has exceeded the Beijing government's expectation that online retail sales will account for 8% of total retail sales, the equivalent of RMB80 billion, by 2015.

While e-shopping provides better pricing and a larger variety of products, shopping malls retain their competitive edge by offering a shopping experience with the integration of shopping, dining, services, leisure and entertainment. This has resulted in increasing demand from retailers, particularly as those in the F&B, entertainment and children's sectors are actively looking for expansion space. However, the low affordability of these retailers is not likely to contribute much to the rental performance of shopping malls during the incubation period, although they may bring additional foot traffic to the hosting malls.

Eleven mid- to high-end retail projects with around 1,098,722 sq m of retail space are expected to open in 2014, with around 58% of the space located outside the Fifth Ring Road.

The new projects are not expected to put much pressure on the occupancy rates of prime shopping malls as pre-leasing demand remains positive. Although well-established retailers are slowing their expansions, Beijing is still ranked first when new international brands are looking for growth in China. For example, Vera Wang is planning its first Beijing store for 2014.

Landlords began to adjust their rental expectations in reaction to the slowdown in economic growth. As a result, occupancy rates and average rents will remain stable in 2014.

Table 2-6: Future supply, 2014 – 2015

Project (EN)	Project (CN)	Retail GFA (sq m)	Location
BaoYuan International Shopping Center	寶苑國際購物中心	160,000	Others
Beijing Mall	新燕莎金街購物廣場	46,000	Wangfujing
Xanadu Plaza	禧瑞匯	37,800	CBD
Tun San Li Yong Li Mall	屯三里永利購物中心	54,980	Sanlitun
Lippo Plaza BHG Mall	力寶廣場華聯購物中心	80,000	Others
Tongying Center	通盈商業中心	45,000	Sanlitun
Inter Ikea Beijing Shopping Center	英特宜家購物中心	200,000	Others
Longfor Paradise Walk	龍湖·長楹天街	270,000	Others
Retail sector of Power Land	國海廣場	62,942	Gongzhufen
Jinbao Place	金寶匯	12,000	Wangfujing
FUNMIX	Funmix 半島廣場	130,000	Others

Source: Savills Research & Consultancy

2.3. Beijing Grade A⁴ office market overview

The GFA of office properties completed decreased by 15.6% from 3.2 million sq m in 2007 to 2.7 million sq m in 2013. The GFA of office properties sold increased by 7.4% from 2.7 million sq m in 2007 to 2.9 million sq m in 2013. However, the average selling price of office properties in Beijing increased at a CAGR of 7.9% from RMB15,152 per sq m in 2007 to RMB22,114 per sq m in 2012.

Table 2-7: Beijing office property market, 2007 – 2013

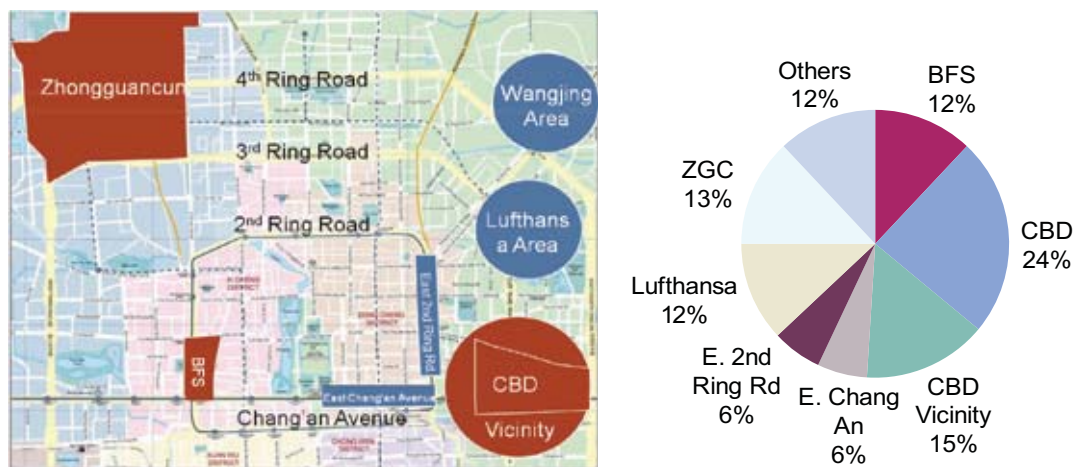
	2007	2008	2009	2010	2011	2012	2013	CAGR (%)
GFA completed (million sq m)	3.2	3.7	3.2	2.0	2.5	2.3	2.7	-2.8
GFA sold (million sq m)	2.7	1.4	2.6	2.1	2.1	2.5	3.2	2.9
Average selling price (RMB per sq m) . .	15,152	16,554	16,857	23,413	23,702	22,114	N/A	N/A

Source: Bureau of Statistics of Beijing

2.3.1. Beijing Grade A office distribution and stock

By Q1/2014, the total stock of Grade A offices amounted to approximately 9.3 million sq m, mostly located in the CBD, the CBD vicinity, Lufthansa Area, BFS, ZGC, East Second Ring Road and East Chang'an Avenue, with the first four areas regarded as first-tier Grade A office areas.

Map 2-4: Distribution map of office zones and percentage of stock, 2013



Source: Savills Research & Consultancy

⁴ An office building needs to meet following criteria to be classified as a Grade A office building. The developer should be a prominent developer with experience in high-end office projects. The location of the building should be a prime location with good accessibility. The ownership is usually single-ownership or strata-titled. The building is managed by an international standard, reputable management team. The building should be with high-quality exterior and interior finishes. The GFA of the building should be above 30,000 sq m, and the floorplate should be over 1,200 sq m. The efficiency rate for the whole floor should be above 65%. The perimeter to core distance should be above 10 m. The number of parking spaces should satisfy basic sufficiency for tenants or with minimum of one space per 300 sq m of GFA. The ceiling height should be over 2.6 m. The cabling system should be with raised flooring or cable trucking. The waiting time should be less than 60 seconds; average capacity no less than 1,200 kg; elevators should be distributed to different areas. Telephone lines such as DD, ISDN line and video conference should be available. The air conditioning should meet following standard: IV 4-pipe VAV system or better; 24-hour chilled water; ventilation no less than 35 cubic m per person per hour. For back-up power, there should be one set generator dedicated for tenant use. The building is usually leased or strata-title sold. The tenants of the building are usually overseas and domestic companies.

2.3.2. Grade A office market trends

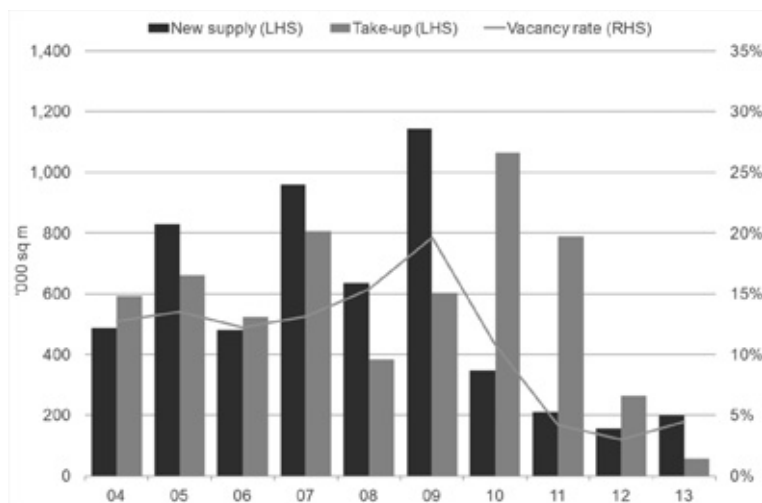
After achieving peak supply in 2009, Grade A office supply started declining. Only four projects were handed over in 2013, offering a total leasable office GFA of 198,957 sq m to the market, up 26.7% YoY.

Many companies have become more cautious in their office expansion plans given the sluggish economic conditions, high rents and limited available space. Leases have focused more on renewals than relocations. Consequently, net take-up in 2013 registered 58,000 sq m, only one-fifth of that compared with 2012 an historical low for the past decade.

The limited new supply combined with strong demand resulted in a rapidly declining vacancy rate from 19.6% at the end of 2009 to 3.9% at the end of Q1/2014.

International economic uncertainties and the slowdown in domestic GDP growth have suppressed overall demand despite the low vacancy rate. After an growth of 13.8% in 2012, Beijing's Grade A office rents decreased 1.6% in 2013, recording RMB313.0 per sq m by the end of 2013.

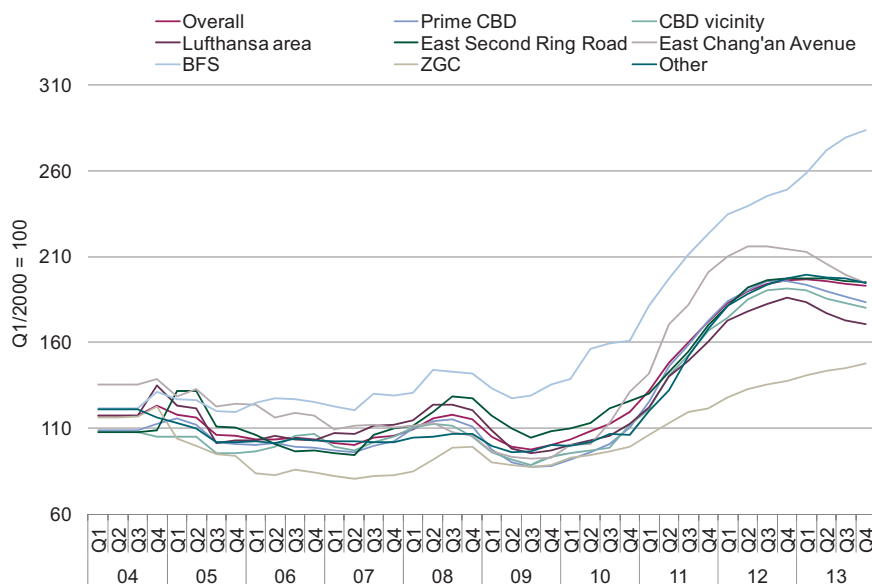
Chart 2-4: Grade A office supply, demand and vacancy rate, 2004 – 2013



Source: Savills Research & Consultancy

BFS and CBD rents continued to command the highest levels in the city, standing at RMB503.6 and RMB353.2 per sq m per month by Q1/2014.

It is worth noting that a number of prime projects, especially those located in the CBD, are losing the strong rental growth momentum seen in 2011, due to landlords providing more incentives in rents and other leasing terms given the slowing demand, leading to a shrinking rental gap between high-quality and mid-range projects. A number of landlords also lowered their rental offerings for renewals to retain quality tenants in the CBD. On the other hand, the CBD vacancy rate has decreased to 5.6% by Q1/2014.

Chart 2-5: Grade A office market rental indices, 2004 – 2013

Source: Savills Research & Consultancy

Domestic enterprises still dominate Grade A office market demand. Finance, IT, manufacturing and professional services companies are the main market drivers.

At the same time, many companies continued to seek more affordable office space in emerging markets because of the high rents in traditional business areas. For example, net take-up in Wangjing accounted for 12.4% of the total in 2012, stabilizing the area's vacancy rate at 0.1% by the end of 2012, down 5.6 ppts YoY.

As rents have increased sharply since 2011, most landlords have been reluctant to sell their properties, and en-bloc transactions were relatively limited in 2013, with 22 transactions recorded for a total consideration of RMB26.3 billion.

2.3.3. Grade A office market outlook

The under-supply situation seen in the past three years (with annual supply averaging just 189,000 sq m) is expected to end in 2014, as nine projects are scheduled to be handed over to the market, bringing with them a total leasable supply of 571,000 sq m. Sixty percent will be in the eastern markets, with Wangjing accounting for nearly 40% of this amount.

Given the continuing economic uncertainty, rental budgets are expected to remain tight and headcount expansion conservative, resulting in weak demand. This, combined with a pick-up in supply, is expected to push the city-wide vacancy rate up to between 5% and 8%, while effective rents should fall by more than 2% as landlords continue to offer rental discounts.

Table 2-8: Future supply, 2014

Project (EN)	Project (CN)	Location	Leasable area (sq m)	Self-use space (sq m)
ZGC Internet Financial Centre	中關村互聯網金融中心	ZGC	51,000	—
Ocean International Centre II Tower 1	遠洋國際中心二期1座	CBD vicinity	33,000	—
Ocean International Centre II Tower 2	遠洋國際中心二期2座	CBD vicinity	22,000	—
Posco Centre	浦項中心	Wangjing	89,000	15,000
Raycom Infotech Park - Tower B	融科資訊中心B座	ZGC	58,000	—
SOHO Peaks Tower 3	銀峰SOHO3座	Wangjing	124,000	—
Guanghualu SOHO II	光華路SOHO2號	CBD	63,000	—
Plot E9	金融街E9	BFS	57,000	—
Plot E9A/B	金融街E9A/B	BFS	74,000	—

Source: Savills Research & Consultancy

2.4. Beijing Grade A apartment market overview

2.4.1. Beijing overall residential market supply and demand

The GFA of residential properties completed and sold decreased by 12.2% and 13.8% respectively from 2010 to 2011 as a result of strict HPRs, but rebounded quickly in 2012 and 2013. The GFA completed in 2013 reached 16.9 million sq m, representing an increase of 28.0% from 2011. The GFA sold in 2013 reached 13.6 million sq m, representing an increase of 30.8% from 2011. The average selling price reached RMB16,553 per sq m in 2012, representing a CAGR of 9.2% from 2007. The Beijing residential market features a wide variety of potential buyers and shrinking supply in urban areas, which is promoting the value of residential properties in urban areas and the demand for properties in neighboring areas.

Table 2-9: Beijing residential property market, 2007-2013

	2007	2008	2009	2010	2011	2012	2013	CAGR (%)
GFA completed (million sq m)	18.5	14.0	16.1	15.0	13.2	15.2	16.9	-1.5
GFA sold (million sq m)	17.3	10.3	18.8	12.0	10.4	14.8	13.6	-3.9
Average selling price (RMB per sq m) ...	10,661	11,648	13,224	17,151	15,518	16,553	N/A	N/A

Source: Bureau of Statistics of Beijing

The following chart shows the change in Beijing newly built residential property selling prices from 2012 to April 2014.

Chart 2-6: Beijing newly built residential property selling prices index



Source: National Bureau of Statistics of China

Note: The Beijing Newly Built Residential Property Selling Price Index is published by the National Bureau of Statistics of China, which publishes the residential property selling price index of seventy large and medium-sized cities every month. The base year is 2010.

The annual residential supply in 2013 totalled 16.9 million sq m, representing an increase of 11.2% from 2012.

The residential market features a wide variety of potential buyers and shrinking supply in urban areas.

Demand

Beijing, as the capital of China, attracts different types of buyers to the local residential market, including new immigrants to the city, those with end-use demand and improvement buyers, and speculators.

According to the Beijing Bureau of Statistics, Beijing had a total population of 21.15 million at the end of 2013, which equates to a 3% annual growth rate over the past three years. As the average living area of urban residents was 29 sq m in 2013, the annual increase in residents alone can create over 10 million sq m of residential demand yearly, which is equal to the annual residential supply of Beijing. These new immigrants have strong consumption power and are able to purchase residences given their relatively high salaries and improved career prospects.

Meanwhile, local people wishing to upgrade their residential environment and young people getting married and moving out of the family home together will be consistent residential demand drivers, as in any China city. Speculators, preferring the high stable returns of Beijing property, also hope to invest in the residential market.

Less land supply

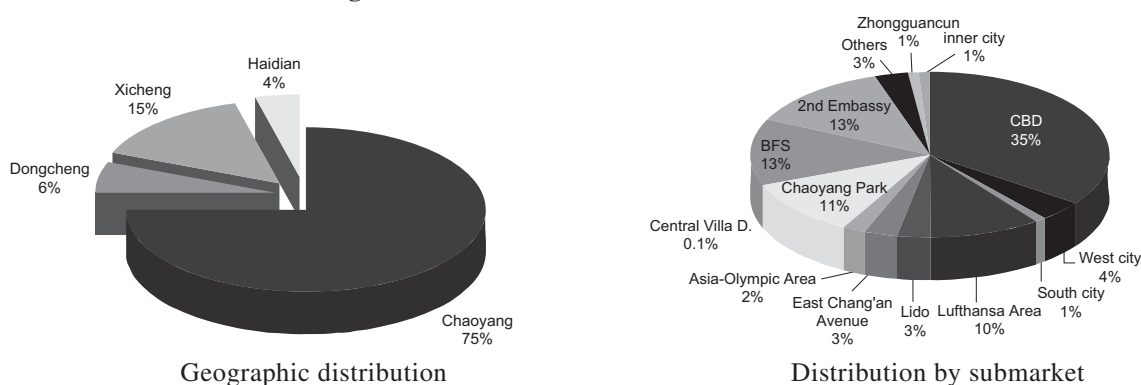
In 2012, only 37 residential land plots were transacted compared with 59 plots in 2011. All 96 land plots will be developed into 13.6 million sq m of residential supply during the next two years, averaging 6.8 million sq m per year, 42.9% lower than the average supply volume over the last five years. The majority of the supply is located outside the Fifth Ring Road, leaving fewer options for buyers with end-use demand and improvement demand.

2.4.2. Beijing Grade A apartment⁵ distribution

Beijing's Grade A apartments are mainly located in the eastern part of the city, in Chaoyang District, and in areas such as the CBD, Chaoyang Park, the Second Embassy Area, Lufthansa and Lido, which are in or close to the primary business districts. ZGC and BFS are emerging high-end residential areas as demand for accommodation is being generated by the growing commercial maturity of these two areas.

⁵ Grade A apartment definition: The properties can meet the price standard of more than RMB45,000 per sq m after 2012, considering location, transportation, site characteristics, services and developer's background.

Chart 2-7: Distribution of high-end residential zones



Source: Savills Research & Consultancy

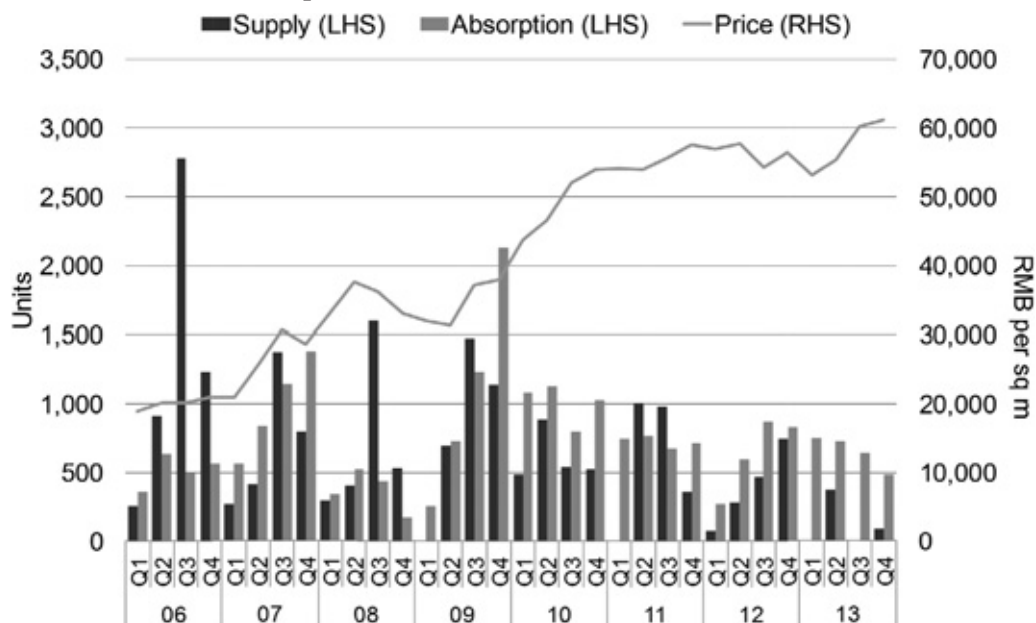
2.4.3. Grade A apartment sales market

Beijing's Grade A apartment sales market witnessed limited new supply and stable transaction volumes in 2013 compared with the past three years due to the government's cooling measures.

Total supply of 471 Grade A apartment units entered the sales market in 2013, down 70% YoY, while 2,615 Grade A apartment units were transacted, increased 2% YoY.

Beijing saw a slight increase in transaction volumes in 2013. It is believed that many of the purchases were by end users, with investors still restrained by government regulations. End users returned to the market as pent-up demand was released by price discounts offered by developers and interest rate cuts initiated by the government.

Chart 2-8: First-hand Grade A apartment market, 2006 – 2013



Source: Savills Research & Consultancy

The average sales price increased 9.1% YoY to RMB61,155 at the end of 2013. More than half of the projects recorded moderate price appreciation. Residential projects with mid to large unit sizes at an average price of RMB50,000 per sq m are the most popular among buyers with improvement demand.

Table 2-10: Selected Grade A apartment projects

Project (EN)	Project (CN)	Location	Date of completion	Transaction price in 2013 (RMB per sq m)	No. of units
Centrium Residence	瑞安•君匯	Chaoyang	Q4/2012 – Q2/2013	81,150	209
Ocean Crown	遠洋萬和公館	Chaoyang	Q2/2014	54,998	158
Jin Mao Palace	金茂府	Chaoyang	2013	61,737	574
Run Yuan	五礦萬科如園	Haidian District	Q4/2013	41,262	152

Source: Savills Research & Consultancy

2.4.4. High-end apartment market outlook

As the pre-sale stages of several high-end projects were postponed by new cooling policies, high-end residential supply is expected to pick up in 2014. New phases of two existing projects are expected to enter the Grade A apartment pre-sales market in 2014, namely:

- Ru Yuan (五礦萬科如園)
- Wangjing Jin Mao Palace (望京金茂府)

As a result, transaction volumes are expected to increase with rising supply, assuming these new projects enter the market on schedule.

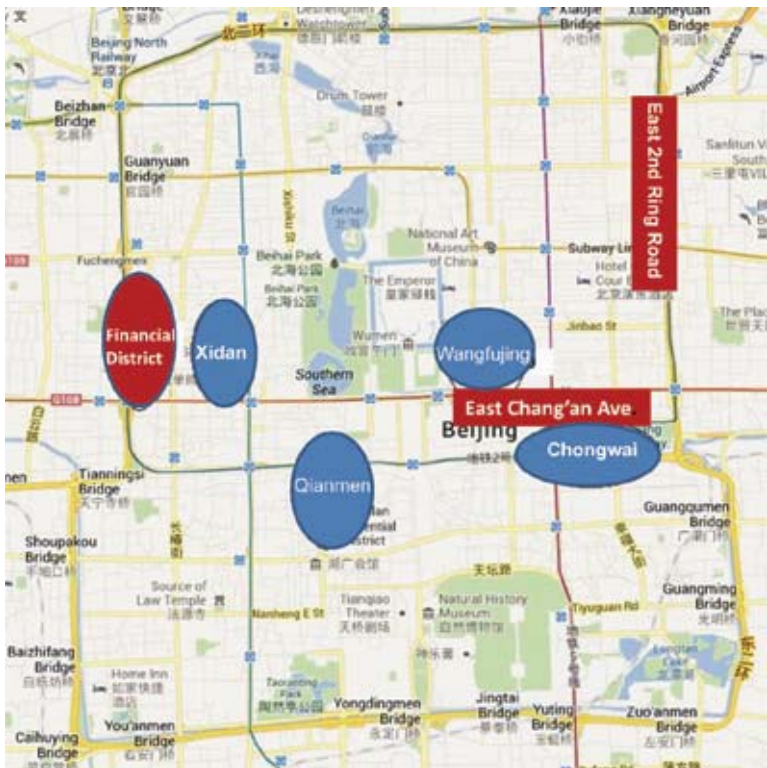
Overall transaction prices of high-end residential properties are expected to increase in 2014. Proposed prices for at least half of the new Grade A apartments are expected to be as high as RMB100,000 to RMB150,000 per sq m.

2.5. Beijing Chongwai Avenue market overview

2.5.1. Definition of Beijing's Chongwai Avenue catchment

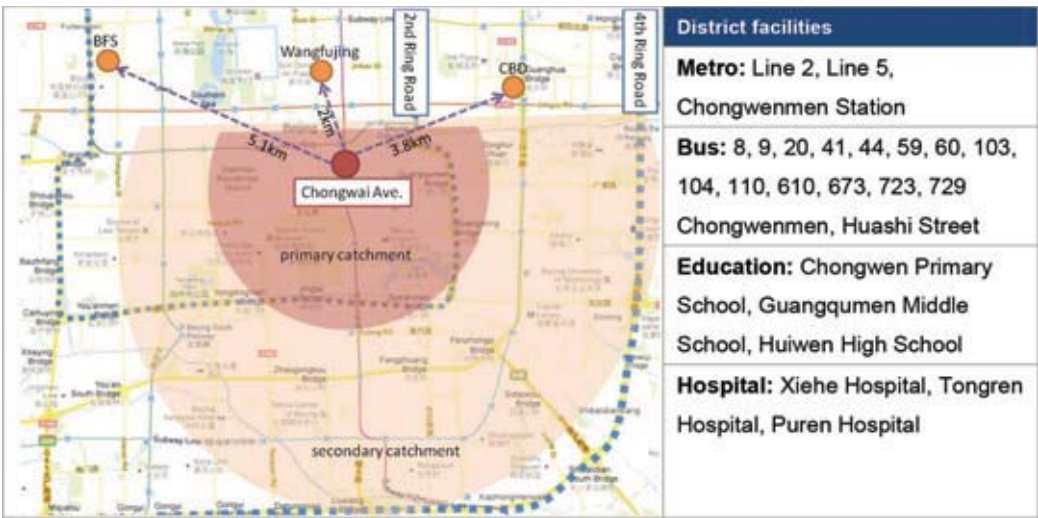
Within Beijing's Second Ring Road, there are several retail catchments including Chongwai, Qianmen, Xidan and Wangfujing. Among them, Qianmen, Xidan and Wangfujing are traditional retail catchments, targeting tourists and local residents. In addition, there are three business districts within the Second Ring Road, namely East Second Ring Road, East Chang'an Avenue and BFS. Except Qianmen and Chongwai, the other five districts are located in the northern part of Beijing, which is a relatively mature market with limited raw land supply in the near future. In contrast, the southern area of Beijing has more supply of raw land, which means more opportunity for real estate development in the next few years.

Map 2-5: Business districts and retail catchments within Beijing’s Second Ring Road



Chongwai Avenue in Dongcheng District is south of the Chongwenmen crossroads, north of Fahua Temple junction (Hongqiao Market) and has a total length of 1,500 m. The main road connects Chang’an Avenue, and the South Second and Third ring roads, and is one of Beijing’s most important inner city trunk roads. Situated in the centre of Beijing, it is only 2.9 km from Tiananmen Square, 2.1 km east of Qianmen and 2.0 km south of WFJ.

Map 2-6: Location map of Chongwai Avenue



As an important traffic hub, Chongwenmen crossroads is about 1 km from Beijing Railway Station. There are two subways and over 50 bus routes converging on Chongwai Avenue. The business district in

Chongwai Avenue area includes Chongwenmen crossroads and the northern segment of Chongwai Avenue with a length of around 1 km, and is the most prosperous business district in southern Beijing. It is also one of the most mature retail areas in the city.

Customers in the area are mainly nearby residents and those from southern Beijing and people with moderate to high incomes and fashion-conscious youths. There are about 346,000 residents in the primary catchment and more than 500,000 residents in the secondary catchment as indicated by the map (above).

2.5.2. Chongwai Avenue property market

The area was transformed by a massive urban regeneration program led by New World Group from Hong Kong, in the early 1990s. It diversified further with the development and launch of Glory City in the 2000s. By 2013, there were four retail projects, five office buildings, four hotels and a number of mid- to high-end and high-end apartments in the area.

Map 2-7: Beijing's Chongwai Avenue location map



Being a well-developed area, Chongwai Avenue will see less property development as the land supply is scarce. Future supply will mainly come from urban regeneration projects, which will always raise the problem of how to deal with the excavation and demolition of these projects. Projects in the area to be developed in the next three years are the Beijing Glory Center Project and Chongcai Project, offering a total GFA of 150,000 sq m. It is worth noting that the Beijing Glory Center Project will be the only mixed-use development project within the East Second Ring Road in Dongcheng District for the next three years.

Glory Real Estate is currently engaged in the primary land development project on the west side of Qianan Street with a planned GFA of 427,404 sq m. According to information published by Beijing Municipal Commission of Development and Reform (北京市发展和改革委员会), Bureau of Land and Resources of Beijing (北京市国土资源局), Beijing Land Consolidation and Reserve Center (北京市土地整理储备中心), this project currently is the largest primary land development project within 1 km of Tiananmen Square.

Table 2-11: Major projects in Chongwai Avenue

Project (EN)	Project (CN)	Year of completion	Total GFA (sq m)	Property type
Beijing New World Centre	北京新世界中心	1998	200,000	Office, shopping mall, apartment, hotel
Glory City	國瑞城	2005 – 2009	880,000	Residence, apartment, office, shopping mall
So Show City	搜秀城	2004	30,000	Market
New World Shishang Department Store	新世界時尚百貨	2010	40,000	Department store
Chongcai Project	崇文門菜市場地塊	2016	39,104	Shopping mall
Beijing Glory Center	北京國瑞中心	2016	140,021	Office, shopping mall

Source: Savills Research & Consultancy

According to the Beijing Dongcheng District Overall Development Plan between 2011 and 2030 (北京市東城區總體發展戰略規劃 2011-2030), the Chongwai Avenue catchment will endeavor to develop modern commercial and business service industries, and will thus require high-quality office spaces to accommodate the headquarters of these corporations. In addition, retail space and hospitality facilities are expected to be developed to complement the office buildings. The demand for high-quality buildings is expected to promote the overall property market in the Chongwai Avenue catchment, and the rental performance of high-quality properties is expected to be positive over the next three years.

2.5.3. Chongwai Avenue submarket overview

Table 2-12: Chongwai Avenue submarket status, 2013

	Retail	Office	Residence	50-year apartments ⁶
Property level	Mid	Mid-high	Mid-high	Mid-high
Asking rent (RMB per sq m per month) ...	Shopping mall 200 – 700	180 – 210	—	—
Sales price (RMB per sq m)	—	30,000 – 40,000	45,000 – 60,000 (second hand)	65,000 – 70,000 (first hand)

Source: Savills Research & Consultancy

Retail market

Different from other retail areas in the centre of Beijing, such as WFJ and Qianmen which are positioned as tourist destinations, Chongwai Avenue has a mid-end retail mix targeting local buyers in the surrounding areas. It includes department stores, supermarkets, fashion, catering, fitness, entertainment and services, serving customers with a wide-range ages and incomes.

Four major retail projects include New World Department Store, Glory Mall, So Show City and Fugui Garden Mall, offering about 263,000 sq m of shopping space. New World Department Store has held many promotional activities after its upgrade, attracting a large number of mid-end consumers from the south of Beijing. Glory Mall, which is positioned towards young people, is combined with the adjacent So Show City, which has a cartoon theme, to complete the retail offerings of the area. Moreover, Glory Mall is the second largest shopping mall within the Second Ring Road by the total GFA.

⁶ Apartments with 50-year land tenures, instead of 70 years. Their differences are as followings:

- Land usage: commercial vs residential;
- Utility costs and deed taxes are higher for 50-year apartments.

Table 2-13: Chongwai Avenue submarket status, 2013

	Beijing New World	Glory Mall	So Show City	Fugui Garden Mall
Positioning	Mid	Mid	Low-mid	Low-mid
Opening date	1998	2009	2004	2008
Type	Department store	Shopping mall	Market	Shopping mall
Retail area (sq m)	93,000	114,000	30,000	26,000
Anchor tenants	I do, Esprit	H&M, C&A	Max cinema	Carrefour, Gome

Source: Savills Research & Consultancy

In June 2011, the land plot for the original Chongwenmen Caishichang (food market) was acquired by KWG property with a successful bid of RMB43,227 per sq m. This was the highest transaction price in Beijing's land market that year, indicating the high land value of Chongwai Avenue.

In the next two years, there will be 50,000 sq m of retail space completed, including a 17,000-sq m shopping mall at Beijing Glory Center. New supply will be rather limited and hence the market is expected to be stable. With the occupancy rate remaining at 95%, market rents are likely to see a steady increase of about 5% per year. The major leasing activity will focus on adjusting tenant mixes to improve performance further.

Office market

As a busy retail district, office buildings in Chongwai Avenue were developed as supporting facilities, with a total of 1,484,910 sq m of Grade B stock and zero vacancy. Thanks to the prosperity of the Grade A office market, rents in the area increased from RMB150 sq m per month in 2008 to RMB180 sq m per month in 2013. Office tenants are mainly from the tourism, advertising and trading sectors, and over 80% are domestic companies.

Dominated by Grade B office projects, the office quality is the biggest obstacle for rental appreciation on Chongwai Avenue. Due to its proximity to East Chang'an Avenue and East Second Ring Road, the area has gradually been accepted as a potential office option. For office properties in Chongwai Avenue catchment, the rental rate of high-quality office buildings is expected to annually increase 1% to 5% in next three years.

Residential market

The residential market on Chongwai Avenue features high sales prices, limited supply and varied supporting facilities, such as Tongren Hospital, one of Beijing's top ten hospitals, and Chongwen Primary School, one of Beijing's top 10 primary schools.

The major residential developments in the 1.3-sq km area along Chongwai Avenue include Xin Jing Jia Yuan, Xin Shi Jie Jia Yuan, Xin Fu Jia Yuan, Xin Kang Jia Yuan and Glory City, and provide a total residential area of 3.3 million sq m. Experiencing supply peaks in 2004 and 2006, first-hand residential supply in the area has been very limited since then. Residential sales are mainly in the second-hand housing market and prices range from RMB45,000 to RMB60,000 per sq m. There are no new projects in the sales market, except for Glory Apartment, which includes 3,000 fully-fitted apartment units with 50-year land tenures, and an average price of RMB68,000 per sq m in 2013.

The following table shows the average price of five residential projects in Chongwai Avenue in 2005 and 2013 respectively. The price changes of these residential projects range from 470% to 700%. The fast growing price of residential properties in this area reflects the strong demand for residential properties in Chongwai Avenue.

Table 2-14: Price change of residential properties in Chongwai Avenue

	Glory City	Flower Market Zaoyuan	Fugui Garden	Xinjingjiayuan	Xinyi Homeland
Unit			RMB/sq m		
2005	11,000	8,000	10,000	7,000	10,000
2013	68,000	53,000	57,000	56,000	76,000
Price Change	518%	563%	470%	700%	660%

Source: Bureau of Statistics of Beijing, CREIS and other public information available on the Internet

The central location of Chongwai Avenue attracts buyers with strong purchasing power. Since it is about 3.8 km to the CBD, 5.1 km to BFS, 1.1 km to East Chang'an Avenue and 2.1 km to East Second Ring Road, businessmen, senior management executives and white-collar employees working in these business areas comprise the majority of residents and potential buyers at the high- and mid- to high-end apartment projects. We expect that the central location and the scarcity of new residential supply will support the high housing prices.

2.6. Competition

As of March, 2014, projects of Glory Real Estate in Beijing include Beijing Glory City, Fugui Garden, Eudemonia Palace and Beijing Glory Center. Considering the locations of these properties and preference of target customers, major competitors of Glory Real Estate in Beijing include Financial Street Holdings Co., Ltd. and New World China Land Ltd.

As of March, 2014, in terms of completed GFA and GFA under development, Glory Real Estate was the 45th largest property developer in Beijing with a market share of 0.34%.

As of March, 2014, in terms of completed GFA and GFA under development Glory Real Estate was the second largest property developer within the Second Ring Road of Beijing with a market share of 4.1%.

The following chart states the top 10 developers in terms of total GFA within the Second Ring Road as of March, 2014:

Table 2-15: Ranking of developers within the Second Ring Road

Ranking	Company	Total GFA (approximate sq.m.)
1	Financial Street Holdings Co., Ltd. 金融街控股股份有限公司	1,573,000
2	Glory Real Estate 國瑞地產	1,389,000
3	New World China Land Ltd. 新世界中國地產有限公司	1,319,000
4	Cheung Kong Holdings 香港長江實業公司	800,000
5	Tianhong Group 天鴻集團公司	622,000
6	SOHO China SOHO 中國有限公司	444,000
7	Beijing Xinglong Estate Co., Ltd. 北京興隆置業有限公司	422,000
8	China National Cereals, Oils and Foodstuffs Corporation 中糧集團	415,000
9	Henderson Land Development Co. Ltd. 恒基兆業地產有限公司	383,000
10	Jindi Land 北京金第房地產開發有限公司	370,000

Note: The ranking of property developers is prepared based on the following assumptions and methodologies:

- (i) *The property developers are measured and ranked in terms of the aggregate GFA of real property projects completed and under development as of March 31, 2014.*
- (ii) *Data for Glory Real Estate is provided by the company. Data for the rest of property developers are obtained and derived from: (1) property listings from China Real Estate Information Corporation (CRIC) and China Real Estate Index System (CREIS); (2) company annual reports and announcements, and other public information available on the Internet; and (3) Savills proprietary data on the property market.*

The following chart states the top 10 retail developers in terms of total GFA within the Second Ring Road as of March 31, 2014:

Table 2-16: Ranking of retail properties developers within the Second Ring Road

Ranking	Company	Properties	Total GFA (sq m)
1	China National Cereals, Oils and Foodstuffs Corporation 中糧集團	Joy City/COFCO Center	Approx 165,000
2	Glory Real Estate 國瑞地產	Glory Mall/Fuguiyan Mall	Approx 140,000
3	New World Department Store China Limited 新世界百貨中國有限公司	Beijing New World Center Beijing New World Center Phase II New World Shishang Department Store	Approx 121,000
4	Cheung Kong Holdings 香港長江實業公司	The Malls at Oriental Plaza	Approx 120,000
5	Financial Street Holdings Co, Ltd 金融街控股股份有限公司	Seasons Place Seasons Place II	Approx 112,000
6	Intime Department Store (Group) Company Limited 銀泰百貨(集團)有限公司	Intime Lotte Department Store	Approx 83,600
7	Henderson Land Development Co, Ltd 恒基兆業地產有限公司	Henderson Shopping Center	Approx 83,000
8	Grand Pacific 君太百貨	Grand Pacific Department Store	Approx 61,000
9	Sun Hung Kai Properties Ltd 新鴻基地產發展有限公司	Beijing apm	Approx 60,000
10	SOHO China SOHO 中國有限公司	Tiananmen South (Qianmen)	Approx 55,000

Note: The ranking of property developers is prepared based on the following assumptions and methodologies:

- (i) *The property developers are measured and ranked in terms of the aggregate GFA of real property projects completed or under development as of March 31, 2014.*
- (ii) *Data for Glory Real Estate is provided by the company. Data for the rest of property developers are obtained and derived from: (1) property listings from China Real Estate Information Corporation (CRIC) and China Real Estate Index System (CREIS); (2) company annual reports and announcements, and other public information available on the Internet; and (3) Savills proprietary data on the property market.*

The following chart states the top 50 developers in terms of total GFA in the urban districts of Beijing as of March 31, 2014:

Table 2-17: Ranking of developers in Beijing urban districts

Ranking	Company	Total GFA (approximate '000 sq.m.)
1	Beijing Urban Construction Group 北京城建集團	10,304
2	GEM Real Estate 北京金隅嘉業房地產開發有限公司	10,083
3	China Vanke Co., Ltd. 萬科企業股份有限公司	8,461
4	Beijing Capital Development Co., Ltd. 北京首都開發股份有限公司	8,290
5	Guangzhou R&F Properties Co., Ltd. 廣州富力地產股份有限公司	6,823
6	Sino-Ocean Land Holdings Ltd. 遠洋地產控股有限公司	6,397
7	Poly Real Estate Group Co., Ltd. 保利房地產（集團）股份有限公司	6,153
8	Beijing Uni-Construction Group Co., Ltd. 北京住總集團有限責任公司	5,852
9	Beijing Capital Land Ltd. 首創置業股份有限公司	5,246
10	Beijing North Star Company Ltd. 北京北辰實業股份有限公司	4,981
11	Hopson Development Holdings Ltd. 合生創展集團有限公司	4,908
12	Zhujiang Real Estate 廣州珠江房地產開發中心有限公司	4,709
13	China Overseas Land and Investment Ltd. 中國海外發展有限公司	4,611
14	Financial Street Holdings Co., Ltd. 金融街控股股份有限公司	4,320
15	China National Cereals, Oils and Foodstuffs Corporation 中糧地產（集團）股份有限公司	4,152
16	Citychamp Dartong Co., Ltd. 冠城大通股份有限公司	3,960
17	Greenland Group 綠地集團	3,859
18	Longfor Group 龍湖集團	3,626
19	SOHO China SOHO 中國有限公司	3,585
20	Beijing Dalong Weiye Real Estate Development Co., Ltd. 北京市大龍偉業房地產開發股份有限公司	3,425
21	Century Golden Resources Group 世紀金源集團	3,079
22	China Resources Land Ltd. 華潤置地有限公司	3,073
23	China Railway Construction Real Estate Group Co. Ltd. 中國鐵建房地產集團有限公司	3,064
24	Vanion Investment Group Co., Ltd. 北京萬年基業建設投資有限公司	2,700
25	Beijing Science Park Development (Group) Co., Ltd. 北京科技園建設（集團）股份有限公司	2,350
26	Huayuan Property Co., Ltd. 華遠地產股份有限公司	2,185
27	Cheung Kong Holdings 香港長江實業公司	2,038
28	CITIC Real Estate 中信房地產股份有限公司	2,023
29	Shanghai Industrial Urban Development Group Ltd. 上海實業城市開發集團有限公司	1,993
30	BCED Real Estate 北京建工地產	1,964
31	Dongyaxinhua Real Estate 東亞新華地產	1,923
32	CSC Land Group 中建地產有限公司	1,878
33	Beijing Dacheng Real Estate Development Corporation 北京市大成房地產開發總公司	1,876
34	New World China Land Ltd. 新世界中國地產有限公司	1,845

Ranking	Company	Total GFA (approximate '000 sq.m.)
35	Beijing Tianyi Real Estate 北京天翌房地產開發有限責任公司	1,750
36	Raycom Real Estate Development Co., Ltd 融科智地房地產開發有限公司	1,653
37	Shunhua Group 北京順華房地產開發有限公司	1,600
38	Yeland Group Co., Ltd 億城集團股份有限公司	1,586
39	Jiayuan Real Estate 嘉源置業	1,571
40	Guohua Real Estate 北京國華置業有限公司	1,550
41	Gemdale Corporation 金地(集團)股份有限公司	1,535
42	Shanghai Forte Land Co., Ltd. 複地 (集團) 股份有限公司	1,524
43	Jingguan Real Estate 北京京冠房地產開發有限公司	1,500
44	Riverside Group 山水文園集團	1,500
45	Glory Real Estate 國瑞地產	1,423
46	Autren Real Estate 奧宸 (集團) 股份有限公司	1,405
47	ABP (China) Holding Group 總部基地	1,400
48	Beijing Vantone Real Estate Co., Ltd. 北京萬通地產股份有限公司	1,383
49	Kerry Properties Ltd. 嘉裡建設有限公司	1,380
50	Fu Wah International Group 富華國際集團	1,357

Note 1: The ranking of property developers is prepared based on the following assumptions and methodologies:

- (i) The property developers are measured and ranked in terms of the aggregate GFA of real property projects completed and under development as of March 31, 2014.
- (ii) Data for Glory Real Estate is provided by the company. Data for the rest of property developers are obtained and derived from: (1) property listings from China Real Estate Information Corporation (CRIC) and China Real Estate Index System (CREIS); (2) company annual reports and announcements, and other public information available on the Internet; and (3) Savills proprietary data on the property market.

The following chart states the top 10 residential projects in terms of average selling price within the Second Ring Road for the year ending March 31, 2014.

Ranking	Project name	Average selling price (RMB per sq.m.)
1	長安太和	86,400
2	國瑞城	56,800
3	四合上院	53,000
4	金融世家華苑	52,900
5	中信城	47,500
6	新景家園	41,900
7	貢院9號	36,000
8	恒基中心	30,500
9	朱雀門	28,300
10	華龍美鈺	28,000

Source: Savills Research & Consultancy

3. Langfang market research

The Company's project, located in Yongqing County, Langfang, Hebei Province is 16 km from the centre of Langfang and 40 km to the south of Beijing. It is worthwhile noting that the project site is only 15 km from Beijing's new international airport, which is currently under construction. The subject market is widely assumed to be integrated into Beijing's property market and will correlate with Beijing's market trends, due to its proximity to the capital city. Therefore, this report will focus on the subject market with a brief introduction to Langfang.

3.1. Langfang overview

3.1.1. Background of Langfang

Langfang, a prefecture-level city in Hebei Province, is situated between Beijing and Tianjin in the hinterland of the BER. It governs two districts (Guangyang and Anci), two county-level cities (Sanhe and Bazhou) and six counties (Dachang, Xianghe, Yongqing, Gu'an, Wen'an and Dacheng) which have a total area of 6,429 sq km. By the end of 2013, the total population of Langfang City reached 4.4 million.

Langfang is regarded as the Corridor and Golden Mile between Beijing and Tianjin: the city centre is 40 km from Tian'anmen Square in Beijing, 60 km from the central area of Tianjin, 70 km from the two main airports of Beijing and Tianjin, 100 km from Tianjin Port and closely neighbors the new Beijing airport, which is under planning.

Map 3-1: Langfang map



3.1.2. *Economic indicators*

Table 3-1: Langfang key statistics, 2007 – 2013

Year / Indices	Population (Million)	GDP (RMB billion)	Growth rate (%)	GDP per capita (RMB)	FAI (RMB billion)	Actual FDI (US\$ billion)	Retail sales (RMB billion)
2007	4.0	88.39	22.4	25,248.00	68.59	0.35	24.41
2008	4.1	106.15	20.1	29,120.00	92.60	0.42	30.02
2009	4.1	116.00	9.3	28,096.85	127.97	0.46	35.40
2010	4.2	133.10	14.7	31,843.00	90.90	0.49	43.60
2011	4.3	161.14	21.1	36,790.00	108.80	0.58	49.31
2012	4.3	179.30	11.3	37,391.00	131.40	0.62	56.81
2013	4.4	194.30	9.1	43,268.00	157.70	0.69	63.70
CAGR	1.5	14.0	—	9.4	14.9	12.0	17.3

Source: Langfang Statistical Yearbook 2012, Langfang Statistical Bureau

Langfang's economy has witnessed substantial annual growth since 2007 and total GDP reached RMB194.3 billion in 2013. Meanwhile, the proportion of GDP accounted for by the three industries (primary, secondary and tertiary) has changed from 13%, 57% and 30% in 2007 to 10.4%, 52.6% and 40.0% in 2013 respectively. This indicates rapid growth of tertiary industry, represented by the modern service industry in Langfang.

Table 3-2: Langfang per capita disposable income and living expenditure, 2007 – 2013

Year / Indices	Per capita disposable income (RMB)	Growth rate (% YoY)	Living expenditure per capita (RMB)	Growth rate (% YoY)
2007	13,809		9,185	
2008	16,117	17	10,595	15
2009	18,333	14	11,841	12
2010	20,268	11	12,196	3
2011	22,818	13	14,388	18
2012	25,766	13	16,051	12
2013	26,985	4	N/A	N/A
CAGR (%)	11.8	—	N/A	N/A

Source: Langfang Statistical Yearbook 2012

Actual FDI in 2013 rose to US\$690 million, 89% of which was accounted for by multinational companies from Asia. According to Langfang Statistics Bureau, 67.2% of the total has been absorbed by the National Industry Parks including Langfang Development Zone and Yanjiao High Technology Park. As a result, an increase in FDI will assist the development of the real estate market, especially the industrial and commercial sectors.

Urban residents' per capita disposable incomes has gradually increased to RMB26,985. Meanwhile, the household saving rate has remained at around 39% since 2010, which is higher than the average of 34% from 2007 to 2009. The evidence shows that residents' consumption capacity has been increased by improvements in income levels and the willingness to save has become stronger.

3.1.3. *Jing-Jin-Ji metropolitan area planning*

The central government is considering plans to upgrade regional cooperation between Beijing, Tianjin and Hebei province in order to build a trilateral economic sphere in the Bohai Bay area. In February 2014, President Xi Jinping called for integrated and coordinated development of the region around Beijing. The president said urban layout and structure needs to be optimized and the division of city functions enhanced when building the economic zone surrounding Beijing. He also mentioned that improving industrial distribution and overall planning for resources should be focuses.

The integration of China's capital Beijing and its two neighboring provincial areas will give the region a powerful boost. Regional cooperation between Beijing and Hebei province, which involves more than 50 counties and more than 90 million people, is expected to bring about tremendous economic progress in northeastern China. With the development of the high-speed railway, highway and other transportation facilities, this region is forming a half-hour economic circle. The economies of Hebei's cities within this economic circle, such as Langfang, Baoding and Tangshan, are expected to benefit from this regional coordinated development plan and grow rapidly in the next few years.

Officials from Beijing and Hebei province municipality are working on a joint development plan that aims to improve the region's overall competitiveness. According to the plan, Beijing will relocate less important industries and divert population to neighboring cities in Hebei, to ease population pressure in the capital and enhance the competitiveness of the surrounding areas. According to an urbanization document issued by the Hebei Provincial Government in March 2014, Langfang will boost its services sector so as to serve as an ecological and recreational zone for the capital. As more nearby developed cities such as Beijing undergo industrial upgrading, many of the older industries will migrate to Langfang. These migration projects are expected to spur consumption in the region. In addition, it is an attractive area for residents from Beijing in which to settle, with its efficient transportation, high level infrastructure and friendly environment. Many investors are also attracted to Langfang due to the relatively low price of commodity housing.

On April 3, 2014, Langfang Government and Beijing Xicheng District Government made an initial agreement to relocate Beijing Zoo Clothing Wholesale Market to Yongqing Taiwan New City. It is worth noting that Yongqing Glory City is about 1 km away from Yongqing Taiwan New City. The relocation of the wholesale market will enhance the economic vitality of this region, and the affluent merchants of the wholesale market will be potential buyers of Yongqing Glory City.

3.2. Langfang residential market

3.2.1. Market overview

The real estate market in Langfang has experienced rapid development during the past five years. It is mainly driven by the following three factors:

- Economic integration with Beijing and Tianjin.
- Low land acquisition costs. The average land for residential use cost per sq m in Langfang in 2013 was RMB1,004, compared with RMB9,670 in Beijing and RMB3,704 in Tianjin.
- The entry of big developers, such as Wanda and China State Construction Land.

Due to its special location, Langfang's residential market is categorized into two groups:

- The local submarkets: These submarkets are mainly located in the central area of Langfang, covered by Anci and Guangyang districts. The majority of the market players are local residents and developers.
- Beijing's vicinity: Submarkets including the west of Yanjiao and Sanhe to the east of Beijing, the north of Gu'an and Yongqing to the south of Beijing are widely accepted as a part of Beijing's residential market, although under a different real estate policy system. These submarkets feature large-scale residential developments and big regional developers (Table 3-3). Attracted by the low housing prices, the majority of buyers are from Beijing. When it comes to value investors, these submarkets compete with each other. However, the average housing price in these submarkets is about 20% to 30% higher than the local submarkets.

Table 3-3: Major developments in Beijing's vicinity

Project (EN)	Project (CN)	Developer	Location	Land area (sq m)	Price in March, 2014 (RMB per sq m)
R&F Xincheng	富力新城	R&F Properties	Xianghe	310,000	7,280
Beijing Happy Town	北京歡慶城	China Minmetals-Vanke	Xianghe	281,000	12,000
Wisteria Castle	紫藤堡	Vantone	Xianghe	275,817	10,500
Yongding River Peacock City	永定河孔雀城	China Fortune Land	Gu'an	2,900,000	16,000
Seoul Sweet City	首爾甜城	Yanda Group	Yanjiao	1,241,800	11,600

Source: Savills Research & Consultancy

3.2.2. Residential market trends

The following table shows real estate investment and key market indicators of properties market in Langfang for the years indicated.

Table 3-4: Langfang property market, 2007 – 2013

	2007	2008	2009	2010	2011	2012	2013	CAGR (%)
Real estate investment (RMB billion)	12.3	22.0	24.8	24.9	29.4	24.3	30.4	16.3
Residential	11.3	18.8	23.0	20.8	22.6	19.5	N/A	N/A
Total GFA completed (million sq m)	1.8	2.2	5.0	5.8	7.5	6.1	11.73	36.7
Residential	1.5	2.1	4.6	5.2	6.5	5.1	N/A	N/A
Total GFA sold (million sq m)	3.6	4.2	6.3	8.2	7.3	7.1	N/A	N/A
Residential	3.5	4.1	6.1	7.6	6.8	6.5	N/A	N/A
Average selling price (RMB per sq m)	3,384	3,931	4,157	4,877	5,345	5,877	N/A	N/A
Residential	3,336	3,904	4,142	4,869	5,070	5,581	N/A	N/A

Source: Bureau of Statistics of Langfang

Langfang's residential market has heated up since 2007, with an average annual housing sales growth rate of over 33% up to 2010 with an historical high of 7,626,943 sq m of sold GFA. A downturn in transactions occurred in 2011, largely due to investors becoming more cautious under the HPRs and tightened mortgage policies announced that year. A supply boom, first seen in 2009, has continued, with supply standing at 6.5 million sq m in 2011.

Average sales prices have steadily risen over the past decade, peaking at RMB5,581 per sq m in 2012. Although the strict mortgage requirements slowed transactions in 2011, the housing sales price rose by 4%, driven by purchasing-restricted buyers in Beijing turning to the Langfang market.

According to Langfang's 12th Five-year Plan, from 2010 to 2015, annual residential supply will remain stable. There might be a 5% increase in the average supply of the past five years. According to the national strategy under China's 12th Five-year Plan, the further development of the Beijing-Tianjin-Hebei cities is anticipated to cause a boom in the local economy. Central Langfang will house over 2 million people through its expansion referred to in Langfang's 12th Five-year Plan. Therefore, urbanization will be a key driver of the residential market. Moreover, the strict HPRs in Beijing will possibly push more ineligible buyers to Langfang. The sustained demand is expected to encourage a stable price increase in Langfang during the next three years.

3.2.3. Competition

The following chart states the top 10 residential developers in terms of total GFA within Langfang as of March 31, 2014:

Table 3-5: Ranking of developers in Langfang's residential property market

Ranking	Company	Total GFA (approximate sq.m.)
1	華夏幸福基業 China Fortune Land Development Co., Ltd.	7,389,400
2	恒盛投資集團 Hengsheng Investment Group	5,400,000
3	K2 地產 K2 Real Estate	5,336,000
4	浙江新商博投資有限公司 Zhejiang Xinshangbo Investment Group	4,500,000
5	榮盛房地產發展股份有限公司 Risesun Real Estate Development Co. Ltd.	3,022,200
6	香河縣城鎮房地產綜合開發有限公司 Xianghe Rural Real Estate Development Co. Ltd.	2,963,000
7	國瑞地產 Glory Real Estate Co. Ltd.	2,137,000
8	天洋置地 Skyocean Real Estate Development Co.	1,800,000
9	三河福成房地產開發有限公司 Sanhe Fucheng Real Estate Development Co. Ltd	1,250,000
10	天地控股集團 Universe Holdings Group	1,081,000

Source: Savills Research & Consultancy

The following chart states the top 3 villa projects in terms of average selling price in Yongqing for the year ending March 31, 2014.

Ranking	Project name	Average selling price (RMB per sq.m.)
1	國瑞城	11,000
2	派克先生	9,600
3	昊業 • 憶江南	9,000

3.3. Yongqing market study

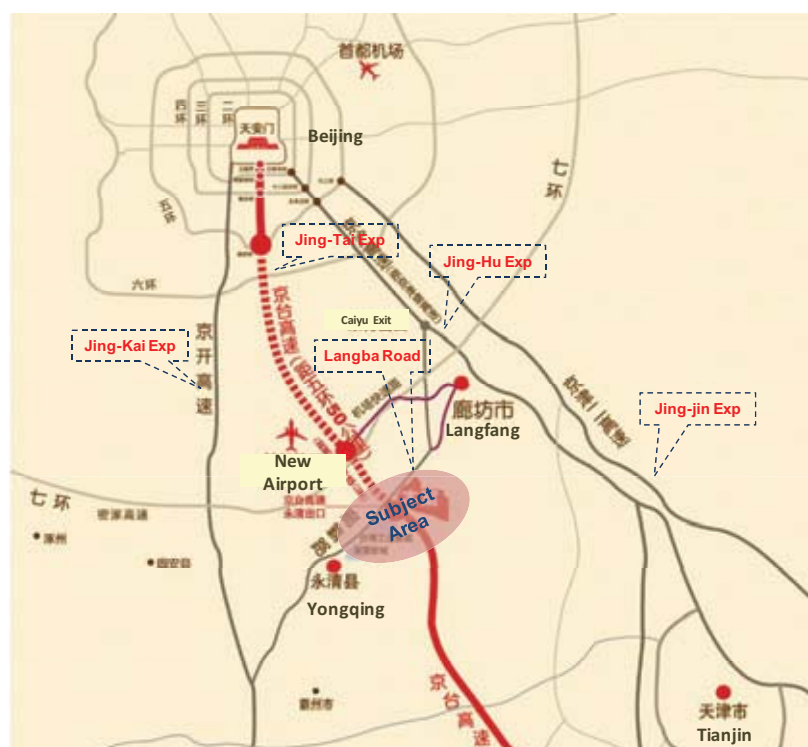
The Company's development project is located in the north of Yongqing County, Langfang. The total site area is 1,313,366 sq.m. The second and third phases of the project, with a 547,076 sq m site area and including 61 stand-alone houses and townhouses, are expected to be completed by 2016. Further phases are under planning. The subject market is in Beijing's vicinity, which has been defined in this report.

3.3.1. Location analysis

The subject market location boasts very convenient transportation links to Beijing. The expressways connected to the subject market include Jing-Hu (Beijing to Shanghai), and Jing-Tai (Beijing to Taiwan). Further expressways are also under construction. The completion of Jing-Tai Expressway in 2015 will greatly shorten the travelling time from 40 minutes to 20 minutes to the South Fifth Ring Road, which is regarded as the border of Beijing's urban area.

Beijing's new international airport, which is under construction, is only 15 km north of the subject market. According to the airport plan, it will cover an area of 22 sq km with 40 million annual passengers in 2020, and will expand to 80 to 90 sq km with 80 million annual passengers in 2030. Moreover, there will be efficient transportation connections between the airport and central Beijing, including Metro lines and arterial roads, which are under planning. The new airport is expected to be the core of a second airport economic zone in Beijing. The development of the subject market will be given a boost by its short distance from this zone.

Map 3-2: Yongqing location map



Source: Savills Research & Consultancy

3.3.2. Residential market in Yongqing

Yongqing's residential market started to draw the attention of buyers from Beijing in 2011. However, it emerged as a new investment hotspot with the announcement the location of the second airport in 2010. Compared with its peers, which target buyers from Beijing such as Yanjiao and Gu'an, Yongqing is a latecomer.

The major characteristics of Yongqing are:

- Ample land supply and large-scale residential developments.

- A large variety of residential units, including high-rise apartments, townhouses, villas and manors.
- The market is gradually being dominated by buyers from Beijing.

Yongqing residential market drivers are:

- Urbanization: Urbanization is an important national strategy, as outlined by the 18th CPC National Congress, which will bring opportunities for the real estate industry, especially in the fringe areas of first-tier cities.
- Decentralization and expansion of Beijing: Adjacent to the southern border of Beijing, Yongqing has an opportunity to accommodate the overspill of population and industries from Beijing with its ever-improving infrastructure and welcoming environment.
- The second Capital Airport: Its current construction and scheduled opening in 2017 is expected to stimulate house price appreciation in neighboring areas, especially Yongqing and Gu'an.
- The commercial developments in Yongqing: Both Yongqing Taiwan Industrial Park and Yongqing Zhejiang Commercial City are under construction and being pre-sold. The two major projects will actively encourage industry upgrades and infrastructure improvements in surrounding areas.
- Stricter HPRs in Beijing: HPRs in Beijing continue and more harsh limitations were announced in April 2013, pushing housing and investment demand to surrounding areas. Additionally, the high housing prices in Beijing also discourage potential buyers, who then turn to markets such as Yongqing.
- Supply shortage in Beijing: The average annual residential supply in Beijing from 2010 to 2012 decreased by 20% compared with the period from 2007 to 2009. The diminishing supply in Beijing provides fewer options to meet local housing needs.

Up to the end of Q1/2014, there are nine residential projects for sale in surrounding areas, totalling 2.1 million sq m GFA. The average sales price in Q1/2014 is RMB5,800 per sq m for high-rise apartments and RMB9,700 per sq m for low-density residences.

Table 3-6: Projects in the surrounding area

Project (EN)	Project (CN)	Type	Sales price (RMB per sq m)	GFA (sq m)	Total units
Tangshulinyu	湯墅林語	Villa	8,000	237,483	113
ZhengYuan	正園	Apartment	6,500	410,136	540
Haoye Yijiangnan	昊業 • 憶江南別墅	Villa	9,000	49,916	96
Runxin Park One	潤鑫 • 公園壹號	Apartment	6,500	198,850	1,270
Dingxinghuafu	鼎興華府	Apartment	4,600	400,000	236
Tianyuanxiangmanli	天圓香漫裡	Apartment	7,200	180,000	300
Glory City	國瑞城	Villa	12,000	98,970	142
Blue Mountain County	藍山郡	Apartment	5,800	490,146	1,196
Ziyufu	紫域府	Apartment	4,200	25,000	261

3.3.3. Villa market snapshots

Villas are in short supply in Beijing due to the policy issued in 2006, which limits the land supply for the construction of villas. There are less than five villa projects active on the sales market in Beijing and the major villa supply comes from Beijing's vicinity. The purchasers of villas are mainly buying for first homes, holiday houses or business catering and social events.

Table 3-7: Selected projects in Beijing, Gu'an, Langfang and Yanjiao

Project (EN)	Project (CN)	Location	No. of units	Unit size (sq m)	Price in Q4/2013 (RMB per sq m)	Usage
ChanganNO.1	長安一號	Mentougou, Beijing	39	1,366 – 2,200	87,000	Private museum, enterprise club
Peacock Sea	孔雀海	Gu'an	126	200 – 350	20,000	Residential, vocational
Saina Rong Fu	賽納榮府	Langfang	240	350 – 550	13,000 – 15,000	Residential, vocational
Xuhui Nineteen Cities	旭輝十九城邦	Langfang	443	310 – 420	12,000	Residential, vocational
Aili Fengshe Golf Villa	艾力楓社高爾夫別墅	Langfang	850	400 – 600	22,000 – 35,000	Residential, vocational, enterprise club
Oriental Villa	東方美墅	Yanjiao	1000	420 – 520	18,000	Residential, vocational



Distribution map of selected projects

Source: Savills Research & Consultancy

It is worth noting that the business catering and social demand is a new demand driver. As Beijing hosts a number of headquarters of multinational corporations, SOEs and large domestic companies, as well as entrepreneurs, business interaction is very high, and therefore business catering is a necessity. For a better service quality and cost controls, companies are looking to centralize the service in-house instead of

outsourcing, which creates demand for standalone buildings with GFAs of more than 3,000 sq m. However, the land supply limits in urban areas have pushed some international buyers to the villa markets in Beijing's suburban areas and Beijing's vicinity.

3.3.4. Future outlook

From 2013 to 2017, there will be about 464,604 sq m of residential supply released to the subject market. Meanwhile, the subject market will see accelerated development. The accessibility will be greatly improved with the completion of Jing-Tai Expressway shortening the travelling time to Beijing. The construction and opening of the new airport is expected to stimulate industrial development in the surrounding areas and hence bring benefits to the subject market, such as new job creation, better infrastructure, population growth and more potential home buyers. We expect an overall property appreciation in the subject market.

4. Shenyang market research

4.1. Shenyang overview

Map 4-1: Liaoning Province, northern China



Source: China Travel Service Group USA, China Business Review. China Travel Service Group USA, legally registered in the US, is a comprehensive travel and tour service company. China Business Review, the official magazine of the US-China Business Council, is the leading authority on China trade and investment.

Shenyang is the capital city of Liaoning Province and the economic, cultural, transportation and trade centre of northeast China. Situated in the central area of northeast China, Shenyang is surrounded by a number of cities, including Anshan, Fushun, Liaoyang, Benxi and Tieling, which constitute an economic community in the middle of Liaoning Province, with Shenyang at the centre. Shenyang covers a land area of 12,881 sq.km. with a population of 7.3 million in 2013.

Benefiting from the availability of natural resources and convenient transport links, Shenyang has developed into one of China's heavy industrial hubs and a significant base for SOEs. In 2000, the Shenyang municipal government started work on revitalizing and modernizing its economy by supporting and encouraging the development of modern tertiary industries, such as finance and tourism, while retaining manufacturing as its economic backbone.

4.1.1. Shenyang economic overview

Shenyang's economic performance has been fair over the past decade, with an annual growth rate of 14% YoY. Although local economic growth was affected by the slowdown in China's economy in 2011, it was still over 10% in 2011 and 2012, which was approximately 3 ppts higher than the national level. The growth in FAI was one of the major contributors to this economic growth. In 2013, Shenyang's real GDP reached RMB716 billion, representing a 8.8% increase from the corresponding period in 2012.

Table 4-1: Shenyang key economic indicators, 2007 – 2013

Indices / Year	Population	GDP	Growth rate	GDP per capita	FAI	Actual FDI	Retail sales
	(million)	(RMB billion)	(%)	(RMB)	(RMB billion)	(US\$ billion)	(RMB billion)
2007	7.1	307	21	43,499	236	5.04	123
2008	7.1	386	16	48,230	301	6.00	150
2009	7.2	436	14	55,816	368	5.41	178
2010	7.2	502	14	63,667	501	5.05	207
2011	7.2	592	12	72,637	456	5.50	243
2012	7.2	661	10	80,532	563	5.80	280
2013	7.3	716	9	86,850	638	5.81	319
CAGR (%)	0.5%	15.2		12.2	18.0	2.4	17.2

Source: Shenyang Statistics Bureau

Shenyang remains primarily an industrial city. Secondary industry has expanded at an even faster rate, growing from RMB48.3 billion in 2007 to RMB370.9 billion in 2013, equal to 51.8% of Shenyang's GDP. One possible driver of the continued strength of the secondary industry in Shenyang is the central government's campaign to "Revitalize the Northeast."

According to the 12th Five-year Plan, the government has set a GDP target of 12% during the period of the plan, signaling positive expectations from the government. As proposed, the secondary industry will contribute over 50% of total GDP, while the tertiary industry will expand from 44.7% in 2010 to 46.1% of total GDP in 2015.

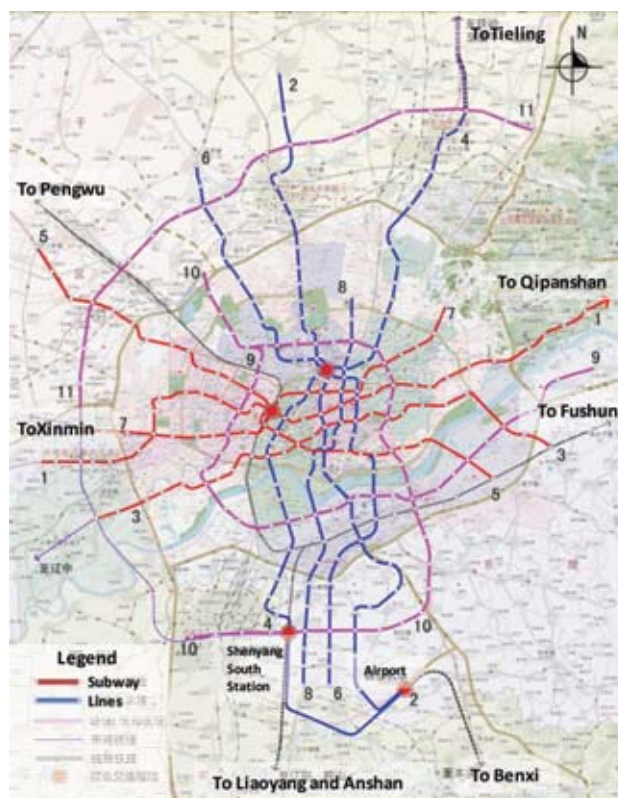
4.1.2. Shenyang's infrastructure development

The ongoing development of local infrastructure and the subway system will greatly improve the city's transportation links and make travel between districts more convenient. This is especially true of travel from the suburbs to the downtown areas.

Subway

There are two subway lines in operation, lines 1 and 2, with line 1 connecting Yuhong and Dadong districts. Three more lines, 4, 9 and 10, are under construction with a total planned length of 118 km and should be opened to the public during the period of the 12th Five-year Plan.

Map 4-2: Subway routes in Shenyang



Source: The official website of Shenyang Metro Co, Ltd

Expressway

Two expressways, the Third and Fourth ring roads, are under construction. The construction of the Fourth Ring Road, a 132-km long expressway, is expected to be completed in 2013, and will improve the accessibility of suburban areas. In addition, the Fifth Ring Road, with a total distance of approximately 190 km, is under planning.

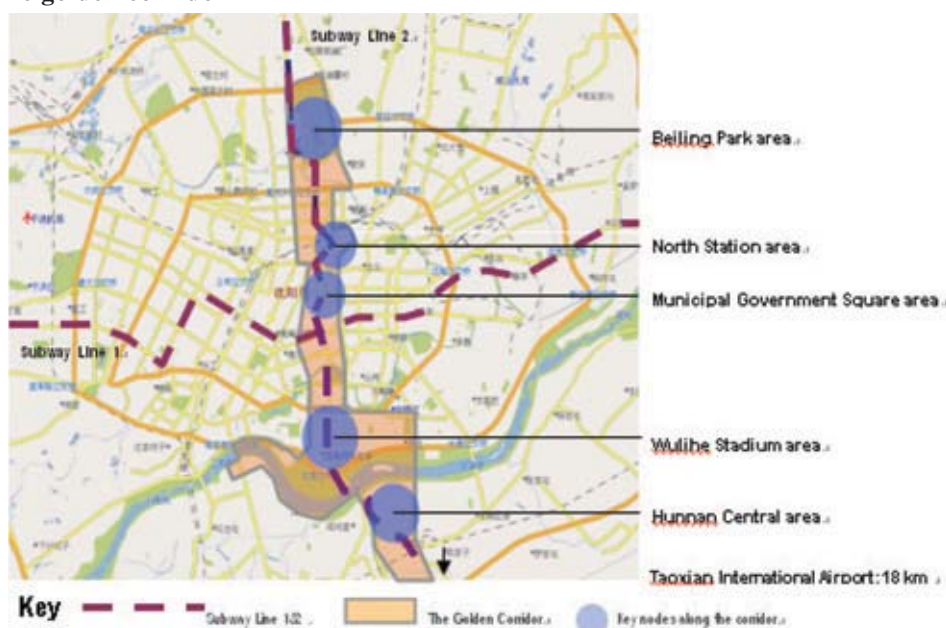
Railway

Two high-speed railways, the Beijing–Shenyang and Harbin–Dalian high-speed railways are under construction. The railway lines pass through cities surrounding Shenyang, such as Benxi and Fuxi, promoting the integration of the Shenyang Economic Zone.

4.1.3. Urban planning

In 2003, the Shenyang municipal government released the Golden Corridor plan, delineating an area stretching north and south across the city as a centre for office, retail and high-end residential development. This tract of land is a key part of Shenyang's urban and economic development plans.

Map 4-3: The golden corridor



Source: Savills Research & Consultancy

In addition, Liaoning Province has introduced Shenyang Metropolitan Area (Shenyang Economic Zone) special planning, aimed at developing an urban agglomeration with Shenyang at the centre and enhancing the integration with surrounding cities, such as Anshan, Fushun and Benxi. The Shenyang region will eventually constitute a relatively complete city with an integrated economy. The planning is focused not only on the assimilation of the economy but also on education, housing funds and medical services. Within this agglomeration, Shenyang is expected to act as the central city, attracting residents from surrounding cities to work and live.

4.1.4. Shenyang property market

Real estate investment increased at a CAGR of 20% from RMB73.0 billion in 2007 to RMB218.4 billion in 2013. The total GFA completed in 2013 increased at a CAGR of 2.1% from 12.9 million sq m in 2007 to 14.6 million sq m in 2013. The total GFA sold increased at a CAGR of 7.6% from 14.6 million sq m in 2007 to 22.6 million sq m in 2013. The average selling price increased at a CAGR of 9.4% from RMB3,699 per sq m in 2007 to RMB6,348 per sq m in 2013.

In 2013, the real estate investment in Shenyang reached RMB218.4 billion, representing a 12.4% increase from the corresponding period of 2012. However, affected by the holding of National Games, the real estate construction is limited before wards. The total GFA completed reached 14.6 million sq m, representing a 29.4% decrease from the corresponding period of 2012. The total GFA sold reached 22.6 million sq m, representing an 8.4% decrease from the corresponding period of 2012.

Table 4-2: Shenyang property market, 2007 – 2012

	2007	2008	2009	2010	2011	2012	2013	CAGR (%)
Real estate investment (RMB billion)	73.0	101.1	118.9	145.0	168.5	194.3	218.4	20.0
Residential	55.9	72.9	80.2	100.4	126.1	133.1	N/A	18.9*
Office	2.5	4.6	6.1	6.4	5.1	10.1	N/A	32.2*
Retail	10.7	17.5	26.3	29.1	27.3	35.9	N/A	27.4*
Total GFA completed (million sq m)	12.9	12.9	12.9	13.9	19.8	20.7	14.6	2.1
Total GFA sold (million sq m)	14.6	14.7	15.3	17.5	21.7	24.7	22.6	7.6
Average selling price (RMB per sq m)	3,699	4,128	4,464	5,411	5,884	6,321	6,348	9.4

Source: Bureau of Statistics of Shenyang

4.2. Shenyang residential market

4.2.1. Residential market overview

In common with many other second-tier cities, Shenyang's real estate market is dominated by residential development. The real estate market has grown rapidly since 2001, the year in which the city started to modernize its economy.

4.2.2. Market drivers, trends and preferences

Market drivers

Residential market growth in Shenyang is driven by the following factors: A stable economy, natural population growth, urbanization, intercity migration or external demand, new household formation, a greater housing area demanded per capita and a desire to upgrade the housing stock.

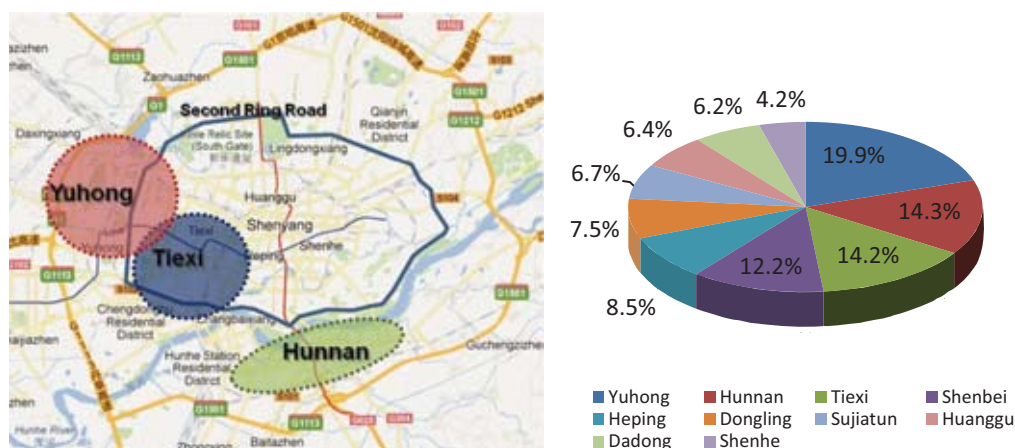
Trends

The most notable trend in the Shenyang first-hand residential market is the large volume of affordable housing being developed in areas outside the city centre. While high-end apartment construction is – and is expected to remain – concentrated in the city centre along the Golden Corridor, mid-end housing is being developed in peripheral areas. This trend can be seen both in population growth and in the number of property sales transactions in city fringe areas.

Distribution

The majority of residential property transactions occurred in suburban districts, with the greatest volume of transactions by area in Yuhong District, Hunnan New District and Tiexi districts, at 19.9%, 14.3% and 14.2% of the total transactions in urban areas respectively in 2013.

Chart 4-1: Residential property transactions and distribution in urban areas, 2013



Source: China Real Estate Information Corporation (CRIC).

4.2.3. Stock and demand

Historical stock and demand

Shenyang's residential market has been stable since 2007, with a continual growth in GFA of both residential properties completed and sold. The GFA of residential properties completed increased at a

CAGR of 2.0% from 10.9 million sq m in 2007 to 12.3 million sq m in 2013. The GFA of residential properties sold increased at a CAGR of 6.8% from 13.6 million sq m in 2007 to 20.2 million sq m in 2013.

In 2013, the GFA of residential properties completed reached 12.3 million sq m, representing a 25.2% decrease from the corresponding period of 2012. The GFA of residential properties sold reached 20.2 million sq m, representing a 8.4% decrease from the corresponding period of 2012.

Table 4-3: Shenyang residential property market, 2007-2013

	2007	2008	2009	2010	2011	2012	2013	CAGR (%)
GFA completed (million sq m)	10.9	10.8	10.8	11.1	16.1	16.4	12.3	2.0
GFA sold (million sq m)	13.6	13.1	13.7	15.2	19.5	22.0	20.2	6.8
Average selling price (RMB per sq m)	3,536	3,856	4,196	5,109	5,613	5,989	6,074	9.4

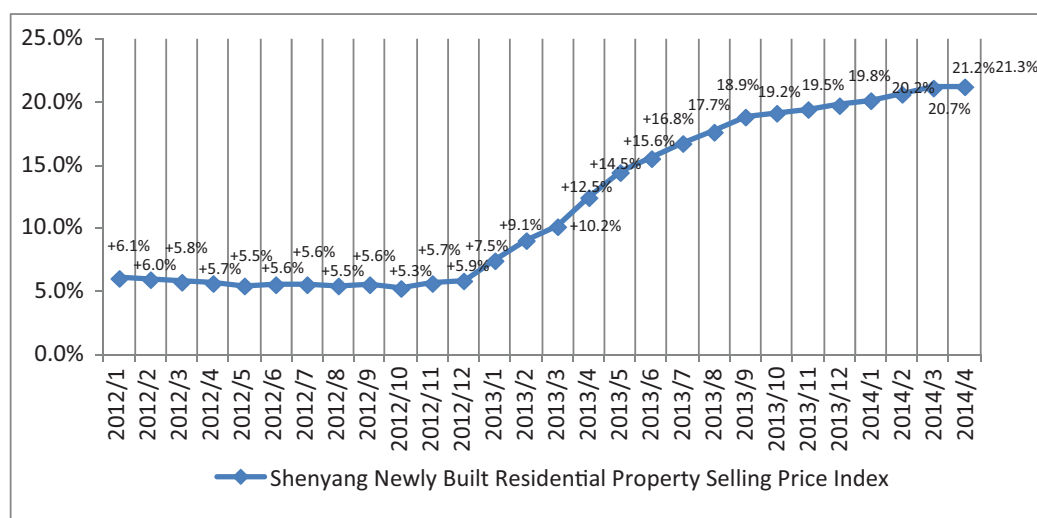
Source: Bureau of Statistics of Shenyang

Over the past five years, residential supply has shifted from within the inner Second Ring Road to outside the Second Ring Road. In 2013, the area approved for pre-sale reached 18.6 million sq m, while districts located outside of the Second Ring Road, including Tiexi New District, Yuhong District, Shenbei New District and Hunnan New District in Dongling District, accounted for over 60% of the total annual supply by area in the urban section of Shenyang.

Average capital values

The following chart shows the change in Shenyang newly built residential property selling prices from 2012 to April 2014.

Chart 4-2: Shenyang newly built residential property selling prices index



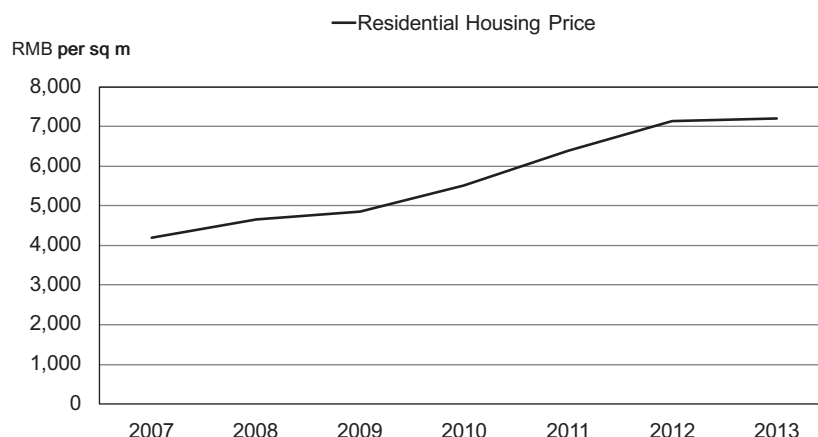
Source: National Bureau of Statistics of China

Note: The Shenyang Newly Built Residential Property Selling Price Index is published by the National Bureau of Statistics of China, which publishes the residential property selling price index of seventy large and medium-sized cities every month. The base year is 2010.

Compared with the rapid rise in property prices in numerous first- and second-tier cities across the country during the past several years, the real estate market in Shenyang has been relatively stable, even after the implementation of HPRs in 2011. Average prices (as calculated by dividing total transaction value by total transacted area) have increased steadily, from RMB4,206 per sq m in 2007 to RMB7,189 per sq m in 2013, with average annual urban residential prices growing by around 9.3% between 2007 and 2012.

This continuous increase is mainly the result of three factors. First, ample residential supply has contributed to the moderate residential price growth. Second, the gradual shift in residential development from the traditional downtown areas to suburban areas with low housing prices has guaranteed the supply of sufficient mid- and low-priced residential properties. Third, residential demand is mainly dominated by end-use demand instead of investors. This demand has remained strong in recent years.

Chart 4-3: Average residential price, 2007 – 2013



Note: The data was calculated using data from urban areas only; four counties were excluded.

Source: Savills Research & Consultancy

The sales prices of residential properties also vary greatly according to location. Residential housing prices in the city centre are the highest in Shenyang, due to sufficient supporting facilities, such as schools, hospitals and retail stores.

Table 4-4: Average residential price by location in urban areas, 2013

Urban area	District	Average residential price range (RMB per sq m)
City centre	Shenhe and Heping	9,298 – 11,800
Sub-core of city	Huanggu, Tiexi and Dadong	6,652 – 8,033
Suburban	Dongling, Yuhong, Sujiatun and Shenbei New District	5,443 – 6,889

Source: Savills Research & Consultancy

4.2.4. General outlook and potential opportunities

Notably, supply rose quickly in 2006 and 2007, but has been essentially flat ever since. The supply of completed housing shows very little correlation with housing under construction. We believe that the level of supply will be in line with the level of demand, which is driven by the relatively steady fundamentals of the drivers detailed above.

We expect these drivers to persist in at least the short term. However, it is expected that demand from non-Shenyang residents could be slightly constrained, considering that housing policy requires buyers to provide at least a year's worth of proof of social security funds or tax payments.

Forecast capital values

Our forecast is based on the following assumptions:

- The continuous growth in the economy and accelerated urbanization are the major driving forces in Shenyang's real estate market. The integration of the Shenyang Economic Zone will attract more people to work and live in Shenyang.

- Demand for higher quality housing will continue, ensuring a stream of demand not directly related to urbanization or migration to the city.
- With the construction of the subway system, housing prices will be pushed up, especially for housing projects along the subway line.
- New restriction policies, in place since April 2013, and the HPR area being expanded from inside the Second Ring Road to urban areas. As end-use demand dominates the residential market, a limited influence could be seen on transactions.
- Compared with other first- and second-tier cities, housing prices are still at reasonable levels in Shenyang, limiting the possibility of large price fluctuations.

Based on the above, we conclude that transaction volumes will be limited in the short term due to the expansion of the HPR area. Average capital values of residential housing are likely to move upward slightly, if there are no further tightening measures adopted in the near future.

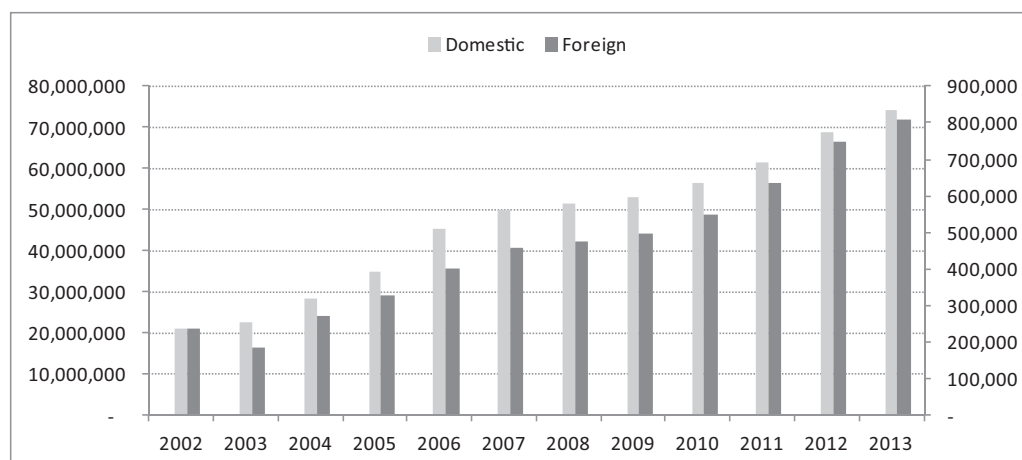
4.3. Upper-tier hotel market overview

Shenyang is one of the most popular tourist destinations in northeast China, boasting plentiful historical heritage mainly from the Qing Dynasty, such as the Royal Tomb- Zhaoling, and beautiful natural scenery, such as the Qipanshan Mountain State Park. In recent years, the city has strived to expand other fields to attract tourists, mainly by hosting various events, such as the 13th National Games. In addition, exhibition and business visitors are another demand group for the hotel market. All of these have prompted the rapid growth of tourism in Shenyang, leading to several upper-tier hotels entering the market.

4.3.1. Tourism market overview

Both domestic and international tourist arrivals grew at a stable rate during the past decade. As the chart below shows, domestic tourist arrivals rose from 50.1 million in 2007 to 74.2 million in 2013, up 12% annually. Meanwhile, annual international visits increased from 456,000 in 2007 to 810,000 in 2013, up 12% annually.

Chart 4-4: Domestic and international visitor arrivals, 2007 – 2013



Source: Shenyang Statistics Bureau, Savills Research & Consultancy

4.3.2. Upper-tier hotel supply and stock

According to the Shenyang Tourism Bureau, there are a total of 83 three-star and above level hotels offering 6,585 rooms, among which there are five five-star hotels and 24 four-star hotels.

Table 4-5: Number of hotels and rooms of upper-tier hotels, 2012

Hotel type	No. of hotels	No. of rooms
Five-star	5	2,019
Four-star	24	4,566

Source: Shenyang Tourism Bureau, Savills Research & Consultancy

Looking at the geographical locations of upper-tier hotels, the majority of four- and five-star hotels are concentrated in Heping and Shenhe districts, two central districts in Shenyang, while only one to three upper-tier hotels are located in sub-core areas of the city, such as Dadong, Tiexi and Huanggu districts.

4.3.3. Upper-tier hotel performance

Due to stable economic growth and tourism development, the average daily room rate (ADR) for four- and five-star hotels maintained a moderate upward trend from 2010 to 2012. According to the China National Tourism Administration, the ADR for five-star hotels was flat from 2010 to 2012, increasing 0.4% YoY to RMB630 per day in 2012. ADR for four-star hotels rose slightly between 2010 and 2012, from RMB312 to RMB347 per day, up 5.6% annually.

As a result of the National Games, sufficient high-end hotel supply entered the market in 2013, leading to relative low occupancy rates of five-star hotels. Meanwhile, a slowdown in the economy and limited budgets for business trips led to the decline of ADR of five star-hotels. Under tightening budgets, a number of customers preferred four-star hotels, making the performance of four-star hotels relatively stable in 2013.

Table 4-6: ADR and occupancy rates of three-, four- and five-star hotels, 2010–2013

	Five-star		Four-star	
	ADR (RMB per room per day)	Occupancy rate (%)	ADR (RMB per room per day)	Occupancy rate (%)
2010	619	64	312	66
2011	627	69	374	66
2012	631	62	347	56
2013	519	52	349	58

Source: China National Tourism Administration

In terms of occupancy rate, four- and five-star hotels were quite similar, with occupancy rates for both types of hotel ranging from 60% to 70% between 2010 and 2012. Affected by the local and global economic slowdown, occupancy rates for four- and five-star hotels saw a decline in 2012 of 10% and 7%, to 56% and 62% respectively. It increased slightly by 2% to 58% in 2013.

4.3.4. Market outlook

In general, sustained growth of the tourism and hotel sectors is expected as the city continues to enhance and diversify its tourism resources, especially its efforts to open itself to the world by hosting international exposition events.

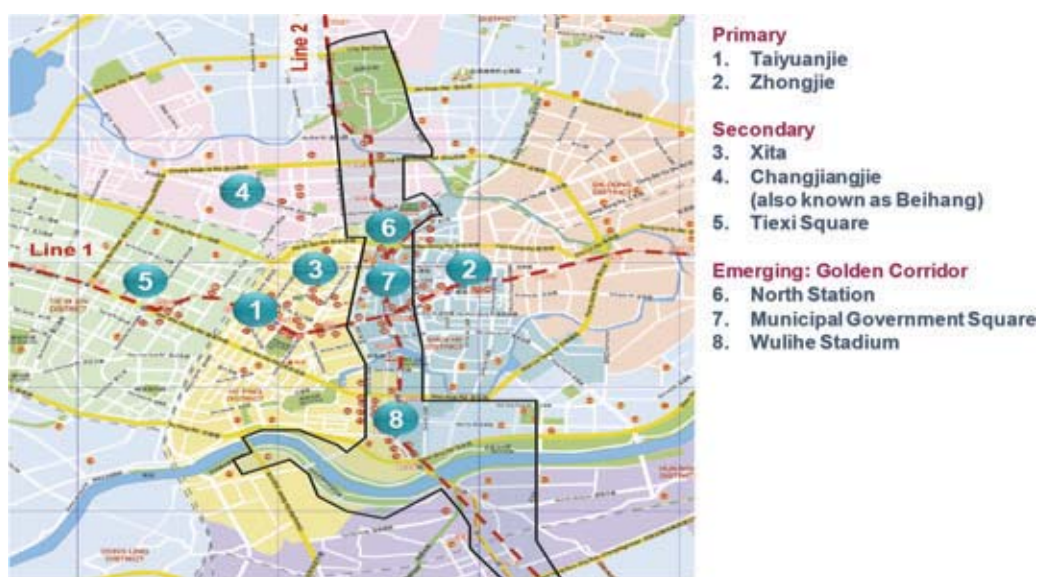
Upper-tier hotels, especially five-star hotels, are more poised to satisfy the accommodation needs of high-profile business tourists, and convention and exhibition attendees, rather than general sightseeing tourists. In this regard, the slow-growing local and global economies will reduce demand for upper-tier hotels in Shenyang.

In the coming two to three years, 12 hotels are scheduled to be completed, the majority of which are five-star hotels. It should be noted that this is not a complete list since some hotel development schemes may not have been made public. Several hotels are required to enter the market before the National Games in 2013 to meet demand. The rapid growth in new supply will lead to pressure on occupancy rates and ADRs, especially after the National Games.

4.4. Shenyang retail market overview

4.4.1. Profile of Shenyang's retail market

Map 4-4: Distribution map of retail catchments



Source: Savills Research & Consultancy

The following table shows selected market indicators of retail property in Shenyang for the periods indicated:

Table 4-7: Shenyang retail market, 2007 – 2012

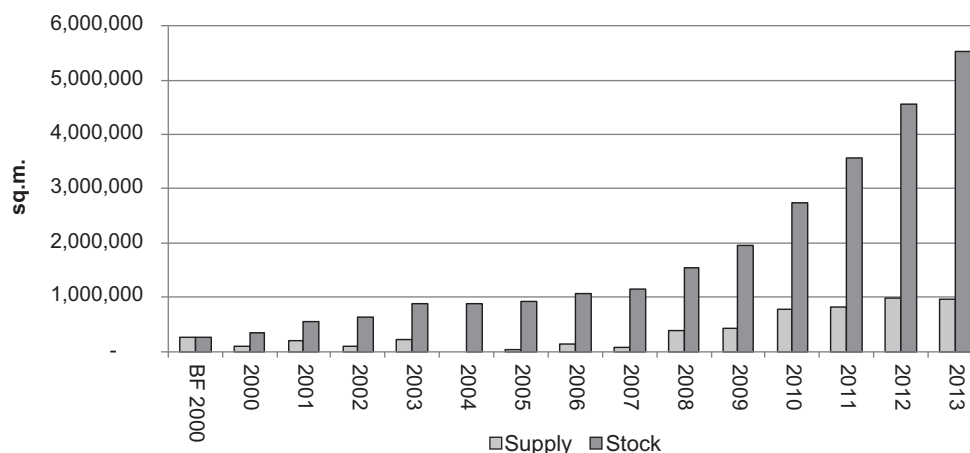
	2007	2008	2009	2010	2011	2012	CAGR (%)
GFA completed (million sq m)	1.1	1.3	1.6	2.0	2.6	2.5	17.8
GFA sold (million sq m)	0.8	1.2	1.2	1.7	1.6	1.9	18.9
Average selling price (RMB per sq m)	6,017	6,681	7,113	7,788	8,999	9,712	10.0

Source: Bureau of Statistics of Shenyang

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

This chapter mainly focuses on mid- to high-end retail properties, including shopping malls and department stores. There are three characteristics of Shenyang's retail property market. First, mid- to high-end retail properties are mainly shopping malls and department stores. Second, shopping streets are designed to meet the needs of Japanese and Korean customers. Currently, there are six large retail catchments in Shenyang, as shown in the above map.

Chart 4-5: Supply and demand of mid- to high-end retail in Shenyang



Source: Savills Research & Consultancy

The mid- to high-end retail market has grown rapidly since 2007, adding over 600,000 sq m of space per annum to existing stock. At the end of 2013, the total stock of the mid- to high-end retail market reached 5,532,267 sq m. Although the total amount is still far less than that of first-tier cities such as Beijing, Shanghai and Guangzhou, mid- to high-end retail space per capita has already exceeded these cities. This demonstrates that Shenyang economy is overheated and the oversupply of mid- to high-end retail properties in the Shenyang market.

4.4.2. Shenyang retail market occupancy and rent analysis

Table 4-8: Shenyang mid- to high-end retail rent and occupancy rate by retail catchments, Q4/2013

Retail catchment	Occupancy rate (%)	Occupancy rate quarterly growth (%)	Rent (first floor, RMB per sq m per month)
Middle Street	83.7	6.6	416.0
Taiyuan Street	94.2	0.0	355.0
North Station Golden Corridor	89.3	2.3	345.0
Shifu Plaza Golden Corridor	98.2	1.7	620.0
Hunnan Exhibition Center	76.3	-1.7	223.0
Tiexi	95.8	-2.6	293.3
Shenyang City	89.0	2.2	359.4

Source: Savills Research & Consultancy

In the fourth quarter of 2013, the occupancy rate of the mid- to high-end retail market was 89.0%, 1.3 ppts higher than the same period last year, showing that the increase in supply matches the increase in demand. Meanwhile, the average rent for first-floor premises was RMB359.4 per sq m per month. The rental growth rate YoY decreased 1%, due to a substantial level of supply and increasing competition.

4.4.3. Shenyang retail property market outlook

Shenyang is one of the major cities in northeastern China, and aside from the local market, the city also attracts customers from adjacent areas. It is expected that more retail brands will be introduced into the market in the future, and all of these will need retail space.

Shenyang's retail market is expected to witness a substantial oversupply over the next three years, at an average of 652,000 sq m per annum, consequently enlarging total stock by 35% by the end of 2016. Shenyang's mid- to high-end shopping mall rents are expected to further decline, as this large amount of new supply is injected into an already saturated market. Landlords will likely offer incentives to attract suitable tenants.

4.5. Shenyang's auto parts retail market

4.5.1. Auto parts retail market overview

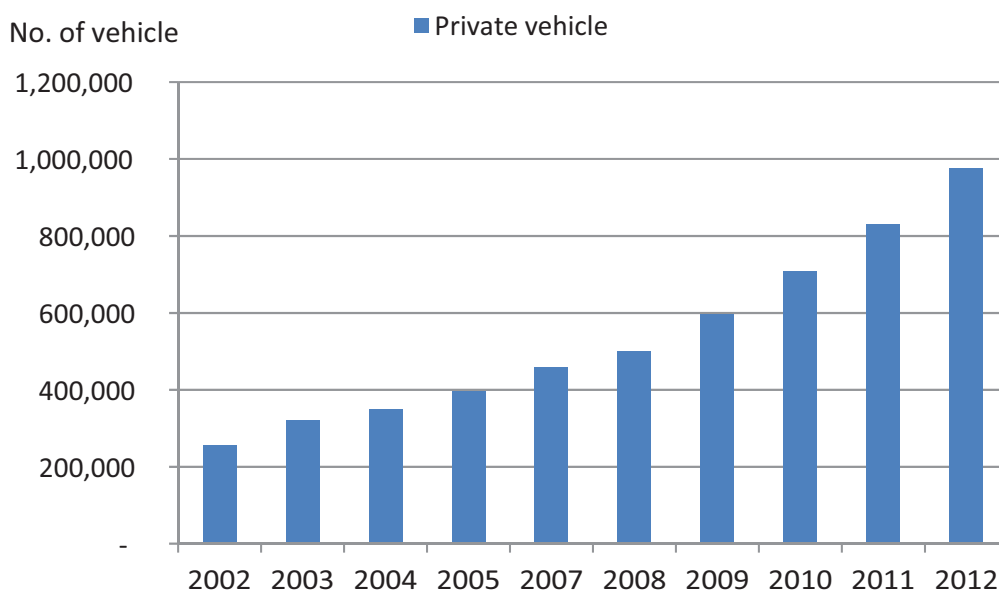
The automobile industry is a large contributor to Shenyang's economic development. With the development of automobile manufacturing and steady economy growth, the auto parts sales sector is growing. Shenyang, as the centre city in the northeast provinces, has attracted an increasing number of auto parts retailers. The market can be divided by business scope into two major categories: auto parts for cars, and auto parts for industrial trucks and lorries.

4.5.2. Market drivers, trends and distribution

Market drivers

Driven by an improvement in the living standards of residents, private car ownership has increased from 255,481 in 2002 to 975,331 in 2012, an annual growth rate of 14.3%. In addition, the economy, especially the development of the real estate, logistics and mining industries, has led to growth in the number of industrial trucks and lorries, driving up demand for auto parts and accessories.

Chart 4-6: Shenyang private car ownership, 2002 – 2012



Source: Shenyang Statistics Bureau

Note: The data for 2013 is not currently available.

Trends and distribution

Customers seem to have a preference for auto parts podiums, consisting of sales, and warehousing, rather than shops. In order to meet demand, new supply is moving away from small shops of one floor, sized between 10 and 50 sq m, to individual podiums with three to four floors of around 150 to 200 sq m.

Auto parts podiums (or cities) rely on convenient transportation as they are usually located along the Second Ring Road. Many of them are located in Tiexi, in the west of the city. Shops in most of the new auto parts podium projects are commonly for sale.

Map 4-5: Distribution map of retail catchments



4.5.3. Auto parts retail market stock and demand

Supply

Generally speaking, there six representative large-scale auto parts cities in Shenyang, three of which are currently for sale. Four projects are targeted at the small car market, while the others focus on auto parts for lorries.

Table 4-9: Selected auto parts city projects in Shenyang

	Projects	GFA(sq m)	Location	Scale of business
Existing projects	Western Auto Parts City	80,000	Tiexi	Auto parts for small cars
	Ruisheng Auto Parts City	177,000	Tiexi	Auto parts for small cars
	Northeast Auto Parts City	77,000	Huanggu	Auto parts for small cars
Projects for sale	Glory Auto Parts City	193,000	Dadong	Auto parts for lorries
	Ruijing Auto Parts City	70,000	Tiexi	Auto parts for small cars
	Tawan International Auto City Phase 2	126,000	Yuhong	Auto parts for cars, industrial trucks and lorries

Source: Savills Research & Consultancy

Average capital values

The following table lists the major projects for sale, with prices ranging from approximately RMB7,000 to RMB15,000 per sq m. Accessibility and visibility are two major factors influencing prices.

Table 4-10: Price of sale projects

Projects	Asking price (RMB per sq m)	Property type
Glory Auto Parts City	6,000 – 10,000	Podium with 3 floors
Ruijing Auto Parts City	9,000 – 12,000	Shops
Tawan International Auto City Phase 2	9,900 – 13,000	Podium with 3 floors

Source: Savills Research & Consultancy

4.5.4. Future outlook

Due to stable economic growth, and the development of the real estate sector, demand for auto parts and accessories is expected to continue, in turn generating demand for sales space. In addition, the auto parts and accessories cities are shifting from downtown areas to suburban areas, and these relocations will contribute to new demand. As there is a limited supply of large-sized shops, the market will remain stable.

4.6. Shenyang office market overview**4.6.1. Definition of properties**

The office category includes all types of purpose-built office buildings available for sale or lease on the market, with an area larger than 15,000 sq m. This includes office buildings which were occupied by developers but are now for sale or lease. Offices constructed for self use by developers or SOEs, or converted office space in hotels and residential apartments are excluded from this study.

Table 4-11: Shenyang office property market, 2007 – 2012

	2007	2008	2009	2010	2011	2012	CAGR (%)
GFA completed (million sq m)	0.4	0.3	0.2	0.2	0.3	0.6	8.4
GFA sold (million sq m)	0.1	0.2	0.2	0.3	0.1	0.2	14.9
Average selling price (RMB per sq m)	5,394	6,622	7,639	6,939	7,175	11,288	15.9

Source: Bureau of Statistics of Shenyang

Office space is limited in Shenyang. The GFA of office properties completed increased at a CAGR of 8.4% from 0.4 million sq m in 2007 to 0.6 million sq m in 2012. The GFA of office properties sold increased at a CAGR of 14.9% from 0.1 million sq m in 2007 to 0.2 million sq m in 2012. The average selling price increased at a CAGR of 15.9% from RMB5,394 per sq m in 2007 to RMB11,288 per sq m in 2012.

Savills grades office buildings into A, B, and C categories according to building age, quality, amenities and State of repair. It should be noted that Grade A does not reach the level typically ascribed to international Grade A buildings. Like many other second-tier cities, the Grade A office market in Shenyang has developed slowly. Only a small number of office buildings are regarded as Grade A in terms of their market reputation, rental level and tenant mix.

Grade A office buildings are mainly located in four areas, North Station area, Municipal Government Square area, Zhongshan Plaza/Heping Avenue area and Wulihe area.

Map 4-6: Major Grade A office locations



Major Grade A office locations

1. North Station area
2. Municipal Government Square area
3. Zhongshan Plaza/Heping Avenue area
4. Wulihe area

Source: Savills Research & Consultancy

4.6.2. Market drivers, trends and preferences

Drivers

Recently, the demand for high-quality office towers has been driven by the municipal government's bid to make Shenyang the financial centre of northeast China. In our opinion, the municipal government has promoted the development of office space in anticipation of future demand, arising from the successful implementation of its plans.

While it is reasonable to assume that Shenyang will see growth in the finance and service industries as the economy matures and incomes rise, one should distinguish between government plans and the reality that much of the current office demand is from companies in the manufacturing, logistics and trade sectors, or from retailers setting-up regional offices in the city. These are all positive developments, but the office specifications demanded by these types of tenants may be different from those envisioned in government plans.

Trends

The quality of office building design, construction and management is improving in Shenyang. The upgrade in office stock as a result of the entry of international developers has made office space in Shenyang relatively good value. Rents and sales prices have been increasing steadily over the past few years. With many projects by high-profile developers in the pipeline, this trend can be expected to continue.

Preferences

A number of international companies engaged in the IT, finance and professional services sectors are located in some of the best office buildings which Shenyang has to offer. It is common that they set-up a representative office or branch in a relatively small-sized office. They are willing to upgrade to higher

quality buildings; however, these types of companies do not form the majority of demand. Many of the large international companies engaged in manufacturing often build offices for occupation within industrial parks, thus generating little demand for Grade A office space.

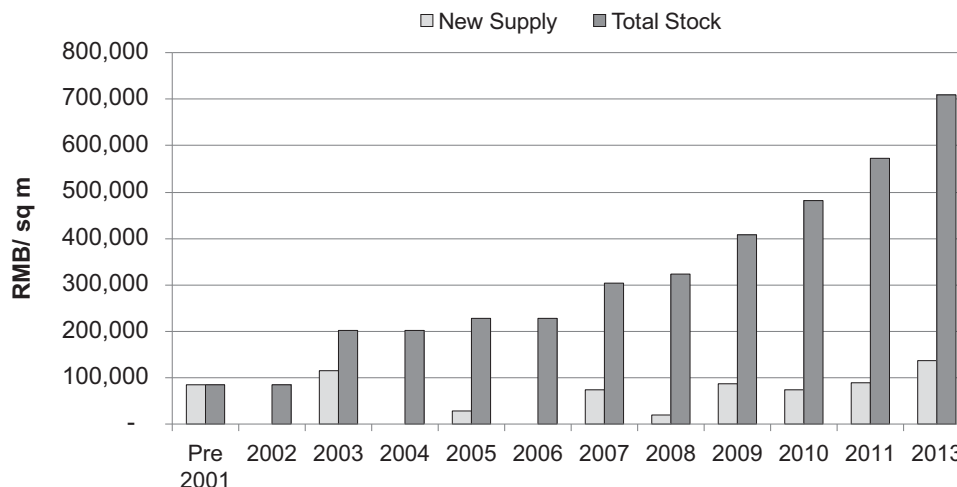
With respect to local demand, most comes from small domestic companies engaged in the trade, agency and services sectors. Generally speaking, these companies do not place a great premium on high-profile space, and can usually only afford low-grade offices, while a significant portion of them, especially SOEs, choose to buy offices for self use.

4.6.3. Office market stock and demand

Historical stock

There are currently 15 Grade A office buildings in Shenyang with a total GFA of approximately 708,483 sq m. After no supply entering leasing market in 2012, Shenyang's Grade A office market welcomed a supply peak of 136,000 sq m in 2013, despite five projects postponed launches to 2014.

Chart 4-7: Supply and stock of Grade A offices



Source: Savills Research & Consultancy

Note: No Grade A office buildings entered the market for leasing in 2012.

Historical demand and occupancy rates

Due to limited supply, Grade A offices have maintained high occupancy rates over the past several years. However, the continued supply, along with the slowing of demand as a result of the financial crisis, resulted in slightly lower city-wide occupancy rates in 2008 and 2009. In 2010, as the economy recovered from the crisis and new office space for rent was relatively limited, city-wide occupancy rates increased to 76.8%. After two new projects, China Resources Building and Northeast Media Culture Plaza, entered the market in 2011, occupancy rates dropped to 84.8% by the end of the year. As there was no new supply in 2012, occupancy rates rose to 92.2% by year's end.

*Average capital values***Table 4-12: Historical Grade A office sales price and rent, 2007 – 2013**

Year	2007	2008	2009	2010	2011	2012	2013
Sales price (RMB per sq m)	8,030	8,927	9,310	11,700	14,500	14,625	15,250
Growth rate (%)	16	11	4	26	24	1	4
Rent (RMB per sq m per month)	85	96	92	101	121	134	135
Growth rate (%)	9	13	-4	10	20	11	0.5

Source: Savills Research & Consultancy

- Rental rates**

The average Grade A office rent has been very stable over the past eight years. In 2009, the economic crisis adversely affected average Grade A office rents and they fell by a modest 4% YoY to stand at RMB92 per sq m per month. As the economy recovered, demand for Grade A office space increased from 2010. Due to limited supply and high-quality projects entering the market in 2011 and 2012, rents for Grade A office space increased from RMB101 per sq m per month in 2010 to RMB134 per sq m per month in 2012, with an annual growth rate of 12.6%.

Rents for Grade A office reached RMB135 per sq m per month in the fourth quarter of 2013, representing a 0.5% increase from the corresponding period in 2012.

- Sales prices**

In 2013, the average price of Grade A offices reached RMB15,250 per sq m. The office sales market was stable in the past two years, with only 4% increase on sales price.

Demand for commercial property increased when the residential market was restricted by government regulations in early 2010. As a result, the office sales price grew rapidly in 2010 and 2011. In 2012, the price reached RMB14,625 per sq m, up only 1% YoY. In 2013, the average price of Grade A offices reached RMB15,250 per sq m. The slowdown in the growth rate is mainly due to the following factors: 1) Developers being forced to provide incentives on sales prices to increase take-up, because the oversupply situation is expected to continue in the next three years; 2) The low zones of new projects being launched onto the market first, with relatively lower prices compared with other zones in the projects; and 3) Affected by the economic slowdown, a number of overseas and domestic companies have remained cautious regarding headcount, office expansions and purchasing properties.

4.6.4. General outlook and potential opportunities

Supply analysis

A total of 19 Grade A offices are scheduled to be launched onto the market between 2014 and 2016, however, it should be noted that this is not a complete list of future Grade A office space, since some proposed developments may not have been made public. In the short term, the 20 future Grade A office developments will increase current stock by 260% in the city, resulting in an oversupply situation in 2014 or 2015.

Table 4-13: New supply of Grade A offices in Shenyang, 2014–2016

Property	Expected completion	Submarket	Proposed area (sq m)
Huachen Zhongji Mansion	2014	North Station area	50,530
Zhongtie Mansion	2014	Zhongshan Square and Heping Avenue area	40,000
Global International Plaza II	2014	North Station Area	35,200
Lang Qin Tae-won Center	2014	Zhongshan Square and Heping Avenue area	32,500
Shenyang Tiandi I	2014	North Station Area	22,000
Maoye City	2014	Wulihe area	100,000
Forum 66 phase I	2013	Municipal Government Square area	190,000
Forum 66 phase II	2014	Municipal Government Square area	470,800
City Point	2014	Wulihe area	78,641
Fortune Plaza II	2014	North Station Area	40,000
Sunnyworld Centre	2014	North Station Area	100,000
Kerry Center	2014	Wulihe area	70,000
Rich Gate phase 2	2015	North Station area	200,000
Orchard Summer Place	2015	Municipal Government Square area	60,000
Kaisa Center	2015	Wulihe area	60,000
Newer	2015	North Station area	320,000
Dalian Youyi	2015	Wulihe area	54,000
Tongfang Plaza	2015	Wulihe area	117,000

Source: Savills Property Services (Beijing) Co, Ltd

Demand analysis

Since the central government endorsed the opening of the financial sector in Shenyang in 2004, international financial companies have begun to open branches or representative offices in the city. The plan to make Shenyang the finance, trade, and convention and exhibition centre of northeast China will bring significant Grade A office demand.

The growth rate of the tertiary sector, especially the modern services sector, is taken as an indicator of the potential growth of office demand. According to the 12th Five-year Plan, tertiary industry will expand from 44.7% in 2010 to 46.1% of total GDP in 2015.

Forecast

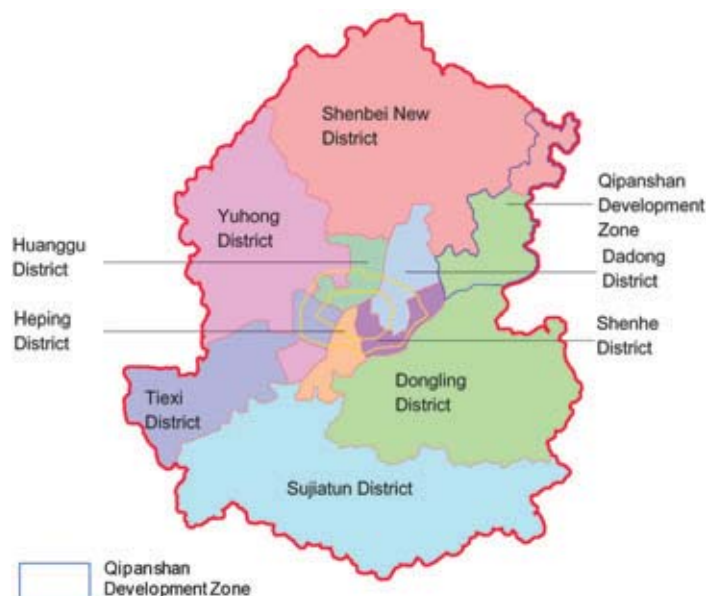
We expect a drop in Grade A office rents in 2014 due to the following reasons. Firstly, the economic growth of Shenyang began to slow in 2012 and both Chinese and international corporations are reluctant to lease more office space or purchase office properties due to the uncertain economy. Secondly, international companies are more cautious about expanding in Shenyang's market. Thirdly, under the oversupply situation, Landlords may have to offer more rental incentives to compete for a limited pool of tenants under fierce competition.

A fall in occupancy rates is usually accompanied by a rental rate change. Because of the oversupply situation in the next two years, landlords are expected to provide yet more rental incentives, on the back of increasing city-wide vacancy rates. The sales market will also be affected by the same factors and more promotional sales prices are expected to be offered by developers in order to increase take-up, which will lead to a decline in price growth.

4.7. Dadong market overview

4.7.1. Dadong District introduction

Map 4-7: Location of Dadong District



Dadong District is located in the east of Shenyang. After the rezoning of new administrative districts in 2010, Dadong District took the opportunity to expand from 57 sq km to 100 sq km, with a total population of 696,905 as of 2011.

Dadong's economic development

The growth of Dadong's economy has been relatively sluggish, compared with other districts in the city area, due to the slower development of tertiary industry. Dadong's GDP contribution ranks fourth in Shenyang, following Tiexi New District, Shenhe and Heping.

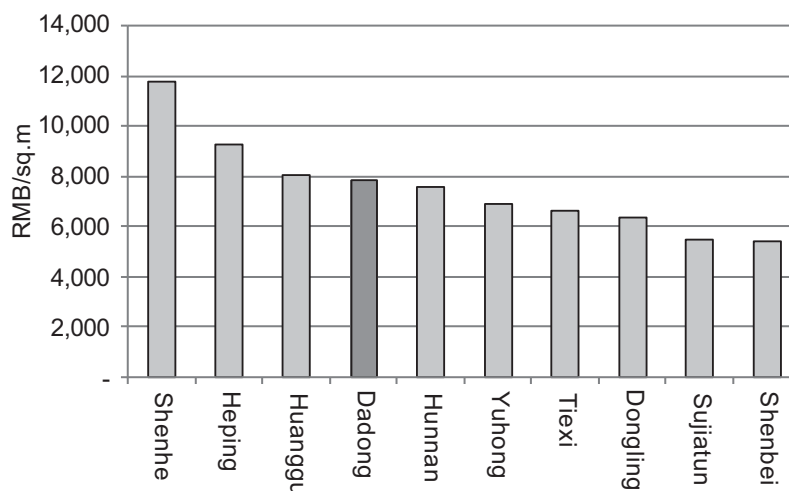
Urban planning of Dadong District

Dadong District is a traditional industrial area of Shenyang. According to Shenyang's 12th Five-year Plan, Dadong is the core area in which to develop the automobile industry. The scope of industry in Dadong will shift from automobile manufacture to an industry cluster covering automobile manufacture, auto parts and accessories, and services. In addition, Dadong's development will concentrate on building a cultural and commercial centre in Liming and Dongta, and one ecological corridor between the Second and Third ring roads, aimed at making Dadong a district with a well-developed automobile industry, a rapidly growing tertiary industry, and a livable and ecological environment. It is expected that the amenities in the vicinity will be gradually improved.

To improve accessibility, two subway lines are proposed in Dadong District. Subway line 4 is under construction, while the construction plan for subway line 7 has been proposed.

4.7.2. Dadong residential market

Chart 4-8: Residential sales price of Shenyang, 2013



Source: Savills Research & Consultancy

According to CRIC, in 2013, the transaction area in Dadong District was only accounted for 6.2% of the total transaction area of urban Shenyang. Meanwhile, the average transaction price reached RMB7,873 per sq m, which was RMB684 higher than the average price of Shenyang City.

In the subject area, the major projects are located on Dongbei Road which has attracted a number of famous developers, such as Gemdale, Vanke and Longfor Group, whose projects are adjacent to Glory's project. These projects are aimed at the mid-end residential community, priced from RMB7,000 per sq m to RMB9,400 per sq m. There will be approximately 600,000 sq m of new supply from four existing projects. In addition, construction of the residential portion of the Glory project will start in the second half of 2013, with a total area of approximately 900,000 sq m.

Table 4-14: Selected residential projects in the subject area, 2013

Projects	GFA (sq m)	Transacted area* (sq m)	Transacted price (RMB per sq m)	Future supply (sq m)
Gemdale Boyue	454,365	245,726	9,366	208,639
Longfor Fantastic Garden	310,000	120,861	7,032	189,139
Ruijiajingfeng	267,517	89,504	7,062	178,013

Note: *The transacted area was calculated as of the end of 2013.

Source: Savills Research & Consultancy

Similar to other areas in Dadong District, demand in the subject area is mainly from buyers with end-use demand, who dominate Shenyang's residential market. With the expansion of the region enforcing the HPRs, the areas within the Second Ring Road might become more attractive to buyers who originally wanted to purchase homes outside the Second Ring Road. The residential market should therefore remain stable due to strong demand.

4.7.3. Dadong auto parts city market

In the east of Shenyang, Glory Auto Parts City is the only large-scale auto parts city, with a total area of 141,942 sq m. The average sales price of Glory Auto Parts City in 2012 was RMB6,494 per sq m,

relatively low compared with other for-sale auto parts cities such as Ruijing Auto Parts City and Tawan International Auto City Phase 2. Lianhe Road, north of the Glory project, is a concentration of shops selling construction vehicles, making the subject area a well-known precinct for this type of product. In order to enhance the urban image, some old markets in the downtown area are required to be demolished. Retailers from those precincts may prefer to relocate within the same district, bringing new demand to Dadong.

In the next two years, there will be no new large-scale auto parts cities engaged in the industrial auto parts and construction sectors entering the market in the east of Shenyang. The market performance of auto parts cities is closely related to economic development, especially the real estate market. As Shenyang's real estate market is expected to remain stable in the short term, the auto parts city market should maintain steady growth if there are no further restrictions on the real estate sector.

4.7.4. Dadong office market

Dadong District is not a traditional business district, with few high-quality offices in the market. The only representative project on sale is Longemont office (phase 2). The preliminary asking price is RMB13,000 to RMB15,000 per sq m, the average level of Grade A offices in the area. Meanwhile, the average asking rent for Longemont office phase 1 is RMB94 per sq m. The convenient traffic and relatively low price compared with the Golden Corridor area are major attractions to companies engaged in the finance and trade sectors. Although there is little high-quality office supply in Dadong, city-wide oversupply and slowing demand growth in Shenyang will result in pressure on price growth, especially in emerging areas, such as Dadong District.

4.7.5. Dadong hotel market

As Dadong District is not a traditional commercial area, demand from business tourists is not as strong as in downtown areas and there was only one five star hotel in the district in 2012, according to Shenyang Tourism Bureau. As there will be oversupply of hotel in the next two or three years across Shenyang, the economic performance of upper-tier hotels would be influenced in the short term, especially for hotels in emerging areas.

4.7.6. Dadong retail market

Retail stock in Dadong is currently limited, with only one mid-end shopping mall, Longmont Shopping Mall which opened in 2011 with total GFA of 300,000 sq m. It is located inside the First Ring Road, 4 km from Glory's project. First-floor rents averaged RMB240 per sq m per month at the end of 2012, with an annual growth rate of 9%. First-floor rents remained at RMB240 per sq m per month in the 2013.

In terms of future supply, there will be no new department stores or shopping malls entering the market in Dadong District in the next two years. Although Dadong will develop the Jixiang retail catchment, which is 3.7 km from the subject project, this will be focused on street retail. It is assumed that the demand for retail property is growing alongside residential development in the subject area. It is estimated that the future supply of residential housing is approximately 1.6 million sq m, which is equal to 60,000 new residents. In considering the current market status, the future supply and demand stated above, there is a market gap for a community shopping mall.

The competition between commercial properties in Shenyang Dadong district is relatively mild because of limited supply of shopping mall or department store in this district, which would lead to an annual 1% to 2% rental growth in the long term.

4.8. Competition

The following chart states the top 10 developers in terms of total GFA within the Second Ring Road of Shenyang as of March 31, 2014:

Table 4-15: Ranking of developers within Shenyang's Second Ring Road property market

Ranking	Company	Total GFA (approximate sq.m.)
1	瀋陽長峰房地產開發公司 Shengyang Changfeng Real Estate Development Co.	3,300,000
2	國瑞地產 Glory Real Estate	1,714,000
3	萬科集團 Vanke Group	1,638,700
4	華潤置地 China Resources	1,650,000
5	世茂集團 Shimao Group	1,600,000
6	嘉里建設有限公司 Kerry Properties Limited	1,300,000
7	華府置地 Rich Real Estate	1,295,000
8	裕景地產集團 Eton Property Ltd.	1,250,000
9	寶能集團 Baoneng Group	1,000,000
10	樂天集團 Lotte Group	980,000

Source: Savills Research & Consultancy

5. Zhengzhou market research

5.1. Zhengzhou macro economic overview

5.1.1. Zhengzhou overview

Zhengzhou is the largest city in Henan Province in north-central China. Being the capital of Henan, it also serves as the political, economic, technological and educational centre of the province, as well as a major transportation hub for central China.

With 9.03 million inhabitants and a total land area of 7.44 million sq km, the city is one of the main built up areas of the Henan region. Zhengzhou is divided into six urban districts (Zhongyuan District, Erqi District, Guancheng District, JinShui District, Shangjie District and Huiji District), five county-level cities (Gongyi City, Xingyang City, Xinmi City, Xinzheng City and Dengfeng 1 City) and one county (Zhongmu County).

These subdivisions are likely to undergo a significant change in the near future due to rapid urban expansion and changes in urban planning. According to the 12th Five-year Plan, by the end of 2015, the population will increase to 9.10 million.

Map 5-1: Location of Zhengzhou in central China



Source: Savills Research & Consultancy, Google Maps

5.1.2. Zhengzhou macro economic overview

Before the construction of the high-speed railway, Zhengzhou was already one of the eight major railway centres recognized by the Ministry of Railways of China. Nearly all trains on routes to Beijing, Shanghai and Xi'an pass through Zhengzhou. Under the new national high-speed railway network, Zhengzhou is still an important hub. Two main lines — Jingguang Line (Beijing to Guangzhou) and Xulan Line (Xuzhou to Lanzhou) — intersect at Zhengzhou. Additionally, manufacturing and mining are flourishing in Zhengzhou as the surrounding area has large reserves of coal and other minerals. Major manufacturing industries include textiles, locomotives, cigarettes, fertilizers, processed meats and agricultural machinery. With both the transportation advantages and a developed manufacturing industry, the GDP of Zhengzhou is higher than other major cities in central China.

Table 5-1: GDP comparison between Zhengzhou and other cities, 2013

Indices	Zhengzhou	Jinan	Xi'an	Taiyuan	Hefei
GDP (RMB billion)	620.2	523.0	488.4	241.3	467.3
Growth rate (% YoY)	10.0	9.6	11.1	8.1	11.6

Source: Statistical Bureau of each city

Zhengzhou's economy has recorded double-digit growth over the past six years. The GDP growth rate reached a peak in 2007, at 15.6%. As a result of the global financial crisis, the GDP growth rate of Zhengzhou started to slow in 2008. However, with increased FAI and actual FDI each year, Zhengzhou's GDP has maintained a high growth rate, and by the end of 2013, Zhengzhou's nominal GDP reached RMB620.2 billion with a growth rate of 10.0%.

Table 5-2: Zhengzhou key statistics, 2007 – 2013

Indices / Year	Population	GDP	Growth rate	GDP per capita	FAI	Actual FDI	Per capita disposable income	Retail sales
	(million)	(RMB billion)	(%)	(RMB)	(RMB billion)	(US\$ billion)	(RMB)	(RMB billion)
2007	7.4	242.1	15.6	33,169	136.73	1.0	13,692	97.87
2008	7.4	300.4	12.2	40,617	177.27	1.4	15,732	120.62
2009	7.5	330.0	12.0	44,000	228.91	1.6	17,117	143.48
2010	8.7	400.0	13.0	49,000	275.70	1.9	18,897	167.80
2011	8.9	491.3	13.2	56,086	300.25	3.1	21,612	198.71
2012	9.0	554.7	12.0	63,328	366.98	3.4	24,246	229.0
2013	9.2	620.2	10.0	68,070	440.02	3.3	26,600	258.6
CAGR (%)	3.7	17.0	—	12.7	21.5	22.1	11.7	17.6

Source: Bureau of Statistics of Zhengzhou

According to the 12th Five-year Plan of Zhengzhou, by the end of 2015, GDP will reach RMB880 billion with an annual rate of increase of 15%. GDP per capita will pass RMB100,000 and FAI will reach RMB700 billion, with an annual rate of increase of 20%.

5.1.3. Zhengzhou City infrastructure and city planning

According to the 12th Five-year Plan of Zhengzhou, by the end of 2015, 345 key infrastructure projects will be completed with a total investment volume amounting to RMB189.4 billion.

Railway and highways

Zhengzhou, where the Longhai railway (east–west) meets the Jingguang railway (north–south), is officially recognized as one of the eight major railway centres by the Ministry of Railways.

In the new national high-speed railway network currently under construction, two of the most important lines — Jingguang (Beijing to Guangzhou) and Xulan (Xuzhou to Lanzhou, extending to Shanghai and Urumqi) — intersect in Zhengzhou, which guarantees the city a strategic transport advantage for the future. A new high-speed railway station, one of the largest in Asia, is under construction in Zhengdong New Area.

Zhengzhou is the centre of the Henan highway network which provides roughly a one-hour road trip to the surrounding cities of Kaifeng, Xinxiang, Xuchang, Jiaozuo and Luoyang. Other major cities within the province can be reached in three hours. The national highway network also links Zhengzhou to all major cities in China.

Air

Zhengzhou Xinzheng International Airport is listed as one of the eight major gateway airports by the Civil Aviation Administration of China. It is 37 km southeast of the city centre. Zhengzhou Xinzheng International Airport is the headquarters for Henan Airlines and also a focus city of China Southern Airlines and Shenzhen Airlines.

Subway and public transit

The plans for Subway lines 1 and 2 were approved by the National Development and Reform Commission in February 2009. Zhengzhou's subways will form a rapid transit rail network, serving both the urban and suburban districts of Zhengzhou municipality. As planned, the two lines will be completed in

2013 and 2015 respectively. According to a long-term plan pending approval, lines 3 and 4 will start construction from 2015 to 2020 and will be in operation by 2020, while lines 5 and 6 will begin in 2020. The total planned length is 188.25 km.

Table 5-3: Zhengzhou subway planning, 2011 – 2020



Line	Length (km)		Construction time
Line 1, phase I	26.2	Kaixuan Road–Sports Center	2009 – 2013
Line 2, phase I	18.3	Guangbo Tai–Xiangyang Road	2010 – 2014
Line 3	42.7	Wutong Street–Jinguang South Road	2014 – 2018
Line 4	34.7	Nanyang Road–Chenyang Road	2015 – 2020
Line 5	41.8	Nanyang Road–Nongye Road	2011 – 2016
Line 6	24.3	South 3rd Ring Road–Longzi Lake	After 2020

Source: Zhengzhou City Planning Bureau

City planning

Map 5-2: Zhengzhou city planning map, 2010 – 2020



Source: www.zzupb.gov.

According to Zhengzhou's Master Plan of 2008 to 2020, permanent residents of Zhengzhou will number around 5 million by 2020. In the future, Zhengzhou will expand east, west and south, while the development of the northern side of Zhengzhou will be controlled to protect the Yellow River Wet Land. Specifically, the city will have one central district, one axis, three corridor districts and three sub-areas. The central district mainly encompasses the current city central area, and main roads passing through Zhengzhou will form the North–South Axis of the city. The three sub-areas will be Southern Shangjie (Xingyang Zone and Eastern Zhengbian), Zhongmou Zone and Southern Airport Harbor Zone. The three corridor areas are the Central Area Corridor, Northern Yellow River Tourism Corridor and Southern Ecology Protection Corridor. The North–South Axis formed by main roads, and the overall city planning are especially beneficial for the future development of the southern side of Zhengzhou.

5.2. Zhengzhou real estate market overview

The total investment in real estate has increased sharply from 2007 to 2013. The total real estate investment increased at a CAGR of 30.0% from RMB29.9 billion in 2007 to RMB144.5 billion in 2013. The total GFA completed increased at a CAGR of 9.3% from 6.7 million sq m in 2007 to 11.4 million sq m in 2013. The total GFA sold increased at a CAGR of 6.7% from 11.0 million sq m in 2007 to 16.2 million sq m in 2013. The average selling price increased at a CAGR of 10.5% from RMB3,926 per sq m in 2007 to RMB7,162 per sq m in 2013.

Table 5-4: Zhengzhou property market, 2007 – 2013

	2007	2008	2009	2010	2011	2012	2013	CAGR (%)
Real estate investment (RMB billion)	29.9	43.0	51.4	77.5	92.4	109.5	144.5	30.0
Residential	22.5	33.8	39.4	55.6	62.7	67.6	91	26.2
Total GFA completed (million sq m)	6.7	6.9	6.4	9.5	14.9	14.5	11.4	9.3
Total GFA sold (million sq m)	11.0	7.0	12.0	15.6	15.6	14.4	16.2	6.7
Average selling price (RMB per sq m)	3,926	4,467	4,910	4,957	5,704	6,253	7,162	10.5

Source: Bureau of Statistics of Zhengzhou

From 2007 to 2011, the sold area of commodity housing was higher than the completed area indicating that residential demand was higher than the effective supply. In 2013, the commodity housing sold area was recorded at 16.2 million sq m, which is more than the area of completed commodity housing.

5.3. Zhengzhou residential market overview

Over the past six years, total investment in residential development has increased sharply, reaching RMB350 billion. By the end of 2013, it had climbed to RMB91.0 billion, with an annual rate of increase of about 34.8%.

The residential market in Zhengzhou is driven by population growth, economic growth, urbanization, rising resident spending power and the integration of neighboring cities, which all play key roles in stimulating market demand as well as price appreciation in the city.

Population growth

In 2013, the total permanent population of Zhengzhou reached 9.2 million, with an average annual growth rate of 3.7%. This is much higher than the average national population growth rate, which is 0.6%. According to the 12th Five-year Plan, the total permanent population of Zhengzhou will increase to 9.10 million.

Economic growth

From 2007 to 2013, the CAGR of GDP in Zhengzhou was 17.0%.

Resident spending power

Zhengzhou's urban resident per capita disposable income achieved a YoY growth rate of 14.9% from 2007 to 2008. In 2009 the domestic economy started to slow and urban residents' per capita disposable incomes declined to 9%. In 2013, Zhengzhou's GDP per capita reached RMB68,070 and the urban resident per capita disposable income stood at RMB26,615.

Urbanization

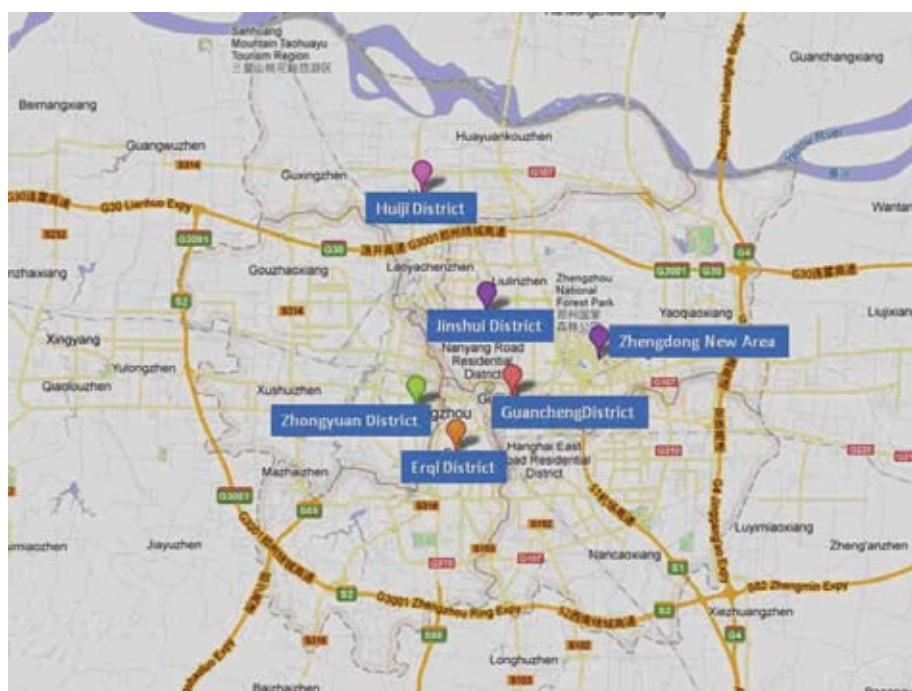
In accordance with the Master Plan of Zhengzhou, the urbanization rate will rise from 60% in 2012 to 80% in 2020. In the meanwhile, the urbanization rate of Henan Province in 2020 will reach 56%. It is reasonable to assume that the fast urbanization rate will generate considerable housing demand in Zhengzhou.

Economic integration of neighboring cities

In 2003, Henan Province proposed a strategy to promote the development of 'city groups' in Central Plains through a regional central city. According to this strategy, Zhengzhou will serve as the regional centre city. The Central Plains city groups comprise nine cities, which are within one-and-a-half hours' travelling distance of Zhengzhou. These cities include Kaifeng, Luoyang, Xinxiang, Jiaozuo, Xuchang, Pingdingshan, Luohe and Jiyuan. For instance, Kaifeng will work with Zhengzhou to form Zhengbian metropolitan area. As the centre city of Central Plains, Zhengzhou will benefit from this strategy, attracting affluent customers to purchase properties in town.

5.3.1. Residential market distribution

Map 5-3: Residential market distribution of Zhengzhou



The residential market in Zhengzhou has experienced rapid development since the early 2000s. The major residential markets are mainly distributed in the urban administrative districts, namely Jinshui District, Zhongyuan District, Huiji District, Zhengdong New Area and Erqi District.

Jinshui District is located in the centre of Zhengzhou. As the first and largest administrative district of Zhengzhou, market supply has been concentrated here. This area also attracts more residents with its more mature facilities. However, with the rapid real estate development of other districts, the residential market supply share of Jinshui District has been gradually been over taken by other districts, such as Zhongyuan District, Zhengdong New Area and Erqi District.

Additionally, with the construction of a new Erqi Riverside area, Erqi District is expected to become the main force in the residential market in the future. Huiji District is located in the north of Zhengzhou, on the south bank of the Yellow River, and due to this natural feature, residential supply mainly comprises low-density properties. As the new planned central business district and high-end living area, Zhengdong New Area has been attracting more and more residents with its better facilities and living environment.

5.3.2. Residential market trends

The GFA of residential property sold reached 10.1 million sq m in 2007. Due to the financial crisis, the residential sold area fell sharply to 6.3 million sq m in 2008. With the swift recovery of the economy, the residential market warmed in 2010. The sold area of residential housing reached a peak of 14.3 million sq m and the residential market entered into a rapid development period in 2010.

Affected by the positive residential market, in 2011, the completed area of residential housing increased to 13.05 million sq m, with a YoY growth rate of 74%. After the development period of 2010 and 2011, the residential market started to stabilize. In 2013, the residential areas completed and sold were 7.6 million sq m and 13.1 million sq m respectively.

From 2007 to 2013, the average residential housing price increased from RMB3,328 to RMB6,587 per sq m. As HPRs were implemented in 2011, demand compressed, slowing market absorption and decreasing the price growth rate. The average residential housing price increased by only 2% to RMB4,692 per sq m. However, the market rebounded quickly in 2012 and the average price of residential housing increased to RMB5,643 per sq m, with a high YoY growth rate of 20%.

Table 5-5: Zhengzhou residential property market, 2007 – 2013, as of December 31, 2013

	2007	2008	2009	2010	2011	2012	2013	CAGR (%)
GFA completed (million sq m)	5.4	6.3	5.3	7.5	13.1	10.4	7.6	5.9
GFA sold (million sq m)	10.1	6.3	10.9	14.3	13.1	12.3	13.1	4.4
Average selling price (RMB per sq m)	3,328	3,648	4,054	4,595	4,692	5,643	6,587	12.1

The average transaction price of residential housing in the urban area of Zhengzhou was recorded at RMB7,406 per sq m. Zhengdong New Area has a large number of high-end residential buildings, with an average transaction price of RMB8,490 per sq m in 2013, higher than the other districts. Jinshui District has the advantage of its superior location and mature facilities, which resulted in a high average residential price of RMB7,935 per sq m in 2013. Huiji District has no large-scale properties, but the low-density buildings pull up the average residential transaction price of the area to RMB7,660 per sq m, ranking third out of all six districts.

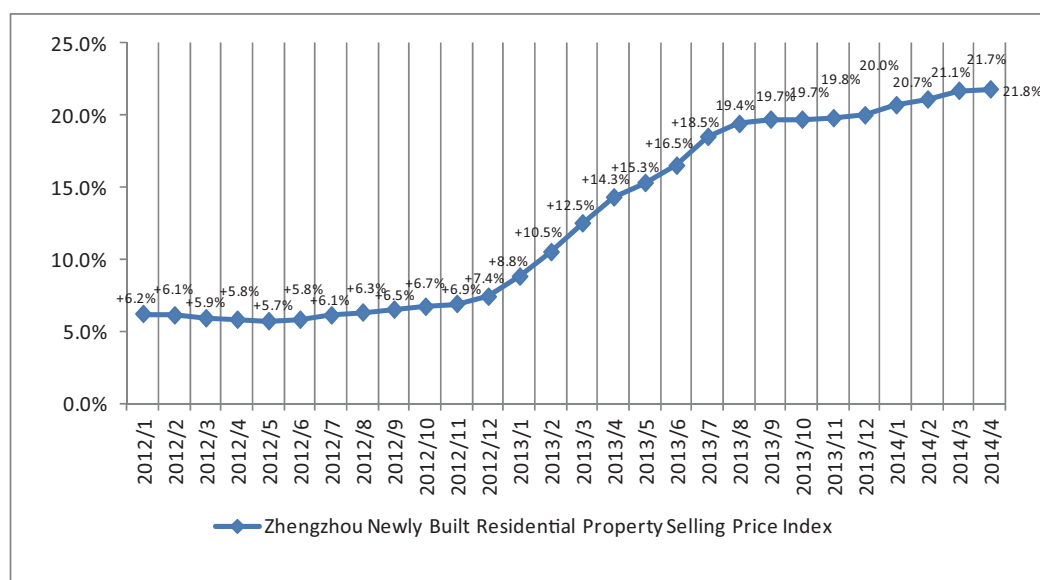
Table 5-6: Price of residences in urban districts, 2013

District	Price (RMB per sq m)	Location	Positioning
Jinshui District	7,935	Central area	Mid-high end
Zhongyuan District	6,916	West area	Mid-end
Erqi District	6,696	Southwest area	Mid-end
Huiji District	7,660	North area	Low-density
Guancheng District	7,422	Southeast area	Mid-end
Zhengdong New Area	8,490	East area	High-end

Source: Savills Research & Consultancy

The following chart shows the change in Zhengzhou newly built residential property selling prices from 2012 to April 2014.

Chart 5-1: Zhengzhou newly built residential property selling price index



Source: National Bureau of Statistics of China

Note: The Zhengzhou Newly Built Residential Property Selling Price Index is published by the National Bureau of Statistics of China, which publishes the residential property selling price index of seventy large and medium-sized cities every month. The base year is 2010.

Zhengzhou has a bright future with the enhancement of the overall infrastructure system, the building of new urban districts and the high-speed railway station. More and more Henan people are choosing to buy houses in Zhengzhou. The 100 million population of Henan Province is a positive factor for the development of the residential housing market in Zhengzhou.

Demand is mainly seen from first-home buyers, up-graders and investors from neighboring cities.

- Apartment units below 100 sq m account for about 60% of the total sold area in the market. Investors and first-home buyers dominate this first set of customers.
- Units above 140 sq m are mainly sold to up-graders. Although the government is still operating a purchase and credit limit policy, a portion of the up-graders are not affected by this.

5.3.3. Residential market outlook

According to the 12th Five-year Plan, 116,050,000 sq m of commodity housing and indemnificatory housing will be constructed from 2011 to 2015. Of this, 72,310,800 sq m will be commodity housing.

In future, the strict HPRs will dampen some of the demand for residential properties but it is expected that demand will remain at 12 million sq m, which is the average for the past four years.

The average growth rate of the residential market has been 12.9% over the last ten years. As Zhengzhou gradually develops into the centre city of Central Plains, people are confident about the city's residential market. It is therefore reasonable to expect that housing prices will continue to increase over the next few years.

Table 5-7: Selected residential projects

Project (EN)	Project (CN)	Location (district)	Date of completion	Transaction price in 2013 (RMB per sq m)	No. of units
Golden Coast	黄金海岸	Erqi	Jun 2014	7,500	694
Zensun City	正商城	Erqi	Jun 2014	8,000	19,647
Poly Lily	保利百合	Zhongyuan	Mar 2014	8,500	2,213

Source: Savills Research & Consultancy

5.4. Longhu Town residential market overview

5.4.1. Longhu Town overview

Longhu Town is located in the north of the Xinxing county-level city, south of Zhengzhou, and has a total land area of 97 sq km. It is 11 km from Zhengzhou's downtown, and 18 km from Zhengzhou Xinxing International Airport. According to the current city planning, Longhu Town will merge into Zhengzhou before 2020. The total population of Longhu Town was 61,459 in 2006, with an annual growth rate of 9.5%; at the end of 2012, the total population was 115,949.

Map 5-4: Longhu Town in Zhengzhou



Education, technology and leisure are the pillar industries of Longhu Town. At present, around 19 colleges/institutes are located in Longhu Town, including Zhongyuan University of Technology and Henan

Institute of Engineering. Featuring natural scenery, Longhu Town also houses several leisure facilities such as Longhu Resort, Taihaoling Ecological Agriculture Garden and Cherry Sightseeing Area.

There are two expressways connecting Longhu Town, namely Zheng-Yao and West-South Ring Road, and one national road, namely G107, as well as Zheng-Xin high-speed road and other arteries such as Shuanghu and Yuanzhang.

As the planned Daxue Road, Jingguang Road and East Fourth Ring Road will be completed in the next three to five years, the travelling time from Longhu Town to Zhengzhou's downtown will fall to 30 minutes, and it will only be 15 minutes to Zhengzhou airport. Subway line 2, which is under planning, is about 500 m from the Company's property, namely Glory City.

5.4.2. Longhu Town residential market trends

Being adjacent to the urban area of Zhengzhou, Longhu Town's residential market has been active since 2010. The buyers in this market can be classified into two types.

- **End-use demand buyers:** A large number of buyers with end-use demand are attracted to Longhu Town because of its relatively low housing prices and good location. The housing price in urban areas of Zhengzhou is higher than in Longhu Town. People who cannot afford to live in Zhengzhou relocate to satellite cities, and Longhu Town is a popular area. As mentioned above, it will soon only take 30 minutes to commute between Longhu Town and Zhengzhou. Moreover, it is expected that Longhu Town will merge with Zhengzhou in the next few years. Among the buyers from other cities, most of them come from Zhengzhou and other surrounding cities such as Luoyang, Xuchang and Kaifeng.
- **Investors:** Many of them are businessmen and corporate executives with strong purchasing power. They select Longhu Town for their second residence, used for leisure, or for investment.

Table 5-8: Major supply of residential properties, 2013

Competitive projects	Total GFA (sq m)	Sales price (RMB per sq m)		
		Townhouse	Garden House	High-rise
Glory City	854,000	13,000	7,100	5,500
Linxiwan	300,000	15,000 – 18,000	N/A	N/A
Xinglongwan	530,000	10,000 – 12,000	6,000	5,800
Danshi Block	400,000	N/A	6,000	5,500 – 6,000
Honghegu	500,000	10,000 – 12,000	N/A	6,800

Source: Savills Research & Consultancy

*Note: N/A means that the listed property does not have a corresponding building type.

Major residential projects in Longhu Town were launched to the market in 2010, and as a new residential area, Longhu Town has a price advantage. There are five major residential projects of about 3 million sq m on the market. All the projects comprise multiple building types, such as townhouse, garden houses and high-rise apartments. These diversified products can meet the different needs of various purchasers.

With the rapid development of Longhu Town, transaction prices have increased, with an annual growth rate of 15% from 2010 to 2013. In 2013, average townhouse transaction prices at Glory City ranked second among all these five projects, at around RMB13,000 per sq m.

5.4.3. Longhu Town outlook

According to the 12th Five-year Plan of Zhengzhou, Longhu Town is positioned as a Liveable Education City. By relying on the Zheng-Xin and Zheng-Yao expressways, the eastern Longhu area will expand and develop garment and textile businesses, as well as the logistics industry.

There are two large merchandise distribution centres — China South City and Hua Shang Hui. Both of them are over 10 million sq m, and include offices, hotels, residential properties, warehouses and trading malls. These two projects are currently under construction and are expected to open before 2018. Zhengzhou government is planning to relocate old distribution centres from urban areas to the two new merchandise distribution centres. They are expected to attract a new working population and hence create new housing demand.

By the end of 2015, the total constructed area of Longhu Town will be 30 sq km and the population will reach 250,000. The strong demand, supplemented by the educational and natural resources of Longhu Town will encourage the residential market to develop further. Residential prices are expected to increase by an annual growth rate of 10% to 15%.

5.4.4. Competition

The following chart states the top 10 residential developers in terms of total GFA within Xinzheng County Level City as of March 2014:

Table 5-9: Ranking of developers in Xinzheng's residential market

Ranking	Company	Properties	Total GFA (approximate sq.m.)
1	Joyi Real Estate 居易國際	居易國際城 (Yiju International City) Longboshengdi 龍泊聖地	1,540,000
2	Xin Zheng Glory Real Estate Development Co. Ltd. 新鄭市國瑞房地產開發有限公司	鄭州國瑞城 Glory City	854,000
3	Yuhong Real Estate 河南裕鴻置業有限公司	裕鴻世界港 Yuhong World Bay	800,000
4	Hehua Real Estate 華和置業有限公司	Longxi Lake Side 龍熙湖畔	700,000
5	Lvdu Real Estate 鄭州綠都置業有限公司	Lvdu Danshi Block 綠都丹石街區 Lvdu Windsor Castle 綠都溫莎城堡	675,000
6	Zensun Real Estate 河南正商置業有限公司	Zensun Honghegu 正商紅河谷	500,000
7	Hengji Co. Ltd 鄭州恒基實業有限公司	Shuixiehuacheng 水榭華城	450,000
8	Zhaoyuan Real Estate 河南昭元置業有限公司	Kuanshijie 寬視界	320,000
9	Poly Real Estate 河南保利置業有限公司	Runfeng Yueshang 潤豐悅尚	201,000
10	Zhengli Real Estate 鄭州正力置業有限公司	Longhu Yujing 龍湖禦景	180,000

Source: Savills Research & Consultancy

The following chart states the top 10 townhouse projects in terms of average selling price in Xinzheng for the year ending March 31, 2014.

Ranking	Project name	Average selling price (RMB per sq.m.)
1	鄭州國瑞城	7,100
2	正商紅河谷	6,800
3	康橋溪月	6,800
4	潤豐悅尚	6,500
5	龍湖禦景	6,200
6	維也納湖畔	6,000
7	綠都丹石街區	6,000
8	浩創梧桐郡	6,000
9	富田興龍灣	6,000
10	領城公園1857	5,900

6. Shantou market research

6.1. Shantou macro economic overview

6.1.1. Shantou overview

Shantou is a prefecture-level city on the eastern coast of Guangdong Province, with a total population of 5.4 million as of 2013 and an administrative area of 2,064 sq km. It is the economic and cultural centre of east Guangdong Province. Shantou and the surrounding cities of Jieyang and Chaozhou form the metropolitan area known as Chaoshan which covers an area of 10,404 sq km and had a permanent population of 14 million at the end of 2010. This makes Shantou one of the most densely populated regions in China. The urban area of Shantou City includes six districts and one rural county: Jinping District, Longhu District, Haojiang District, Chaoyang District, Chaonan District, Chenghai District and Nan'ao County.

Map 6-1: Shantou administration map

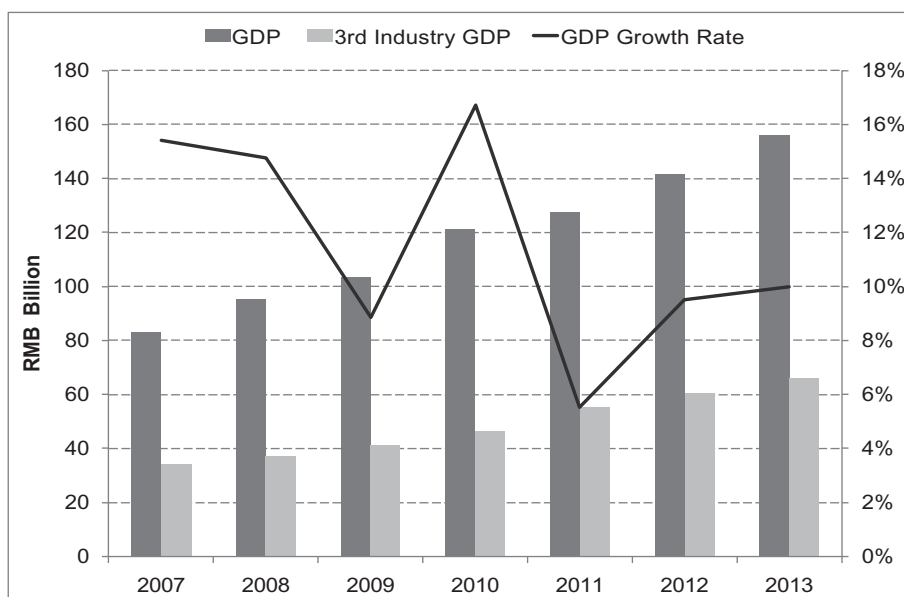


Source: Savills Research & Consultancy

According to the 12th Five-year Plan proposed in 2011, Shantou will accomplish the following targets by the end of 2015: GDP per capita will reach RMB61,100; urban per capita disposable income will reach RMB37,800; 2% of GDP will be spent on research and development; curbs on the excessive rise in housing prices will remain in place; the urbanization rate will reach 75%; the length of the highway network will reach 4,050 km; the city will build 9,499 of new affordable apartments for low-income people; and the proportion of GDP accounted for by the three industries (primary, secondary and tertiary) will be 2.5%, 48.5% and 49% respectively.

6.1.2. Shantou macro economic overview

Chart 6-1: Shantou's GDP, 2007 – 2013



Source: Shantou Statistical Yearbook 2012, Bureau of Statistics of Shantou

Shantou was one of the five original Special Economic Zones (SEZ) of China established in the 1980s, but did not blossom in the same way as cities such as Shenzhen, Xiamen and Zhuhai did. Nowadays, Shantou's economy ranks in the middle of all cities in Guangdong. Manufacturing accounts for a large share of the economy and employment, with canning, garments, plastics and toys the principal products.

Table 6-1: Shantou's key statistics, 2007 – 2013

	2007	2008	2009	2010	2011	2012	2013	CAGR (%)
Population (million)	5.0	5.1	5.1	5.2	5.3	5.3	5.4	1.3
GDP (RMB billion)	83	95	104	121	128	142	156	11.1
GDP Per capita (RMB)	16,563	18,789	20,283	23,067	24,095	26,252	28,661	9.6
FAI (RMB billion)	21	26	29	30	44	61	78	24.4
Per capita disposable income (RMB) ..	11,716	12,542	13,651	15,179	17,474	20,024	22,207	11.2
Retail sales (RMB billion)	48	57	66	83	97	103	116	15.8

Source: Shantou Statistical Yearbook 2012, Bureau of Statistics of Shantou

By the end of 2013, Shantou's nominal GDP reached RMB156 billion, and tertiary industry contributed about 42% to GDP. In the first quarter of 2014, nominal GDP of Shantou reached RMB32.8 billion, representing a 7.5% increase from the corresponding period in 2013.

FAI totalled RMB78 billion, an increase of 28.2% YoY, far above the average level of Guangdong Province. Over the past six years, the highest growth rate in FAI was in 2011, at 44.5% infrastructure investment reaching RMB14.8 billion, an increase of 36.5% YoY. In the first quarter of 2014, the FAI reached RMB12.6 billion, representing a 44.4% increase from the corresponding period in 2013.

The consumption power of local residents continues to grow. In 2012, Shantou's retail sales reached RMB102.98 billion, while the urban per capita disposable income and living expenditure increased by 14.6% and 14.2% respectively. Between 2007 and 2012, the average growth rate of urban per capita disposable income and living expenditure had reached 10.6% and 11.7% respectively. These numbers show that urban residents are confident of the macro economy and have a strong willingness and ability to consume. In the 2013, the retail sales volume reached RMB116 billion, representing a 12.5% increase from the corresponding period in 2012. In the first quarter of 2014, the retail sales volume reached RMB31.7 billion, representing a 11.2% increase from the corresponding period in 2013.

6.1.3. Shantou infrastructure development

Currently, Shantou has not developed a subway system and there is only one railway line in the city. Long-distance transportation is mainly dependent on highways. With Shantou's economy continuing to grow at around 10% per year, investment in infrastructure is significant. In 2013, RMB7.8 billion was invested in the city and rural infrastructure, with railways, intercity rapid transit, highways, flights and ferries forming the transportation system of Shantou. According to Shantou's 12th Five-year Plan, by the end of 2015, 54 transport infrastructure projects will be completed representing an investment of RMB52 billion.

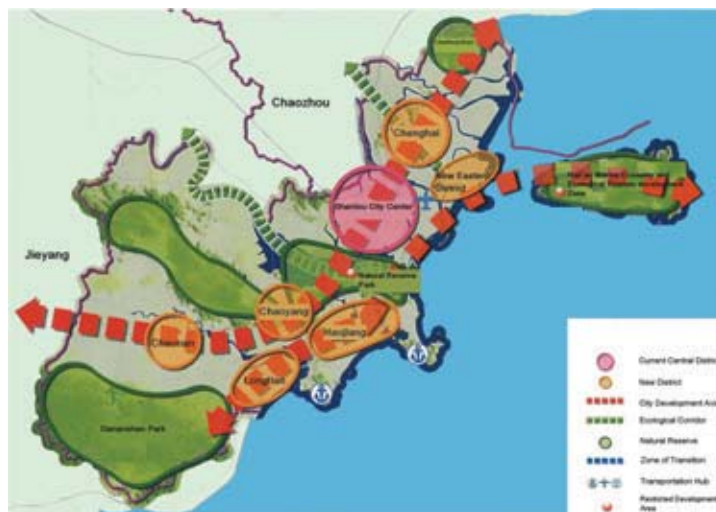
According to Shantou Statistics Bureau, the total length of roads was 3,806 km at the end of 2011, and the city plans to increase this to 4,050 km by 2015.

Jieyang Chaoshan Airport, opened in 2010, serves Shantou and is located at the centre of the triangle formed by Shantou, Jieyang and Chaozhou.

The Guangzhou–Meizhou–Shantou Railway is the only railway line in Shantou before 2013. The Xiashen (Xiamen to Shenzhen) Railway was operated in 2013 and significantly improved traffic conditions in the city.

6.1.4. Shantou city planning

Map 6-2: Shantou city planning map



The 12th Five-year Plan of Shantou envisages one city centre area and four sub-areas along two corridors.

The central area is composed of three districts: Longhu District, Jinping District and Haojiang District. These three districts are the administrative, commercial, education, cultural and logistics hubs of city. The two city corridors run along China National Highway 107 and the southeast coast. The four sub-areas are Changhai District, Chaoyang District, Chaonan District and Nan'ao County, and will mainly be concerned with the manufacturing and tourism industries.

In 2011, the State Council decided to expand the scope of the Shantou SEZ from a few districts to the whole city. In 2012, Shantou government enacted the Shantou City Development Planning as a response to support from the central government. Under this plan, blueprints of Zhugang New District and New Eastern District have been proposed.

Zhugang New District will be developed into a financial services and commercial convention centre. It is expected to attract large SOEs and private enterprises to set up regional headquarters. The estimated total investment will be about RMB80 billion. The current sea ports in this area will be relocated to form a modern logistics supply chain.

New Eastern District will be the future CBD of Shantou and will be realized through land reclamation. It is expected that the project will form 20 million sq m of land representing an investment of RMB15.1 billion. Zhugang New District and New Eastern District together will be the engine of the development of Shantou, and even east Guangdong.

6.1.5. Shantou real estate market

As one of the earliest SEZs, the real estate market of Shantou has unique characteristics. In the first few years after the founding of the Shantou SEZ, the local economy and real estate market grew rapidly. High-end hotels and office buildings were built to accommodate domestic and overseas businessmen. However, in recent years, due to the lack of economic planning and smuggling in the 1980s and 1990s, growth has slowed and business activity is not as vibrant compared with other areas in Guangdong Province. In spite of this, new construction proceeds and there appears to be hope on the horizon for this unique area on the coast of southeast China. In 2011, the State Council decided to expand Shantou SEZ to

the whole city. The local government enacted the 12th Five-year Plan and positioned Shantou as the centre of east Guangdong Province. To be more specific, several factors drive the growth of Shantou's real estate market.

First, Guangdong Province strongly supports the development of Shantou. As mentioned above, Shantou is on the eastern coast of Guangdong Province. Along with Chaozhou, Jieyang and Shanwei, this area is traditionally called east Guangdong area, also known as Yuedong area.

Map 6-3: Map of east Guangdong Province



In 2011, Guangdong Province proposed the Jie-Shan-Chao Strategic Partnering Plan, which intended to form a metropolitan area composed of Jieyang, Shantou and Chaozhou. It is Guangdong's second largest metropolitan area after the PRD. Several policies have been adopted to facilitate this plan. For example, telecommunications in the three cities use the same system, so there is no extra charge when making phone calls among the three cities. Personal medical insurance is also connected, so patients living in one city can use medical insurance in the other two cities.

Historically, Shantou is the centre of east Guangdong. For instance, currently 60% of patients in Shantou Central Hospital are from the other two cities. The new Jie-Shan-Chao Strategic Partnering Plan is beneficial to Shantou because it can strengthen the city's core position. According to the plan released by Shantou government, Shantou will be the business trade, logistics, financial, technology, education and cultural centre of east Guangdong.

Second, the overall macro economy is still sound in Shantou. According to Shantou's 12th Five-year Plan, GDP will grow at an annual rate of around 20% from 2011 to 2015. The rapid growth of the local economy will propel the development of the real estate market. Meanwhile, the population continues to grow, reaching 5.4 million in 2012. The purchasing power of Shantou residents is also growing as the urban per capita disposable income increased by 14.6% in 2012.

Third, the government report clearly outlines the future city planning of Shantou. The function and positioning of different city districts have been clarified. The city central area will focus on developing commercial real estate and residential properties. Well-known domestic developers, such as China Resources Land Limited and MinMetals Land have entered Shantou's real estate market, and several large mixed-use properties have been proposed. The surrounding districts will develop industrial estates and tourism.

Another factor which benefits the area is the large number of overseas Chinese who come from here, with many returning to invest in the local economy. For example, the richest Chinese person in the world, Li Ka Shing, is from this region, and he has invested heavily in education and healthcare. In 2013, the FDI of Shantou stood at US\$145 million.

Table 6-2: Shantou property market key indicators, 2007 – 2013

	2007	2008	2009	2010	2011	2012	2013	CAGR (%)
Real estate investment (RMB billion)	3.5	3.3	3.8	4.9	7.1	8.3	15.1	27.6
Residential	2.6	2.4	2.8	3.5	5.6	5.8	N/A	N/A
Total GFA completed (million sq m)	1.6	1.3	1.6	1.1	1.9	2.1	1.9	2.9
Total GFA sold (million sq m)	1.8	1.4	1.3	1.6	1.7	1.9	1.7	-0.7
Average selling price (RMB per sq m)	3,249	3,095	3,696	4,270	5,124	6,039	7,304	14.5

Source: Bureau of Statistics of Shantou

In 2013, the real estate investment in Shantou reached RMB15.1 billion, representing an 80.9% increase from 2012. The total GFA completed reached 1.9 million sq m, representing a 9.6% decrease from 2012. The total GFA sold reached 1.7 million sq m, representing an 8.9% decrease from 2012. In the first quarter of 2014, the total GFA completed reached RMB0.5 billion, representing a 4.1% increase from the corresponding period in 2013. The total GFA sold reached RMB0.3 billion, representing a 31.1% decrease from the corresponding period in 2013.

6.2. Shantou residential market overview

6.2.1. Shantou overall residential market supply and demand

Table 6-3: Shantou residential market, 2007 – 2013

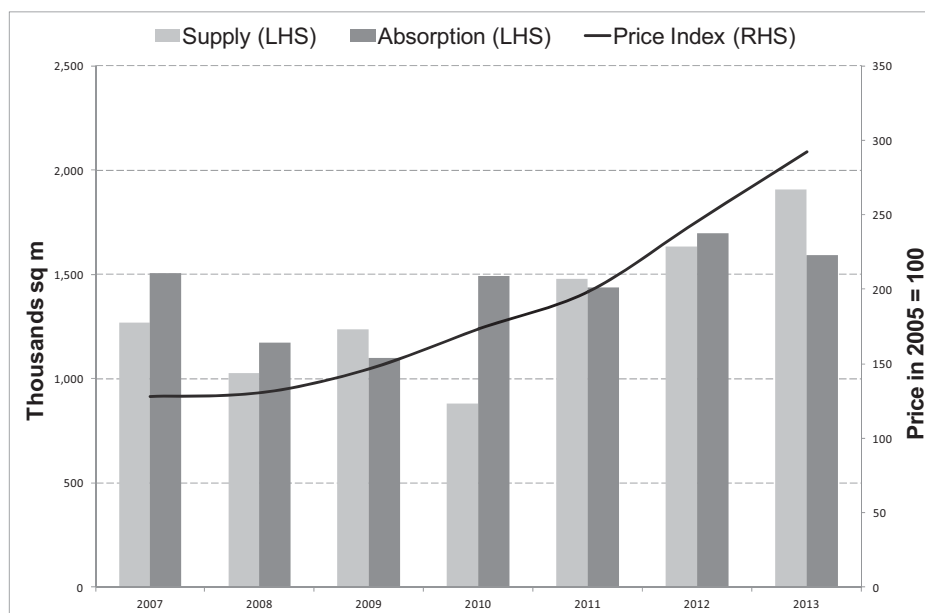
Year / Indices	Residential area completed	Residential area sold	Residential housing transaction value	Average residential housing price
	(thousand sq m)	(thousand sq m)	(RMB thousands)	(RMB per sq m)
2007	1,268	1,508	4,616,620	3,061
2008	1,027	1,173	3,659,700	3,120
2009	1,238	1,100	3,853,030	3,504
2010	881	1,494	6,193,810	4,145
2011	1,479	1,436	6,813,860	4,744
2012	1,632	1,698	9,980,000	5,879
2013	1,909	1,591	11,129,000	6,993

Source: Bureau of Statistics of Shantou

In 2012, the supply of residential apartments in Shantou was recorded at 1,632,000 sq m, 10.4% higher than in 2011. The first-hand transaction volume was 1,698,000 sq m, which grew at a rate of 18.2%. The first-hand transaction volume is relatively low considering the population size. Different from other cities in China, since 2010, Shantou levied a 20% transaction tax on all second-hand apartment transactions which were sold within the first five years after purchasing. HPRs have therefore had a mild effect on Shantou's residential market.

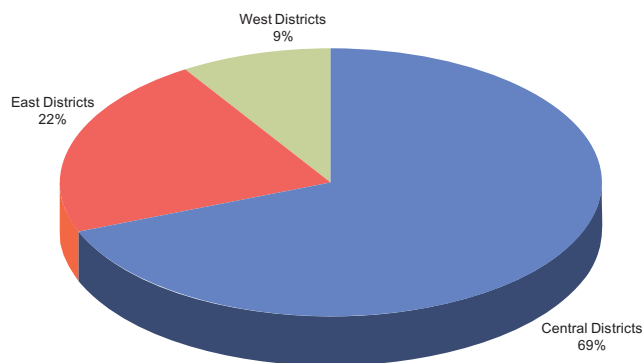
There are two factors driving demand for residential apartments in Shantou.

- **Shantou residents, who have strong purchasing power, account for the majority of house buyers.** On one hand, natural population growth is significant — from 2002 to 2011, the birth rate in Shantou grew by 1.4% and there was a growth of 67,000 in population annually. According to the Guangdong Bureau of Statistics, the average living area of urban residents was 34.4 sq m in 2011. Therefore, the new residents can absorb a large amount of stock. On the other hand, with the stable increase in urban per capita disposable income, city residents are confident in spending more money to improve their housing conditions.
- **Shantou attracts residents from other cities to buy apartments.** As mentioned above, the proposed Jie-Shan-Chao Strategic Partnering Plan endeavors to combine three cities into one metropolitan area, and Shantou is the centre city in this region. Therefore, residents from other east Guangdong cities are coming to Shantou to buy apartments.

Chart 6-2: First-hand residential market supply, demand and price index, 2007 – 2013

Source: Savills Research & Consultancy, Bureau of Statistics of Shantou

6.2.2. Shantou residential property distribution

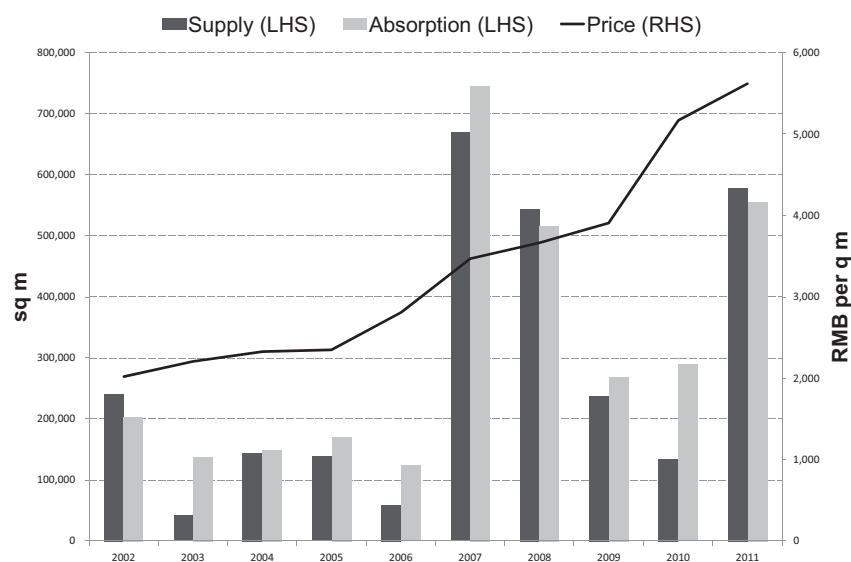
Chart 6-3: Distribution of residential properties, 2012

Source: Bureau of Statistics of Shantou

Geographically, the Shantou residential real estate market can be divided into three parts. The central districts include Jinping District, Longhu District and Haojiang District while the east districts include Chenghai District and Nan'ao Country. The west districts are composed of Chaoyang District and Chaonan District. The central districts account for 69% of the market share of residential properties and in 2012, real estate investment in Shantou was still concentrated in the central districts. From the data reported by the Shantou Bureau of Statistics, real estate investment indices such as residential area completed and residential area under construction were still growing rapidly for the central area. The growth rates of the west and east districts were relatively slower due to the lower urbanization rate.

6.2.3. Longhu District residential property sales market

Chart 6-4: Residential property supply, absorption and price in Longhu, 2002 – 2011



Source: Bureau of Statistics of Shantou

The average sales price has gradually increased in the past ten years. The average sales price in Longhu District was RMB5,600 per sq m in 2011. The supply and absorption of residential apartments reached a peak in 2007, with the market calming down thereafter. Supply decreased to 134,000 sq m in 2010, which was far less than the demand for residential properties. Supply and absorption then returned to 550,000 sq m in 2012.

Four residential projects are selected to show the supply of residential properties in Zhugang New District in the near future. The sales prices of projects located around Zhugang New District are higher than average sales prices in the whole of Longhu City. This is because the recently planned new district has better municipal facilities, and therefore, it is more convenient to live in this area. Moreover, with the development of New Eastern District, this zone will become the commercial centre of east Guangdong Province.

Table 6-4: Selected residential projects

Project (EN)	Project (CN)	Location	Date of completion	Transaction price in Q3/2013 (RMB per sq m)	Total GFA (sq m)
Shanghai Sunshine	尚海阳光	Longhu	2013	11,500	720,000
Shanghai Manson	山海豪庭	Longhu	2013	11,000	182,000
Wanhao Southbeach	万豪南湾	Longhu	2013	11,000	332,000
Xiangyu Spring	香域春天	Longhu	2013	11,000	109,000

Source: Savills Research & Consultancy

6.2.4. Residential property market outlook

The future supply of residential properties in Zhugang New District will be around 1.94 million sq m, based on the city planning of Shantou. Currently, Zhugang New District is still occupied by Zhuchi Port, which is one of the major sea ports in Shantou. Built several years ago, Zhuchi Port cannot currently meet

the standards of the modern marine industry. Additionally, with the expansion of the city central area, this zone has been surrounded by residential projects. Zhuchi Port already negatively affects adjacent residential areas because of noise and pollution and the Shantou government has therefore decided to relocate this port to another deepwater harbor. According to the city plan, this area will be home to 30,000 residents after development. Glory Real Estate has acquired one piece of land and will build 122,000 sq m of residential property in this area.

Demand for residential properties will be fairly strong in the next few years. As a recently planned zone, Zhugang New District and the adjacent area have better facilities compared with current central districts. This attracts many residents from other parts of the city to buy houses in this area. Furthermore, with the development of New Eastern District, several financial and commercial companies will be within half an hour's drive. The employees of these corporations will be potential customers.

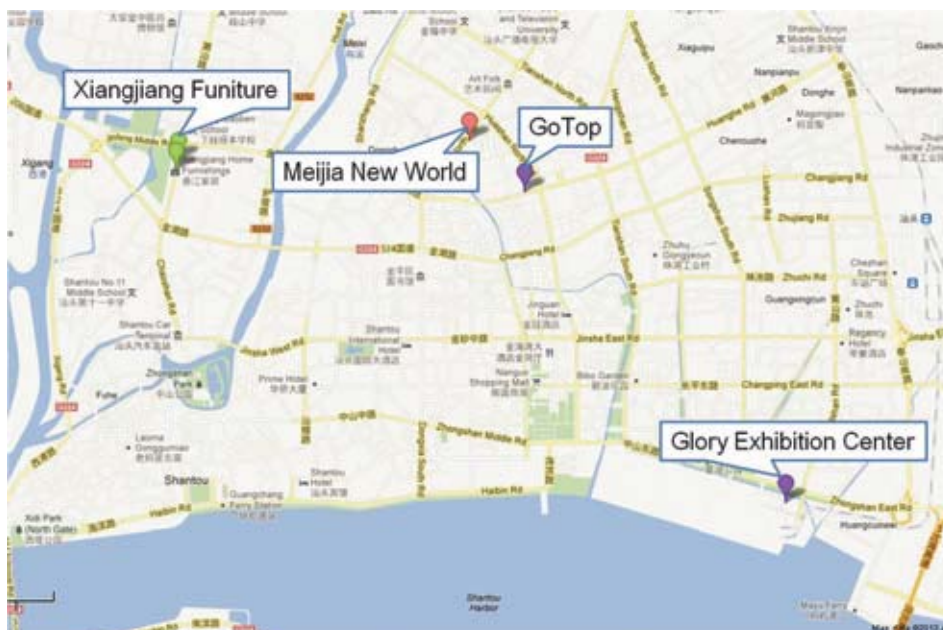
The future sales prices of residential properties in this area will be stable, and a 5% to 10% annual growth rate is a reasonable expectation based on the demand and supply analysis above.

6.3. Shantou home furnishing store market overview

With the rapid growth in the real estate market in the past decade, Shantou's home furnishing market has also grown rapidly. As the central city in the Chao-Shan area, Shantou's home furnishing stores attract customers from all over the east Guangdong area.

6.3.1. Shantou home furnishing store space distribution

Map 6-4: Distribution map of home furnishing stores in Shantou



There are four large-scale stores in Shantou. Three of them are located in JinPing District and one is in Longhu District. The Glory Home Furnishing Store has two buildings and a total area of about 80,000 sq m. It sells home furnishing products and furniture. GoTop is another comprehensive store in the city. It has a GFA of about 30,000 sq m. The other two stores, Xiangjiang Furniture and Meijia New World, only sell furniture. Both of them have a GFA of 30,000 sq m.

Table 6-5: Selected home furnishing projects in Shantou

Project	GFA (sq m)	Location	Opening date	Products	Asking price (RMB per sq m)	Efficiency (%)
Glory Exhibition Center	80,000	Longhu District	2008	Furniture, home furnishing	70	67
GoTop	30,000	Jinping District	1999	Furniture, home furnishing	64	60
Xiangjiang Furniture	30,000	Jinping District	2008	Furniture	48	65
Meijia New World	30,000	Jinping District	1992	Furniture	45	60

Source: Savills Research & Consultancy

6.3.2. Shantou home furnishing store market trends

Although there are four large stores in Shantou, no one can compete with Glory Home Furnishing Store either in terms of GFA or market positioning. The Glory Exhibition Center is more like a shopping mall than an ordinary retail market. Its facilities such elevators and a central HVAC system offer a comfortable shopping environment to all customers. Glory Exhibition Center also introduced international brands into the Shantou market. These products attract high-end buyers from the whole East Guangdong area. The managers of Glory Exhibition Center have several years of experience managing large home furnishing stores, and they have successfully enhanced the usage ratio of the two buildings. The 67% usage ratio is higher than other similar stores in city. With all the above factors, the asking price of Glory Exhibition Center is higher than the other stores.

6.3.3. Shantou home furnishing store market outlook

The increase in the supply of large home furnishing stores in Shantou will be limited. Existing stores have already occupied the local market. A new store usually takes several years to produce a stable cash flow and recover initial investments. Currently, there is one new project proposed in Zhugang New District. The design proposal of Macalline (also known as Red star Meikailong) has been approved by the Shantou Municipal Commission of Urban Planning, but the start date of this project is still unknown. The new store may take a few years to be built because the developer of this project has delayed project handovers in the past. According to the proposal, the planned store will be a four-story building and the GFA will be 75,000 sq m. The proposed store is southeast of the existing Glory Home Furnishing Store, and if the store is built, it might attract some of Glory Home Furnishing Store's customers because it is only 3 km away. However, more potential customers from Shantou and east Guangdong might come to this district to purchase home furnishing materials as the district will offer an enhanced home furnishing cluster.

Demand for home furnishing products and furniture continues to grow with the development of the real estate market. The real estate market in east Guangdong is relatively healthy. According to the Bureau of Statistics, the Shantou residential market alone sold 1.9 million sq m of residential property in 2012. The home furnishing market is worth about RMB2 billion. In the next few years, the development of Zhugang New District and Eastern New District will further expand this market.

The rents of home furnishing stores will annually increase 3% to 5% for the existing stores, as there will be no new large-scale stores entering the market in the next three years.

6.4. Shantou five-star hotel market overview

6.4.1. Tourism market overview

As one of the original SEZs of China established in the 1980s, Shantou attracts millions of visitors from all over the world every year. These tourists can be divided into two groups. The first group, domestic tourists, mainly visit Shantou for business as the city is well known for its manufacturing industry, and the toys, garments, canning, chemicals and plastics, the major products of Shantou, are very popular in the domestic market. Moreover, Shantou has been a traditional port for international business since the 19th century. In the 1980s and 1990s, when China was still a developing country which lacked modern industries, many products needed to be imported through Shantou as it was an SEZ. Therefore, businessmen from all over China visited Shantou to negotiate business with overseas companies. The second group is international tourists. Many Chaoshan people, also known as Teochew, live outside of China in Southeast Asia. After China's opening up and economic reform, they came back to their thriving home city to visit their families or invest in local factories. These two groups of people all need accommodation during their visit and the high-end hospitality is appreciated.

Table 6-6: Shantou tourism statistics, 2007– 2013

Indices	2007	2008	2009	2010	2011	2012	2013
Total tourism revenue (RMB billion)	6.1	6.8	7.4	8.8	10.4	12.4	14.7
Total tourism revenue (% YoY change)	10.9	11.5	8.8	18.9	18.2	19.2	18.7
Foreign exchange revenue (US\$ million)	59.4	64.9	49.1	50.2	50.7	51.8	54.3
Domestic tourist arrivals (millions)	5.4	6.0	6.7	7.7	8.9	10.3	11.4
Overseas visitor arrivals (thousands)	150	139	123	134	141	148	155

Source: Bureau of Statistics of Shantou

Note: Tourism data in 2013 is not available currently

Data from the Bureau of Statistics of Shantou show that total tourism revenue has maintained a double-digit growth rate in most of the years from 2007 to 2013. The only year with a growth rate lower than 10% in the past eight years was 2009. After that, the growth rate accelerated to over 18% between 2010 and 2013. By 2013, 11.4 million domestic tourists and 155,200 overseas tourists stayed overnight in Shantou. Total tourism revenue has reached RMB14.7 billion, and foreign exchange revenue was recorded at US\$54.3 million.

6.4.2. Five-star hotel market overview

According to the Shantou Tourism Administration and Bureau of Statistics, there were three five-star hotels in Shantou in Q1/2014. All of these three hotels are on Jinsha Road, a main thoroughfare of Shantou's city centre. Goldengulf Hotel and Meritus Shantou Hotel are located in the city centre area of Shantou, while Regency Hotel Shantou is adjacent to Shantou Railway Station and is about 3 km from the city centre.

The three five-star hotels offer a total of 1,261 rooms with 1,800 beds. One five-star hotel entered the market in 2006, and the other two were completed before 2006.

Table 6-7: Bed numbers and occupancy rates of five-star hotels, 2007 – 2011

Year	No. of rooms	No. of beds	Occupancy rate (%)
2007	1,249	1,899	61.3
2008	1,259	1,911	56.4
2009	1,259	1,911	56.9
2010	1,261	1,800	57.1
2011	1,261	1,800	59.2

Source: Bureau of Statistics of Shantou

Note: 2012 data is not available currently

In 2007, the occupancy rate of five-star hotels in Shantou was 61.3%. Occupancy then dipped slightly by 5 ppts to 56.4% in 2008 due to the economic crisis. After that, the hospitality industry gradually regained momentum, and in 2011, the occupancy rate returned to 59.2%. In Q2/2013, revenue per available room of five-star hotels in Shantou was RMB546 per room per day.

6.4.3. Five-star hotel market outlook

The demand for high-end hotel facilities will grow steadily in the future. Two factors contribute to this conclusion. First, Shantou's economy will continue to grow at a significant rate. By 2015, the GDP of Shantou will reach RMB340 billion, which means an annual average growth rate of around 20% in the next few years. The rapid growth of the local economy will drive the needs of different levels of hospitality facilities, which includes five-star hotels. Currently, there is no international chain of full-service hotels in Shantou. This does not match Shantou's SEZ position, and the local government is eager to introduce international hotel brands into the subject market. Second, according to the 12th Five-year Plan of Shantou, Shantou will strive to develop tourism. As mentioned above, historically, Shantou has focused on developing manufacturing industries and overlooked its abundant natural tourism resources. The local government has decided to develop the following tourist attractions: Rock Natural Park, Nan'ao visitor area, Dragon-Tiger Beach visitor area, Niutianyang visitor area and Da'nanshan forest park. The government believes that the combination of natural attractions with local Chaoshan culture will encourage more people to consider Shantou as a potential travel destination.

Based on current Shantou urban planning, the government will support new high-end hotels in central Zhugang New District and southern Haojiang Coastal New District. In the long run, after land reclamation in New Eastern District, hotels will also be built in this area.

In future, customers of five-star hotels will mainly be domestic visitors. This conclusion can be drawn from observing trends over the past ten years. The proportion of overseas visitors has gradually declined while the number of domestic visitors has tripled.

7. Foshan market research

7.1. Foshan macro overview

7.1.1. Foshan overview

Located in the mid-south of Guangdong Province, Foshan is at the heart of the PRD. It is southwest of Guangzhou, and northwest of Hong Kong and Macau. Currently, Foshan governs five districts, namely Chancheng District, Nanhai District, Shunde District, Gaoming District and Sanshui District. The city covers a total area of 3,848.49 sq km and had a total permanent population of 7.3 million in 2013. According to its 12th Five-year Plan, the population will increase to 8.07 million by the end of 2015. Foshan is also referred to as the hometown of overseas Chinese. Over 1.48 million Foshan residents are now living overseas with about 800,000 of them residing in Hong Kong and Macau.

Map 7-1: Location of Foshan in southern China



Foshan is situated at the convergence of East Asia and Southeast Asia, which is an economically vibrant area in the Asia Pacific region, as well as being located in the central PRD region, one of the most powerful economic areas in China. The PRD includes nine major cities Guangzhou, Dongguan, Shenzhen, Foshan, Zhuhai, Zhaoqing, Jiangmen, Zhongshan and Huizhou. The GDP of Foshan was RMB670.9 billion in 2012, ranking third among all PRD cities, following Guangzhou and Shenzhen.

Foshan and Guangzhou have similar histories and culture, and this region is called the Guangzhou-Foshan Economic Circle. It is a one-hour drive from central Foshan to the three major transport hubs in Guangzhou (Guangzhou New Baiyun International Airport, Guangzhou Nansha Port and Guangzhou Railway Station). Its location enables Foshan to benefit from Guangzhou's infrastructure facilities, transportation network, financial capital, education, technology information and market resources. The economic and industrial development of Foshan will be accelerated by all these factors.

Foshan is 231 km from Hong Kong and 143 km from Macau. It takes two hours to travel between Foshan and Hong Kong/Macau. This close connection allows Foshan to fully utilize the large markets and metropolitan positions of these two cities, and gain broader involvement in the global economy.

7.1.2. Foshan economic overview

Table 7-1: Foshan key statistics, 2007 – 2013

Year / Indices	Population	GDP	Growth rate	GDP per capita	Per capita disposable income	FAI	Actual FDI	Retail sales
	(Million)	(RMB billion)	(%)	(RMB)	(RMB)	(RMB billion)	(US\$ million)	(RMB billion)
2007	6.3	358.9	19.2	59,329	21,112	98.8	1.6	94.7
2008	6.6	433.3	15.2	68,033	22,494	125.9	1.8	117.8
2009	6.9	481.5	13.5	71,691	24,578	147.1	1.9	142.9
2010	7.2	565.2	14.3	80,313	27,245	172.0	2.0	168.7
2011	7.2	658.0	12.1	86,073	30,718	193.6	2.1	193.1
2012	7.3	670.9	8.2	92,781	34,580	212.8	2.3	202.0
2013	7.3	701.0	10.0	96,000	38,038	238.4	3.5	226.4
CAGR (%) ...	2.5	11.8	—	8.4	10.3	15.8	13.9	15.6

Source: Foshan Statistical Yearbook

As a major city in the PRD, Foshan's economy has grown considerably in the past 6 years. GDP sharply increased from RMB358.9 billion to RMB701.0 billion from 2007 to 2013, an 11.8% annual growth rate. By 2015, GDP is expected to break through the RMB1,000 billion level to reach RMB1,055 billion.

In terms of FAI, it increased from RMB98.8 billion in 2007 to RMB238.4 billion in 2013. The FAI of the tertiary industry was higher than the FAI in the secondary industry in 2012, at RMB84.6 billion. Retail sales reached RMB226.4 billion in 2013, while disposable incomes increased to RMB38,038 with a CAGR rate of 10.3% from 2007 to 2013. The rising retail sales and disposable incomes indicate that the residents of Foshan have strong spending power, and a positive outlook on the economy.

7.1.3. Foshan City infrastructure and city planning

According to the 12th Five-year Plan of Foshan, by the end of 2015, 443 key infrastructure projects will be completed with an investment volume of around RMB760.5 billion.

Subway

Currently, there is one Metro line operating in Foshan, the Guangzhou–Foshan line (phase 1). This line starts at Kuiqi Road in the west of Foshan and ends at Xilang Station in East of Guangzhou. The total length is 20.8 km, with 11 stations in Foshan and four stations in Guangzhou. Phase II of the Guangzhou–Foshan line will be 11.49 km with seven stations, and it is expected to be completed by the end of 2014. In the future, eight Metro lines will be in operation in Foshan.

Map 7-2: Subway planning map



Source: Foshan City Planning Bureau

Road

The total highway mileage in Foshan is 5,137.6 km and traffic density is 133.5 km per 100 sq km. Several expressways link Guangzhou with Zhuhai, Zhanjiang, Zhaoqing, Foshan and Sanshui, and an expressway links Foshan with Kaiping, crossing through the city. According to the 12th Five-year Plan of

Foshan, by the end of 2015, the total length of the road network will reach 5,500 km. New expressways and highways will total 171.14 km and 168.08 km respectively. Moreover, there will be 129.10 km of other new roads. Key projects are Phase II of the Guangzhou–Foshan line, Guangzhou–Foshan Ring Road and Foshan rail line 3. The construction of Guangming Expressway (Foshan section), Foqingcong Expressway and an extension of Foshan First Ring Road will be accelerated. The Foshan West Station project and Dongping Transport Hub project are the large projects listed in the 12th Five-year Plan.

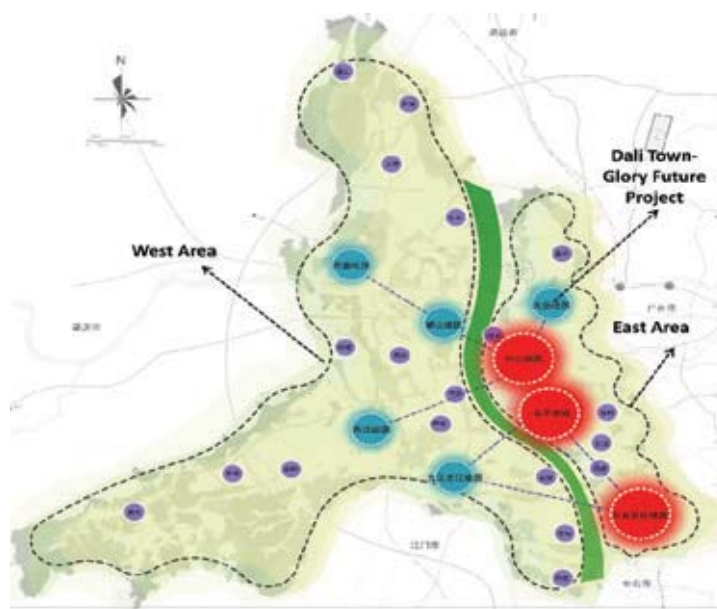
City construction

Fifty-four projects with a total investment of RMB258.312 billion will be built during the 12th Five-year Plan period. The key projects include Dongping New City, Lingnan World, South Sea Finance Plaza, Shunde New City and Jiangxi New City. Meanwhile, Foshan will also endeavor to renovate old city areas, villages and towns, such as the Temple, Lanshi, Gaoming and Dali areas.

City planning

According to the 12th Five-year Plan, Foshan's development strategy will focus primarily on the western area, as well as on optimizing the development of the eastern area.

Map 7-3: Development planning, 2011–2015



Source: 12th Five-year Plan of Foshan

The eastern area includes Dongping New Town, Central cluster, Daliang-Ronggui cluster and Dali cluster, as well as the central area of Chancheng, Guicheng, Luocun, Dali, Lishui, Daliang, Ronggui, Beijiao, Lunjiao, Chencun and Lecong. This region is adjacent to Guangzhou's core area, and has a high population density. The development goal for the eastern region is to upgrade the traditional industries to high-tech and services industries by 2015.

The western area comprises Nanzhuang, Shishan, Jiujiang, Danzao, Xijiao, Longjiang, Leliu, Xingtian, Jun'an, Gaoming District and Sanshui District. This area has a traffic advantage because Foshan First Ring Road, Jiangxi Route and the crossing railway are in this area. It is also full of natural resources. The future development of western area will focus on moving the transformed industry projects from the eastern area and promoting advanced manufacturing, logistics and services. By 2015, the western area aims to be the new manufacturing and logistics centre of Foshan.

By 2020, the permanent population of Foshan will reach 9.1 million, and the permanent population of the central city will be 2.2 million. The total construction land of urban and rural areas will be 1,156 sq km, along with 217 sq km of urban construction land.

7.2. Foshan residential market overview

7.2.1. Foshan real estate investment

Table 7-2: Foshan key real estate statistics, 2007–2013

Year / Indices	Real estate investment		Commodity housing (sq m, RMB billion)		
	(RMB billion)	Growth rate (%)	Completed area	Sold area	Transaction value
2007	31.46	73	4,628,146	7,661,645	40.45
2008	40.36	28	3,214,439	5,428,848	29.23
2009	35.82	-11	2,411,326	7,795,092	48.76
2010	48.55	36	6,160,920	8,854,733	66.81
2011	59.69	23	6,050,940	8,736,750	70.24
2012	63.84	7	6,497,000	8,000,000	64.37
2013	74.54	16.7	6,044,200	N/A	N/A

Source: Foshan Statistical Yearbook 2007 – 2013

In the past decade, real estate investment in Foshan has increased steadily, with an annual average growth rate of 20%. As the overall economy of China fell in 2009, real estate investment decreased by 11% to RMB35.82 billion. With the rapid economic resurgence of Foshan, the real estate industry recovered. In 2013, investment increased to RMB74.54 billion, with a growth rate of 16.7%.

7.2.2. Foshan residential real estate market drivers

The development of the real estate industry is closely related with economic trends, city strategy, rising resident spending power and urbanization. These factors drive demand in Foshan's property market.

Economic trends

From 2007 to 2013, Foshan's real estate investment had an average growth rate of 18.8%, which is higher than the GDP average growth rate. According to the 12th Five-year Plan, by the end of 2015, GDP will reach RMB1,055 billion with an annual growth rate of 10%. All these factors indicate rapid real estate development.

Resident spending power

Foshan's urban residents' per capita disposable income achieved an annual average growth rate of 10.3% between 2007 and 2013. In 2013, urban residents' per capita disposable income was recorded at RMB38,038. Although the domestic economy of China slowed in 2009, urban residents' per capital disposable income in Foshan still had a growth rate of 9.3%, which was higher than the average growth rate. To a certain extent, the strong and rising spending power will boost the development of the real estate market.

Urbanization

In Foshan, the implementation of urbanization mainly relies on the 'three old re-generation' scheme (old towns, old factories and old villages). As the 12th Five-year Plan mentions, the cumulative number of renewal projects will be over 2,000 and the future supply of renewal areas will be over 70 million sq m. This will have a direct impact on Foshan's real estate development.

City strategy

According to the Guangzhou and Foshan Integrated Development Framework Agreement, the integrated development of Guangzhou and Foshan is expected to be completed by 2020. The urbanization rate will be above 90% by this point. With the gradual development of the Guangzhou-Foshan Economic Circle and the Guangzhou and Foshan integration, the economies of both cities will be boosted in the future, and the real estate market of Foshan will benefit. Furthermore, the price advantages of Foshan's real estate market will attract more Guangzhou customers and investors.

7.2.3. Residential market distribution

There are six major residential areas in Foshan, namely Chanxi area, Zumiao area, South City area, Yayi area, Qiandenghu area and Dongping New Town area.

As a newly expanded area, Chanxi has a lower housing price than the other residential districts, which may allow price appreciation in the future. Zumiao area is located in central Foshan. Due to its good location, this area has a higher housing price. The development of Yayi started in 2001, and with superior natural resources, it has become the high-end residential area of Foshan, and comprises low-density housing. Dongping New Town is expected to be the new business, finance, culture and leisure centre of Foshan, as well as an up-and-coming high-end residential area. Glory's project is located in Dali Town, which is about 7 km from the new business and living area of Qiandenghu.

Map 7-4: Residential market distribution of Foshan



7.2.4. Residential market trends

As one of the fastest developing cities in the PRD, the residential market in Foshan has also seen rapid growth. The GFA of residential property completed increased at a CAGR of 5.0% from 4.0 million sq m in 2007 to 5.1 million sq m in 2012. The GFA of residential property sold increased at a CAGR of 0.6% from 6.9 million sq m in 2007 to 7.1 million sq m in 2012. The GFA sold of residential properties reached their peak in 2010, with 7.76 million sq m. However, when the HPRs were implemented in 2011,

the residential market was directly affected, slowing market absorption and decreasing the price growth rate. In 2011, the total residential sold area was 7.49 million sq m, 4% lower than in 2010. The average selling price of residential properties increased at a CAGR of 8.5% from RMB5,275 per sq m in 2007 to RMB7,944 per sq m in 2012.

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

Table 7-3: Residential property market in Foshan, 2007 – 2013

	2007	2008	2009	2010	2011	2012	2013	CAGR (%)
Residential investment (RMB billion)	20.5	26.7	26.3	40.0	45.7	43.2	50.5	16.2
GFA completed (million sq m)	4.0	2.7	2.0	5.0	5.0	5.1	N/A	5.0*
GFA sold (million sq m)	6.9	4.8	7.1	7.8	7.5	7.1	N/A	0.6*
Average selling price (RMB per sq m)	5,275	5,366	6,204	7,648	8,207	7,944	N/A	8.5*

Source: Bureau of Statistics of Foshan

Note: * The data is calculated from 2007 to 2012.

Given its location in the centre of the city, Zumiao has a higher residential transaction price than other areas, ranging from RMB10,000 to RMB20,000 per sq m. Local rigid demand is the major residential market driver in Foshan, as well as first-home buyers, improvement buyers from the local area and investors from neighboring cities. With regards to unit area demand, apartments of two to three bedrooms (80 to 110 sq m) are the most welcomed layout in Foshan, while one-bedroom apartments are becoming attractive to investors.

Table 7-4: Residential transaction prices and demand by area, 2013

Residential area	Average price (RMB per sq m)	Characteristic	Class
Chanxi area	7,000–9,500	Newly expanded area	Normal
Zumiao area	10,000–20,000	City centre	High-end
Dongping New Town area	10,000–15,000	New city centre	High-end
Yayi area	9,000–13,000	Low-density area	Mid-high end
South City area	8,000–11,000	Traditional living area	Normal
Qiandeng Lake area	9,000–11,000	Business area	Mid-high end

Source: Savills Research & Consultancy

7.2.5. Residential market outlook

By 2015, the urbanization rate will be 96.92%. With the implementation of old area regeneration, there will be an increase in residential supply in Foshan. Rigid demand will still be the major residential demand driver. Given the stable rise in real estate investment, stable macroeconomic growth, prudent monetary policies and continued real estate regulation, we expect a positive outlook for the residential market, with housing prices increasing at an annual growth rate of around 5% to 8% in the next three years.

7.3. Dali Town residential market overview

7.3.1. Dali Town overview

Dali Town is located in the south of Nanhai District, and it is only 9 km from Guangzhou's Baiyun District. Dali Town connects the central areas of Guangzhou and Foshan, and is known as the Golden Corridor. Dali Town is also an important industrial area of Foshan as its aluminum industry is well developed. The total area is 125.77 sq km, and in 2013, the permanent population was recorded at 0.52 million, with GDP reaching RMB35.9 billion at a growth rate of 10.2%.

Industry

The pillar industry of Dali Town is aluminum and non-ferrous metal processing and is known as the aluminum town of China. Four-hundred and ten designated size enterprises are located here, 66 of which have a turnover of more than RMB0.1 billion. At present, Dali Town has a total of 14 “China well-known trademarks”, eight “China famous brands”, 30 “Guangdong famous brands” and 26 “Guangdong famous trademarks.” Among all of these brands, Huachang aluminum and Fenglv aluminum are the most famous.

Infrastructure

The existing transport network of Dali Town comprises three expressways, two national roads, one railway and three city roads, namely Guangzhou-Foshan Expressway, Guangzhou-Sanshui Expressway, Guangzhou West Ring Road, G321, G325, Suiyan Road, Guihe Road and Guidan Road. From 2011 to 2015, two Metro lines, line 1 (Jiaokou-Foshan west) and line 2 (Liankou-Qiandeng Lake) will be built to connect Dali Town with Guangzhou and other parts of Foshan.

7.3.2. Dali Town residential market trends

The Dali Town residential market has been active since 2010 and the major residential projects are positioned at the mass market. As one of major residential areas in Nanhai District, housing supply and prices ranked second in the district in 2011 and 2012. However, due to the impact of the HPRs, new residential supply entering the market fell. There were seven residential projects for sale in Dali Town in March 2014, with a total supply of 18,313 units, and an average transaction price of around RMB9,500 per sq m. The annual price growth rate averaged 8% from 2010 to 2013. Although it is a small submarket in terms of stock, Dali Town attracted several renowned developers to build large-scale residences, such as Vanke, Poly, Aigle and New World China Land.

Table 7-5: Major supply of residential properties in the market, March 2014

Project (EN)	Project (CN)	Units	Transaction price in February 2014 (RMB per sq m)
Huihao Jiayuan	匯豪嘉園	1,718	10,500
Aigle Yujing	雅居樂禦景名門	4,170	10,800
Poly Central Mansion (Phase I)	保利中央公館一期	457	11,000
New World Garden	新世界莊園	8,000	13,000
Zhibo Garden	智博花園	1,146	8,500
Golden Palm Bay	金棕櫚灣	1,207	6,000
Golden Palm Garden	金棕櫚園	1,615	6,500

Source: Savills Research & Consultancy

The residential market in Dali Town is driven by urban regeneration and urbanization; however, it is rigid demand that dominates. Local residents currently live in self-built houses in villages, but with the regeneration of old factories and villages, these local residents will generate major demand for residential housing for self use and upgrading. Units sized 80 to 95 sq m are the most popular layout. To be more specific, rigid demand can be divided into the following three different types.

Local residents — local village families usually have more than four family members living at home. The younger generation has a strong need for housing in order to form their own family units, while older family members may wish to improve their living conditions.

Local employees — nearly 40 metal, clothing and small commodities trading markets are located in Dali Town, including Zhongfanghuali Clothing Market and Nanguo Small Commodities Market. These local business owners and workers are potential housing buyers.

Others — people who can not afford the higher housing prices in adjacent areas, like Guicheng Town, are relocating to this area for investment or self use.

7.3.3. Dali Town outlook

By the end of 2015, the GDP of Dali Town will reach RMB72 billion, with a growth rate of 13%, and the total gross industry output is expected to rise to RMB150 billion with an annual growth rate of 12%. According to the 12th Five-year Plan, the industrial manufacturing factories will be gradually moved to other areas and the living environment of Dali Town will improve dramatically. The industry structure will change from industrial manufacturing to a headquarters economy. With these development strategies, Dali Town will transform into a “liveable industry area” and the real estate market is expected to develop positively.

Currently, there is limited usable land in Dali Town, which will lead to lower supply levels on the residential market. During the 12th Five-year Plan period, with the implementation of the re-generation scheme, original factory and village land will be converted into residential and commercial properties, and the original land value can be maximized. In the next three years, the total residential supply of Dali Town will be around 0.8 million sq m, based on the land supply. This supply is mainly located around the central town and business areas. In terms of residential housing demand, local residents of villages and towns will still be the main potential residential buyers in the future.

According to the re-generation planning of Nanhai District, from 2009 to 2015, six villages and 26 factories in Dali Town will be rebuilt. About 30,000 local residents from those villages will need around 1.0 million sq m of residential space. What is more, the relative lower residential prices in Dali Town and the potential increase in values are becoming attractive to people from other parts of Foshan, and even from Guangzhou. The sustained demand is expected to support housing appreciation in Dali Town.

8. Hainan market research

8.1. Hainan Province overview

China’s southernmost province, Hainan, is located in the South China Sea, and its beautiful tropical marine landscape attracts millions of overseas and domestic tourists. The province covers 35,400 sq km of land area and around 2 million sq km of sea. Hainan Island is the main island of the province, and with a total area of 33,920 sq km it is the second largest island in China. Hainan Province was originally part of Guangdong Province, but it was set up as an individual province and an SEZ in 1988. Hainan Province hosts three prefectural-level cities, namely Haikou, Sanya (both located on Hainan Island) and Sansha (located in the South China Sea). By the end of 2012, the total population of the province was approximately 8.9 million, of which 51.6% are urban residents.

8.1.1. Hainan economic development

Hainan is known as an agricultural and tourism province with the primary and tertiary industries accounting for 50% and 31% of total GDP respectively in 1987. After it was elevated to province-level status in 1988, the secondary industry developed rapidly. In 2010, the NDRC officially released the 2010–2020 Hainan International Tourism Island Development Planning Outline (the Outline), which became a major contributor to economic development, especially in the growth of the real estate and tourism industries.

By the end of 2013, Hainan’s GDP reached RMB314.6 billion with an actual YoY growth rate of 9.9%, with the primary, secondary and tertiary industries accounting for 24.0%, 27.7% and 48.3% of GDP respectively.

Due to its abundant tourism resources, tourism income reached RMB42.9 billion in 2013, twice than the RMB21.2 billion recorded in 2009, before the Outline was released. FAI was RMB272.5 billion in 2013, up 27.0% YoY, and becoming one of the most important drivers of Hainan's economy. Real estate investment stood at RMB119.7 billion, up 35% YoY, and accounting for 43.9% of FAI, while retail sales reached RMB97.2 billion, up 14.0% YoY. Urban residents' disposable income was RMB22,929 with an actual growth rate of 9.6%.

According to the goals described in the Outline, Hainan plans to become a top international tropical island resort by 2020, with the aim of welcoming 76.8 million tourists and total tourism revenue of RMB124 billion. The tourism industry contribution to provincial GDP should rise from 7.5% in 2012 to 12% 2015, while the total contribution of tertiary industries will increase from 47% in 2012 to 60% in 2015.

By 2020, 50% of total retail sales should result from tourist shopping, according to the Outline. In order to improve tourist shopping, provide better facilities and services for tourists, and make Hainan more attractive to visitors, offshore duty free stores⁷ will be opened in four cities, namely Haikou, Sanya, Wanning and Qionghai, from 2011 onwards.

Table 8-1: Duty free store distribution, 2013

City	Existing projects	Future projects
Haikou	1 duty free store at the airport	2 stores proposed
Sanya	1 duty free store downtown	1 store proposed
Wanning	No existing projects	Under planning
Qionghai	No existing projects	Under planning

In addition, the real estate sector could benefit from the implementation of the Outline, as it includes plans for mass housing, hotels and resort-type properties, in order to meet end-use demand from domestic residents and leisure travelers.

8.1.2. Urban planning and regional development

According to the Outline, Hainan Province is divided into six integrated regions for the development of Hainan International Tourism Island, including the northern, southern, middle, eastern, western and ocean regions. The northern region, with Haikou at its centre, will focus on developing the entertainment, golf, real estate and modern services industries, as well as automotive, bio-pharmaceutical and high-technology manufacturing. The southern region, with Sanya at its centre, will focus on developing tourism-related industries. Qionghai and Wanning comprise the eastern region, where fisheries, coastal tourism and agricultural products will be the focus of development.

Due to superior tourism resources, amenities, weather and level of economic development, regions along the east coast of Hainan Island have developed faster than regions on the west coast. Haikou, Sanya, Qionghai and Wanning are the core cities of each region along the eastern coast.

⁷ Under the offshore programme, individual tourists and local residents aged 16 or above can enjoy duty exemptions on certain imported commodities worth no more than RMB8,000 before flying to other destinations within China.

8.1.3. Hainan's infrastructure development

According to the 12th Five-year Plan, Hainan plans to accelerate the construction of aviation, road and marine infrastructure to form a convenient integrated transport system.

Map 8-1: Hainan infrastructure development map



Source: Savills Research & Consultancy, Google Maps 2013

Expressway

An expressway of 380 km will be built in the form of two roads crossing from north to south, and east to west respectively. One road will pass through Haikou, Tunchang, Wuzhishan and Sanya, while the other will pass through Yangpu, Zhanzhou, Qiongzhong and Wanning, forming a cross. This expressway will improve the connection between Haikou and cities in the middle of Hainan Province.

High-speed railway

The West Ring High-speed Railway, with a total length of 344 km, is expected to be completed in 2016, and together with the 308-km East Ring High-speed Railway, will improve connections between other cities on the island and two major tourism spots, Sanya and Haikou.

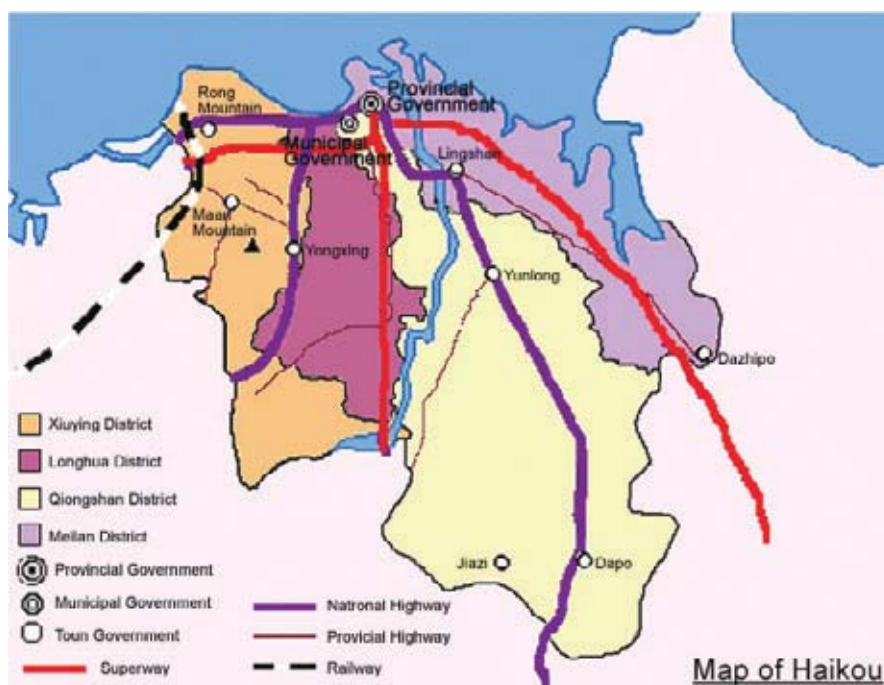
Airport

The construction of the new Boao airport is scheduled to finish in 2015, and this new transport facility will improve the accessibility of surrounding cities, such as Qionghai and Wanning. In addition, the location of west airport has been decided, in Danzhou, northwest Hainan Island.

8.2. Haikou overview

Haikou is the capital city of Hainan Province and is situated on the northern coast. It covers an area of 2,305 sq km, comprising four districts, namely Qionghai, Xiuying, Longhua and Meilan. It is the economic, cultural and business centre of the province, and an essential island-wide transportation hub.

Map 8-2: Map of Haikou



Source: Official website of Haikou municipal government

Due to its coastal location and beautiful landscapes, the city is positioned as a tropical island tourism and resort destination, and liveable city, based on the Outline. In 2013, total population stood at 1.7 million, while the number of total overnight tourists was 10.4 million, reflecting Haikou's strong attraction as a tourist destination.

8.2.1. Haikou economic overview

Haikou's economy has increased steadily over the past seven years, with a CAGR of 14.7% in GDP. In 2013, Haikou's GDP reached RMB90.5 billion, representing a 9.9% increase from the corresponding period in 2012. Economic growth relies on investment and policy support. The growth in FAI, one of the major contributors to the economic boom, has increased rapidly since 2009, after the implementation of the Outline. The tertiary industry dominates Haikou's economy, contributing 69.5% of total GDP in 2013.

According to Haikou's 12th Five-year Plan, the government plans to set up the city as Hainan International Tourism Island's main tourist destination, becoming the transport hub for tourism and trade. In terms of economic targets, GDP should reach RMB100 billion, FAI is proposed to rise to RMB300 billion, retail sales should stand at RMB70 billion and GDP per capita should reach RMB45,000 at the end of 2015.

Table 8-2: Haikou key economic indicators, 2007 – 2013

Year / Indices	Population	GDP	Growth rate	GDP per capita	FAI	Actual FDI	Income from tourism	Retail sales	Disposable income per capita
	(Million)	(RMB billion)	(% YoY)	(RMB)	(RMB billion)	(US\$ billion)	(RMB billion)	(RMB billion)	(RMB)
2007	1.5	39.64	12.6	22,109	18.28	0.504	5.54	18.94	12,289
2008	1.6	44.32	10.4	24,420	21.91	0.560	6	23.48	14,150
2009	1.6	48.96	10.8	26,366	27.70	0.648	6.5	27.72	15,237
2010	1.6	59.06	17.5	30,329	35.27	0.716	7.21	32.96	16,720
2011	1.6	71.28	12.3	35,669	40.46	0.407	8.3	38.72	19,730
2012	1.6	82.06	9.4	38,719	51.04	0.453	10.16	43.63	22,331
2013	1.7	90.46	9.9	41,955	64.93	0.512	12.02	49.01	24,461
CAGR (%)	2.1	14.7	—	11.3	23.5	0.26	13.8	17.2	12.2

Source: Haikou Statistics Bureau

8.2.2. Haikou urban planning

Map 8-3: Haikou infrastructure development map

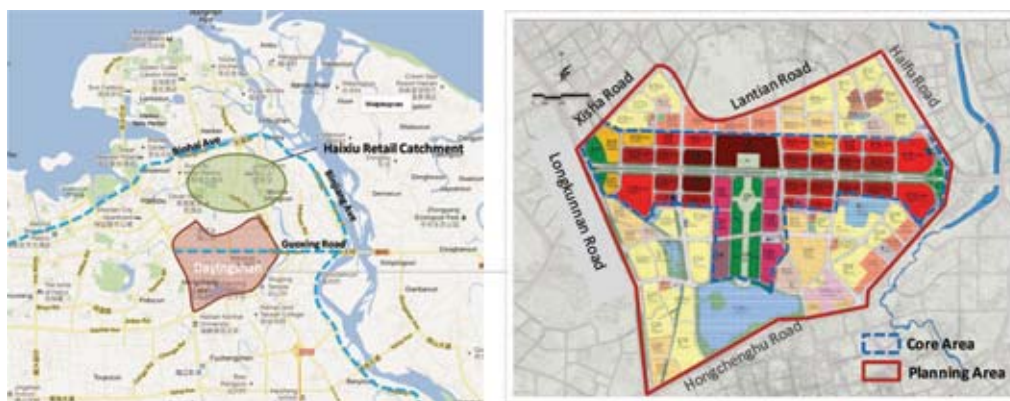


Source: Haikou Urban Planning Bureau

According to the Master Plan of Haikou, tourism nodes will be developed along the coastal and riverfront areas, including the west and east coastal zones, and the Nandu River waterfront. The west coastal zone will be developed into a public tourist destination, while the east coastal zone will be an area for tourism and a college town. The development of the central zone will be in four stages: the renovation of the old city centre, the upgrade of Haixiu retail street, the construction of an historical culture street zone and Dayingshan area.

Dayingshan area, formerly Haikou airport, is located next to the traditional retail catchment of Haixiu Road area. After the rezoning and relocation of the airport in 1999, Dayingshan area is bounded by Hongchenghu Road, Haifu Road, Longkunnan Road, Lantian Road and Xisha Road, covering an area of 562 ha.

Map 8-4: Map of Dayingshan



Dayingshan area is the proposed new CBD, as mentioned in the 12th Five-year Plan. According to the Master Plan of Dayingshan area, it will be developed into an urban centre with business, retail, administrative, cultural and entertainment functions. The core area covers 2,446,900 sq m, and contains a concentration of commercial and residential properties, including the Glory Project, along Guoxing Road and the north south axis. In future, it should provide mid- to high-end residential projects with various supporting facilities. In addition, the administration building of the People's Government of Hainan Province is located in this area and is about 500 m from the Glory project.

According to the Master Plan, a total of 10.7 million sq m of GFA is proposed for the whole planning area, of which approximately 4.5 million sq m of GFA will be residential, bringing 110,000 residents to the area, while 4.8 million sq m of GFA will be mixed-use developments, including commercial, administration and residential space, which will attract 110,000 people working in this area.

After years of development, several residential projects developed by Hainan Airlines Group and Glory Group, and upper-tier hotels are concentrated in this area. In addition, one duty free store will be opened in Riyue Plaza, and another in an upper-tier office located along Guoxin Road.

8.2.3. Haikou property market

Real estate investment in Haikou increased at a CAGR of 27% from RMB6.1 billion in 2007 to RMB25.6 billion in 2013. The total GFA completed increased at a CAGR of 7.4% from 1.3 million sq m in 2007 to 2.0 million sq m in 2013. The total GFA sold increased at a CAGR of 12.2% from 1.7 million sq m in 2007 to 3.4 million sq.m in 2013. The average selling price increased at a CAGR of 14.2% from RMB3,516 per sq m in 2007 to RMB6,825 per sq m in 2012.

Table 8-3: Haikou property market, 2007 – 2013

	2007	2008	2009	2010	2011	2012	2013	CAGR (%)
Real estate investment (RMB billion)	6.1	7.5	7.8	10.4	14.5	17.6	25.6	27.0
Residential	4.0	5.5	6.8	8.3	11.7	13.0	20.6	31.4
Office	0.2	0.3	0.1	0.6	1.1	1.1	N/A	N/A
Total GFA completed (million sq m)	1.3	1.1	1.2	1.3	0.3	3.1	2.0	7.4
Residential	1.1	0.9	1.1	0.8	0.3	2.3	N/A	N/A
Office	0.04	0.03	N/A	0.18	N/A	0.04	N/A	N/A
Total GFA sold (million sq m)	1.7	1.7	1.9	2.1	2.3	2.7	3.4	12.2
Residential	1.6	1.6	1.8	2.0	2.0	2.5	N/A	N/A
Office	0.03	0.01	0.03	0.05	0.02	0.00	N/A	N/A
Average selling price (RMB per sq m)	3,516	4,594	5,368	8,015	6,654	6,825	N/A	N/A
Residential	3,403	4,496	5,317	8,069	6,664	6,512	N/A	N/A
Office	4,814	5,831	4,963	6,463	27,729	30,294	N/A	N/A

Source: Bureau of Statistics of Haikou; CRIC

Note 1: Bureau of Statistics of Haikou does not release GFA completed and GFA sold of office properties in 2009 and 2011.

Note 2: Before 2011, the quality of office properties in Haikou was relatively low, which results in low average selling price. Since 2011, the quality of office properties significantly improved as a number of Grade A office projects entered the Haikou's office market, which led to a dramatic growth of average selling price of office properties.

Note 3: According to Bureau of Statistics of Haikou, 2,000 sq m office properties were sold in Haikou in 2012. The average selling price of office properties in 2012 represents the selling price of these office properties.

8.3. Haikou office market overview

8.3.1. Market definition

The office category includes all Grade A and Grade B office buildings available for sale or lease on the market, with an office area of over 15,000 sq m. As with other second-tier cities, most office buildings in Haikou are strata-titled sold when launched onto the market before entering the leasing market. Therefore, we include both strata-titled and lease-only office buildings in this study. Offices constructed for self use by developers or SOEs, or converted office space in hotels and residential apartments are excluded from this study.

8.3.2. Market drivers, distribution and demand

Market drivers

The tertiary industry, which accounts for nearly 70% of GDP, generated the most demand for office space.

The implementation of the Outline stimulated investment in Haikou, and has attracted real estate developers to set up regional offices.

Distribution

The total stock of Grade A and Grade B offices was 775,660 sq m as of March 2014. There are three major business areas, namely Guomao area, Binhai Avenue area and Dayingshan area.

Table 8-4: Office market stock in Haikou

Submarket	GFA (sq m)	Portion (%)
Guomao	253,436	33
Binhai Avenue	335,604	43
Dayingshan	186,620	24
Total	775,660	100

Source: Savills Research & Consultancy

Guomao area is the traditional business district, and due to its early development, the quality of office buildings here is lower than in Binhai Avenue area. Total Grade A and Grade B office stock was 0.25 million sq m, 33% of total supply.

Binhai Avenue area is a newly-developed business area, with several high-quality offices entering the market over the past five years. Grade A and Grade B office stock totalled 0.33 million sq m, equal to 43% of total supply.

Dayingshan area, adjacent to Guomao area is an emerging business area. According to the City Master Plan, it will be developed into a new CBD. A number of high-quality office projects are currently under construction and has started to enter the market since 2013.

Table 8-5: Submarket profile of the office market in Haikou

Submarket	Characteristic	Transportation	Supporting facilities
Guomao	Traditional business area; Mid-end offices	Guomao Road is a major road; accessibility is relatively poor because of heavy traffic	Adequate living and business facilities, including restaurants and hotels
Binhai Avenue	Newly-developed business area; High-quality offices	Buildings are located on Binhai Avenue, a main road in Haikou; accessibility is fairly good	Wanlv Yuan (City Park), Exhibition Center and upper-tier hotels
Dayingshan area	Emerging business area, with provincial departments; Positioned at the high end	Construction is concentrated along Guoxing Avenue, a main road in Haikou	High-end retail and upper-tier hotels



Source: Savills Research & Consultancy

Demand

Local enterprises and companies form the majority of demand in Haikou, including financial, real estate and professional services companies.

Demand from real estate companies has increased since the implementation of the Outline, and large-scale real estate companies prefer to commit in high-quality office buildings.

An increasing number of financial institutions, such as insurance companies and banks, have set up secondary branches in Haikou. The majority of buyers purchase high-quality office space for self use, and it is common for end users to buy office space of between 200 and 500 sq m.

8.3.3. Market trends

Compared with other mainland cities, Haikou's office market emerged much later and developed slowly, due to its economic structure. However, the office market has witnessed rapid development with an

upgrade in office space since 2010, driven by the entry of mid- to large-sized enterprises. Only a few office buildings are regarded as Grade A in terms of their market reputation, rental level and tenant mix. As shown in the following table, there are two Grade A office buildings that have already been handed over.

Table 8-6: Selected Grade A offices in Haikou, March 2014

Project (EN)	Project (CN)	Completion date	Office GFA (sq m)	Location	Average asking rental (RMB sq m per month)	Occupancy rate (%)
Zhengda International Financial Center	證大國際金融中心	2010	36,380	Binhai Avenue	140	80
Sky City International Mansion	天邑國際	2011	70,000	Binhai Avenue	150	90

Source: CRIC, Savills Research & Consultancy

As the office market lacks Grade A space and is dominated by Grade B or below office buildings, the average office rental level is relatively low compared with other second-tier cities, resulting in low capital rates. Looking at each submarket, rents in Binhai Avenue area are the highest, resulting from the entry of high-quality offices and better accessibility.

Table 8-7: Office rents in Haikou, March 2014

Submarket	Asking rental range (RMB per sq m)
Guomao	60 – 86
Binhai Avenue	70 – 150

Source: Savills Research & Consultancy

There were three projects for sale in March 2014. All these projects are under construction. The average price ranged from RMB25,000 to RMB27,000 per sq m in March 2014, and a narrow price gap is seen between projects in Binhai Avenue area and Dayingshan area.

Table 8-8: Sale prices of Grade A offices in Haikou, March 2014

Project (EN)	Project (CN)	Completion date	Office GFA (sq m)	Location	Asking price (RMB per sq m)
Palm Plaza Tower B	棕櫚廣場 B座	2015	51,460	Dayingshan	25,000
HNA International Plaza	海航國際廣場	2014	24,750	Binhai Avenue	25,000
Hainan Tower	海南大廈	2013/2014	135,160	Dayingshan	26,000

Source: CRIC, Savills Research & Consultancy

8.3.4. General outlook and potential opportunities

A total of five Grade A office projects, with a GFA of more than 470,000 sq m, are scheduled to be launched onto the market from 2014 to 2018. According to the proposed schedules, these offices will enter the market gradually. Annual new supply of 100,000 sq m will be seen in the next two years, and will hit a peak in 2015 and 2016. Future office supply is concentrated in Binhai Avenue area and Dayingshan area.

Table 8-9: New supply of Grade A offices in Haikou, 2014–2018

Project (EN)	Project (CN)	Estimated completion	Office GFA (sq m)	Location
Zhonghua Plaza	中環廣場	2014	33,346	Binhai Avenue
Glory Mansion	國瑞大廈	2014/2015	267,981	Dayingshan
International Financial Center	國際金融中心	2016/2017	194,386	Dayingshan
Haikou Tower	海口塔	2018	N/A	Dayingshan
Anzhong Yusha Plaza	安中玉沙廣場	N/A	N/A	Binhai Avenue

Source: Savills Research & Consultancy

Since the implementation of the Outline, secondary and tertiary industries have witnessed rapid growth and this trend is expected to continue. Hence, it will generate growing office demand from companies engaging in real estate and the modern services sectors. In addition, large financial institutions, such as banks, prefer to set up their branches in Haikou as it is the provincial capital and a destination for the affluent classes.

We expect the office market to remain stable in the next two years, with sales prices set to increase slightly due to the improved quality of the new supply.

8.4. Haikou residential market

8.4.1. Residential market overview

Market drivers

The bubble of Haikou's residential market burst in the late 1990s. But the market has recovered and became an engine leading the local economy from the end of the 20th century.

Three key drivers support the sustained growth of the residential market:

- The Outline;
- Urbanization;
- Capital city superiority.

Buyer analysis

Housing buyers in Haikou are rather diversified, but can be categorized into three groups:

Mainland buyers

This group is usually financially stable, owns no less than two properties and is pursuing a high of quality life. They are more concerned with geographical location and surrounding natural features, and indulge in occasional impulse spending. Their preferred housing type is villas and high-end apartments by the seaside.

Local buyers

Local buyers are either migrants or middle-class urban residents. They are more sensitive to housing prices and take into account convenient living facilities when making purchasing decisions. Additionally, families with children are concerned about school districts. Unlike mainland buyers, local people are not interested in housing by the sea due to the dampness, and thus local buyers prefer inland apartments.

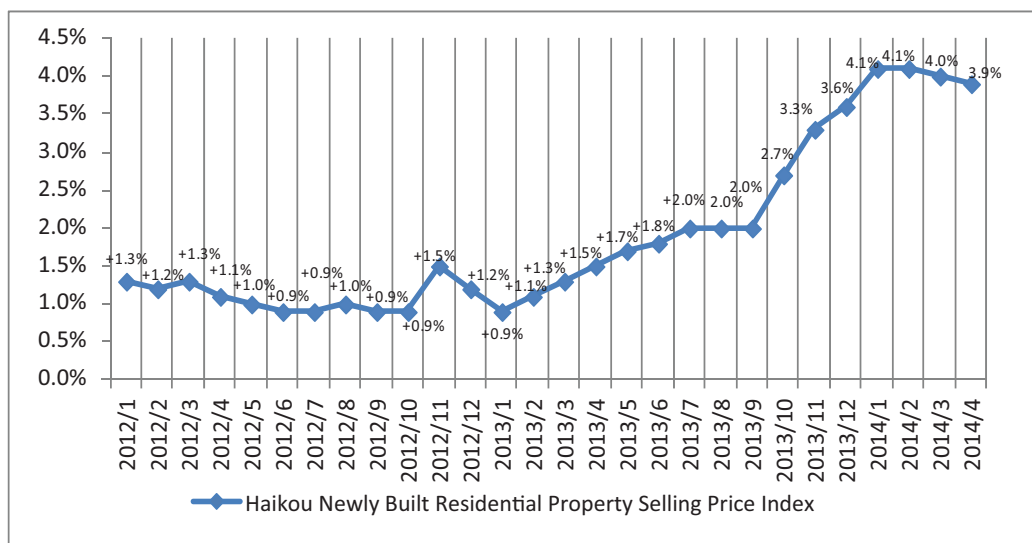
Senior executives stationed in Hainan

Senior executives from enterprises in Bo'ao and Yangpu economic development zones in Hainan are interested in high-end villas in which to host social events.

8.4.2. Market trends

The following chart shows the change in Haikou newly built residential property selling prices from 2012 to the April 2014.

Chart 8-1: Haikou newly built residential property selling price index



Source: National Bureau of Statistics of China

Note: The Haikou Newly Built Residential Property Selling Price Index is published by the National Bureau of Statistics of China, which publishes the residential property selling price index of seventy large and medium-sized cities every month. The base year is 2010.

The Outline, announced in 2010, encouraged residential development in Haikou, but the effects were not seen until 2012, when 3.07 million sq m of GFA was completed.

Housing demand has been stable, mainly restricted by the limited completed area in previous years. It is notable that the average sales price in 2010 reached RMB8,069 per sq m, a remarkable 52% YoY growth. However, this rapid growth was disrupted in 2011, when the HPRs were announced. Developers then had to make price concessions in order to sustain transaction volumes under the strict policies and funding pressure.

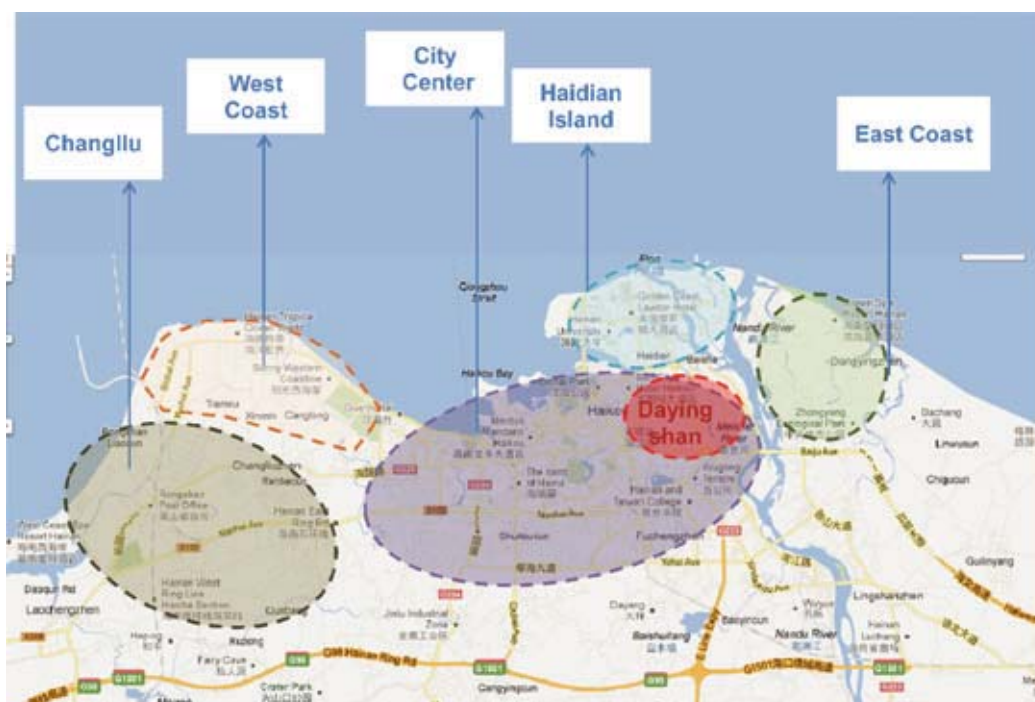
The average housing price has dropped to RMB6,512 per sq m, but the best annual sales record of 2.51 million sq m was witnessed in 2012. The downward trend in average price is mainly due to the large amount of mid-end supply in inland areas, which in turn results from the diversified market portfolio. Based on the rising demand, the market has great potential to grow.

8.4.3. Market distribution

In general, residential distribution is concentrated in five main zones: east coast, Haidian Island, city centre (including Dayingshan), west coast and Changliu area. City centre and Haidian Island stock is mostly composed of apartments. Changliu, west coast and east coast areas are currently emerging following the urban plans (west coast is defined as east of Guanhaitai and south of Haikou Station).

The zones along the coast feature higher end supply in the north, mainly purchased by mainland buyers, while inland mid-end supply is absorbed by local demand.

Map 8-5: Hainan residential market distribution, 2013



Source: Savills Research & Consultancy

Table 8-10: Market distribution and features, 2013

Zone	Highlight	Main buyers	Average price (RMB per sq m)
East coast	- Villa supply - Emerging area - Sea view - Less developed	Mainland Chinese Senior executives	Villa: 12,000
City centre	- Apartment supply - Commercial area - Convenient facilities	Local residents	Apartment: 12,000
Haidian Island	- Diversified projects, sea resources - More apartments - Close to city	Mainland Chinese Local residents	Apartment: 9,000 Villa: 22,000
West coast	- High-end supply - Perfect for facilities - Long coast line	Mainland Chinese Local residents Senior executives	Villa: 30,000 Apartment: 13,000
Changliu area	- Emerging area, planned as a business zone - Villa supply along coastal areas; mid-end apartment supply inland - Underdeveloped	Local residents	Apartment: 5,000 Villa: 18,000

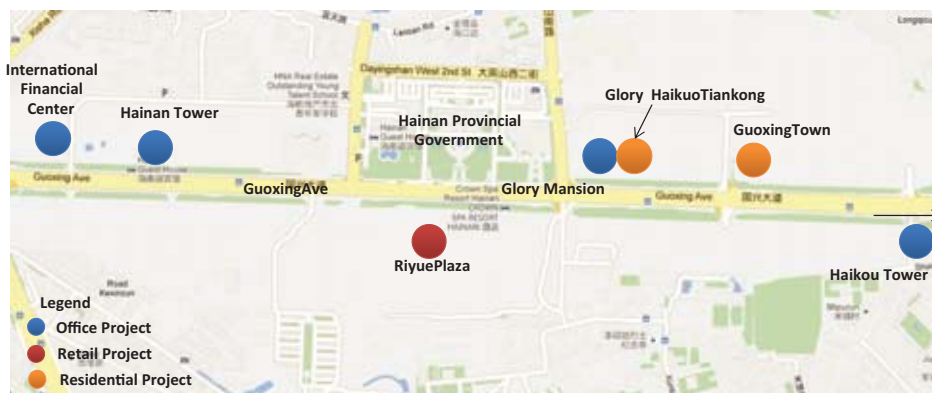
Source: Savills Research & Consultancy

8.5. Submarket market overview

8.5.1. Dayingshan

Dayingshan office market

Map 8-6: Dayingshan office distribution



Four projects are expected to be completed in the next five years, including the future landmark project, Haikou Tower, the highest building in Haikou. By 2018, the total stock of Grade A offices in Dayingshan area is estimated to be over 550,000 sq m. Currently, only one project has entered the sales market, with an average asking price of RMB26,000 per sq m. The entrance of high-quality offices, together with high-end supporting facilities will enhance the reputation of Dayingshan area, and boost property values in the area. The market is expected to retain its upward momentum, if the economy is stable in the short term.

City centre residential market (focus on Dayingshan)

City centre refers to Guomao-Jinmao area and its vicinity, and as this is the most mature commercial centre in Haikou, less residential land is available here. Residential supply has fallen since 2012 and approximately 50% of projects have been on the sales market since 2010 or 2011. Most of the supply is high-rise apartments with unit sizes ranging from 50 to 240 sq m. The total residential GFA in the city centre was about 980,000 sq m in 2011 and 2012.

As the political, economical and cultural centre of Haikou, it enjoys convenient transportation and good facilities. Most of the government offices, financial institutions and enterprises in Hainan are located here, and thus, about 70% of housing demand is from local citizens and migrants, who are named New Hainan Residents. The average residential price was around RMB13,500 per sq m in Q1/2014.

Due to city centre expansion towards Dayingshan area, large-scale residential development within this area is expected. Glory City and City Hill are the two residential projects currently for sale, with a total of 2,282 units for sale by Q1/2014.

Average sale prices at Glory City achieved RMB14,500 per sq m in Q1/2014, which was higher compared with the city centre average, and a top price in Dayingshan area. This is mainly for the following reasons: 1) Glory City is located in the core area of Dayingshan and is adjacent to the government buildings of Hainan Province; and 2) The comfortable layouts and the high quality of the project.

According to the Master Plan of Dayingshan area, the total proposed residential supply is 4.5 million sq m, with most of this located outside the core area.

Overall, the sales prices of residential developments in city centre, especially Dayingshan area, will continue to increase, especially with the gradually completion of major landmark projects, such as Hainan Tower and Riyue Plaza.

Table 8-11: Selected projects in the city centre, Q1/2014

Project (EN)	Project (CH)	Opening date	Total GFA (sq m)	Unit size (sq m)	Average sales price (RMB per sq m)
Huijing Junyuan	匯景駿園	Oct 2012	15,579	80 – 120	9,300
Guomao City Garden	國貿城市花園	Aug 2012	120,064	50 – 160	12,000
Xiangzhanglin Street	香樟林風情街	May 2012	81,354	120 – 140	12,000
Haikou Bund Centre	海口外灘中心	Mar 2012	1,000,000	65 – 230	22,000
Glory City	國瑞城	Jan 2011	288,732	104 – 187	14,500
City Hill	海闊天空 國興城	Nov 2011	250,000	80 – 300	13,500

Source: Savills Research & Consultancy

8.5.2 Haidian Island (focus on Xinbu Island) villa market overview

Haidian Island saw the earliest villa developments in Haikou in the 1990s. New developments, like Jiangnan City, are located in the northwest, near Baishamen Park. Some of the projects in this area have a relatively low price, at around RMB20,000 per sq m, compared with the west coast, and consequently it has drawn attention from less wealthy groups and some locals.

Five villa projects, with total of 518 units, entered the market between 2007 and 2010. No new projects have launched in the area since, and there are just 17 units available in current projects. Most of the stock is large in size and has a high total price. Two new projects since 2010 will open in 2014, developed by New World Group and Hainan Qianjing Real Estate Co. The future development of Haidian Island will focus on its underdeveloped dependent island, Xinbu Island.

Xinbu Island, with a total area of 9.22 sq km, is the location of the Nandu River estuary. Building on its unique nature resources, a marina with 140 berths was completed here in 2011.

Existing projects on Xinbu Island are Soul of Hainan developed in 2010 and New World Garden developed in 2001, which have drawn attention to this otherwise unknown region. Soul of Hainan, the only villa project on Xinbu Island, achieved a price of RMB24,000 per sq m in Q1/2014, which is close to the average of other parts of Haidian Island.

Xinbu Island is expected to take advantage of its river and sea views, as well as the marina, and prices of future villa developments are expected rise beyond current levels.

Table 8-12: Villa projects on Haidian Island, Q1/2014

Project (EN)	Project (CH)	Housing type	Opening date	Total no. of units	Unit size (sq m)	Average price (RMB per sq m)
Hainan Mansion	海南大公館	Duplex, Single-family	Feb 2007	65	224 – 643	40,000
Jiangnan City	寶安江南城	Duplex, Single-family	2008	161	300	25,000
Shengmutian yifang	盛木天一方	Semi-detached, Single-family	Dec 2009	35	210 – 500	26,000
Soul of Hainan	海南之心	Semi-detached, Single-family, Duplex	Sep 2010	203	148 – 422	24,000
Haiquanwan	田德海泉灣	Single-family	Sep 2010	54	320 – 430	15,800
New World Meilisha	新世界美麗沙	Semi-detached, Single-family,	TBD	246	N/A	N/A
Heidelberg	海德堡公館	Single-family	TBD	11	418 – 435	N/A

Source: Savills Research & Consultancy

8.5.3. West coast villa market overview

The west coast, along west Binhai Road from Guanhaitai, is the leading villa market area, with its superior geographic environment. It has attracted a number of renowned developers such as Vanke and Teda.

After years of development, it has generated into a mature high-end living area with a number of luxury projects. It currently has six villa projects with a wide range of units sized from 180 to 2,000 sq m. There were about 100 units left on the market in Q1/2014 and a new villa project named South Westbay is expected to launch in the May 2014.

Due to its nature resources and international-standard vocational facilities, such as the most advanced golf courses, top-end hotels and Hainan International Exhibition Centre, it is a prime option for wealthy villa buyers. The 12th Five-year Plan has positioned this area as a high-end vocational and international tourism zone, which will bring more buyers to the market.

Despite sales prices of RMB30,000 per sq m in Q1/2014, which are higher than any other submarket, its advantageous location cannot be replaced by emerging areas, such as the east coast. The outlook for the west coast villa market is expected to be positive as prices will remain high amid diminishing supply along the front coastal line, as well as emerging demand.

Table 8-13: Villa projects on the west coast, Q1/2014

Project (EN)	Project (CH)	Housing type	Opening date	Total no. of units	Unit size (sq m)	Average price (RMB per sq m)
Vanke Longings Bay	萬科浪琴灣	Semi-detached, Single-family, Duplex	Mar 2007	185	220 – 620	Sold out
Weilan Haian	蔚藍海岸	Single-family	May 2008	69	451 – 2,000	Sold out
Xihai Ruiyuan	夏威夷海岸	Single-family	13 Nov 2009	95	600 – 1,700	33,000
TEDA Classical Advanced	泰達 海天國際	Single-family, Duplex	Mar 2010	54	334 – 591	38,000
Dahua Western Park	大華西海岸溫泉別墅	Single-family, Semi-detached	Apr 2010	74	200 – 500	Sold out
Xihai Ruiyuan	西海瑞園	Single-family, Semi-detached	Aug 2011	56	180 – 220	28,000
South Westbay	南光西海灣	Single-family, Semi-detached	May 2014	43	295 – 430	20,000

Source: Savills Research & Consultancy

8.6. Competition

The following chart states the top 10 real estate developers in terms of total GFA within Haikou City as of March 31, 2014:

Table 8-14: Ranking of developers in Haikou's property market

Ranking	Company	Properties	Total GFA (sq m)
1	海南翔裕投资有限公司 Hainan Xiangyu Investment Co. Ltd	鸿禾特區10號 No. 10 Honghe District	Approx 12,000,000
2	新世界中國地產 New World China	新世界花園 New World Garden 新世界・美麗沙 New World Melissa	Approx 2,788,000
3	上置集團 SRE Group Ltd.	海口外灘中心 The Bund Center	Approx 1,200,000
4	海南鑫生置業有限公司 Hainan Xinsheng Real Estate Co, Ltd	棕櫚泉國際公館 Palm International Mansion	Approx 1,108,000
5	海南安中置業有限公司 Hainan Anzhong Real Estate Co, Ltd	安中玉沙廣場 Yusha Plaza	Approx 1,094,000
6	盛高置地 Shenggao Real Estate	盛高海長流 Shenggaohaichangliu	Approx 1,001,000
7	海南信偉實業有限公司 Hainan Xinwei Investment Co, Ltd	後海溫泉小鎮 Hot Spring Town	Approx 1,000,000
8	海南文新房地產開發有限公司 Hainan Wenxin Real Estate Co, Ltd	福隆麗水灣 Fulong Lishui Bay	Approx 1,000,000
9	海航地產 HNA Real Estate	海闊天空國興城 Guoxing City 海航國際廣場 HNA International Plaza 望海國際廣場 Haikou Seaview International Plaza 海南大廈 Hainan Mansion	Approx 990,000
10	國瑞地產 Glory Real Estate	國瑞花園 Glory Garden 海闊天空國瑞城 Glory City	Approx 942,000

Source: Savills Research & Consultancy

The following chart states the 10 residential projects in terms of average selling price in Haikou as of December 31, 2013:

Ranking	Project name	Average selling price (RMB per sq.m.)
1	慧遠美林谷	16,600
2	海口外灘中心	16,400
3	海闊天空國瑞城	15,400
4	海域陽光	15,000
5	紫園	14,400
6	海岸賽拉維	14,400
7	濱海新天地	14,200
8	藍城印象	14,000
9	海航海闊天空國興城	13,900
10	田德海泉灣	13,800

9. Wanning property market overview

9.1. Wanning overview

9.1.1. Background of Wanning

Wanning, a prefecture-level city in southeast Hainan Province is 139 km south of Haikou and 112 km north of Sanya. The city's total area is 4,443.6 sq km including 1,883.5 sq km of land and 2,550 sq m of maritime space, enjoying a 109-km coast line with 11 harbors. It comprises 12 counties, five state-run farms, one state-run forest and the Xinglong Overseas Chinese Farm. Wancheng County is the political centre of Wanning where the city council is located.

Wanning has a tropical monsoon climate, which is mild and pleasant throughout the year, and an annual average temperature of 24°C. It is regarded as one of the most liveable cities in Hainan Province. Aside from its fame as a tourist destination, it also abounds in resources such as tropical crops, biological species and mineral deposits. In 2013, the total population of Wanning stood at 633,897.

Map 9-1: Wanning map



Source: Wanning government, Google Maps, Savills Research & Consultancy, 2012

Wanning is the transportation hub for two major cities (Sanya and Haikou), as it is in the middle of Eastern Expressway and is an essential station on the Hainan eastern railway which takes 74 minutes to Haikou and 45 minutes to Sanya.

9.1.2. Economic overview

Table 9-1: Wanning key statistics, 2007 – 2013

Year / Indices	Population	GDP	Growth rate	GDP per capita	FAI	Income from tourism	Retail Sales	Disposable Income per capita
	(Million)	(RMB billion)	(% YoY)	(RMB)	(RMB billion)	(RMB billion)	(RMB billion)	(RMB)
2007	0.6	5.55	15.1	10,007	1.89	N/A	1.76	9,303
2008	0.6	6.31	15.3	12,472	3.62	0.95	2.16	10,941
2009	0.6	7.12	15.2	14,056	6.21	1.05	2.58	12,566
2010	0.6	8.87	18.0	16,972	7.46	1.17	2.96	14,830
2011	0.6	11.31	12.0	22,616	9.52	1.44	3.48	17,470
2012	0.6	13.50	10.1	24,476	11.21	2.51	4.02	19,980
2013	0.6	14.7	10.2	26,580	14.4	3.3	4.5	22,038
CAGR	0	17.6	—	17.7	40.3	N/A	16.9	15.5

Source: Wanning Statistical Bureau, 2012

Wanning's economy has experienced a rapid increase during the past five years, achieving RMB14.7 billion in 2013. The city's 12th Five-year Plan mentions that further development will rely upon the advancement of the industrial and tourism sectors.

Under Hainan International Tourism Island Planning, issued in 2010, FAI in Wanning has greatly increased to RMB14.4 billion in 2013, which indicates that the urbanization process has been improved, providing an opportunity for real estate development. Income from the tourism industry has seen significant growth to RMB3.3 billion in 2013, which is more than triple of the total income in 2009. Real estate and tourism became key drivers of Wanning's economy boom.

Table 9-2: GDP comparison between Wanning and other eastern cities, 2013

	Wanning	Haikou	Sanya	Wenchang	Qionghai
GDP (RMB billion)	14.71	90.46	37.35	17.57	16.26
Growth rate (% YoY)	10.2	9.9	10.1	9.3	12.2

Source: Hainan Statistical Bureau, 2013

Wanning lies along the eastern Hainan tourism zone, as does Qionghai and Wenchang, enjoying similar resources. Qionghai, relying on Boao, and Wenchang, supported by the aerospace industry, are in direct competition with Wanning. Currently, Wanning's GDP is the lowest among the eastern cities but it has the second highest growth rate, indicating the great potential for further development depending on its unique nature resources, including hot springs and tropical plants in Xinglong as well as Shiliuwan Bay.

9.1.3. City planning and infrastructure

According to Hainan International Tourism Island Planning, Wanning belongs to the Eastern Group whose function is developing the littoral and tourism industry, tropical agriculture, and the marine fishery and farming industry. The city's 12th Five-year Plan pointed out three development core areas in Wanning: a 109-km coastal area, Wancheng county and Xinglong town. It aims to improve the service functions of Wanning County as the city centre, and form Wanning tourism zone led by Xinglong and coastal areas.

Map 9-2: Wanning urban planning



Map 9-2: Wanning transportation planning



The Wanning – Zhanzhou Expressway started construction in early 2013 directly connecting Hainan east and west to help build a comprehensive two-hour transportation circle in Hainan.

All the transportation projects mentioned above will greatly enhance the accessibility of Wanning and add value to properties around the traffic hubs.

9.1.4. Wanning property market

Real estate investment in Wanning increased at a CAGR of 153% from RMB0.1 billion in 2008 to RMB10.4 billion in 2013, driven by several large-scale developments such as Shenzhou Peninsula (神州半島). In 2013, Real estate investment in Wanning reached RMB10.4 billion, representing a 76.3% increase period in 2012. The total GFA completed reached 92,000 sq m in 2012, and total GFA sold reached 455,000 sq m. The average selling price increased from RMB3,375 per sq m in 2009 to RMB8,943 sq m in 2012.

Table 9-3: Wanning property market, 2008 – 2013

	2008	2009	2010	2011	2012	2013	CAGR (%)
Real estate investment (RMB billion)	0.1	1.5	2	4.3	5.9	10.4	153
Total GFA completed (thousand sq m)	25	215	N/A	183	92	N/A	N/A
Residential	25	215	N/A	183	92	N/A	N/A
Total GFA sold (thousand sq m)	62	160	382	420	455	629	58.8
Residential	62	160	382	420	455	N/A	N/A
Average selling price (RMB per sq m)	N/A	3,375	4,560	8,222	8,943	11,508	N/A
Residential	N/A	3,375	4,560	8,222	8,943	N/A	N/A

Source: Bureau of Statistics of Wanning

Note 1: Bureau of Statistics of Wanning does not release total GFA completed, GFA completed of residential properties, total GFA sold and GFA sold of residential properties in 2007. Bureau of Statistics of Wanning does not release the average selling price of real properties and average selling price of residential properties in 2008.

9.2. Wanning residential market

9.2.1. Residential market overview

As one of the major tourist cities in Hainan, Wanning has also been a significant market attracting non-Hainan house buyers who have been looking for second residences on the island since 2010.

The development of Wanning's residential market has been driven mainly by the factors listed below:

- The Hainan International Tourism Island Planning;
- A number of major projects launched by renowned developers; and
- Demand from people who enjoy the warm climate in Hainan Province, but cannot afford the high housing prices in Haikou and Sanya.

It is notable that the original inhabitants have a limited contribution to transaction volumes because they are likely to build houses by themselves rather than buying.

Housing buyers in Wanning's residential market are categorized into two groups:

- Second-home buyers from the mainland
- New Hainan Residents

Second-home buyers from the mainland

Housing buyers from northeast China and Beijing comprise a major customer group, while second-home buyers from southwest China, such as Chongqing and Kunming, are growing since frequent earthquakes have happened in these areas. Diversified product types can meet not only demand from the wealthy but also the middle-class. The friendly environment and surrounding nature resources are the primary factor in the purchasing decisions of this group. Transaction volumes move in line with the peak tourism season of Hainan, seeing more activity from October to the following April, and developers tend to offer discounts in the low season from May to September.

Tightened housing policies have had less of an impact on second-home buyers due to Wanning's real estate transaction network not having been built yet, and most of buyers tend to make full payments rather than rely on loans.

New Hainan residents

This refers to migrants from the mainland settling and working in Hainan. This group features rigid, mid-end residents who are more sensitive to mortgage policies and housing prices. They require properties with convenient living facilities and easy access to transportation.

9.2.2. Residential distribution

Wanning's residential market is distributed in accord with the 12th Five-year Plan, into three major submarkets:

Map 9-3: Wanning residential location map



Source: Google Maps, Savills Research & Consultancy

Xinglong

Relying on its hot springs and tropical landscape, Xinglong is relatively mature with the most developments. Product types vary, ranging from small-sized apartments to luxury villas, usually with unique selling points apart from the sea views.

Table 9-4: Major developments for sale, March 31, 2014

Project (EN)	Project (CN)	Investor	Type	Unit size (sq m)	Average price (RMB per sq m)	Key selling point
Sun Valley City	太陽城	Jinshouzhi Real Estate	Low-density	40 – 65	7,000 – 8,000	Hot springs
Shimei Manor	石梅山莊	SEGA Sammy Holdings	Low-density Villa	56 – 146 230 – 250	13,000 28,000	Tropical forests
Ballettown (Phase 1) . .	芭蕾雨	Beijing Capital Real Estate	Apartments Low-density Villa	39 57 – 99 126	9,500 10,500 30,000	10,000-sq m outlet

Source: Savills Research & Consultancy

Coastal area: Shimei Bay and Shenzhou Bay

Shimei Bay and Shenzhou Bay along the southeast coast were taken up in their entirety by two renowned groups for development. Both of the bays take advantage of magnificent views of the sea and local landscapes, and thus developments here are high-end villas, five-star hotels as well as advanced facilities such as shopping malls, golf courses, heliports and a yacht basin. This area is considered an alternative to Sanya. High-end positioning and advantageous geography supports higher prices in the two areas compared with Wancheng and Xinglong.

Table 9-5: Major developments for sale, March 31, 2014

Project (EN)	Project (CN)	Investor	Type	Unit size (sq m)	Average price (RMB per sq m)	GFA (sq m)
Shenzhou Peninsula . . .	神州半島	CITIC Group	Apartments Villa	98 – 120 150 – 300	13,000 25,000	4,060,000
Shimei Bay Palace	石梅灣九里	China Resource	Apartments	130, 170, 89 – 168	15,000	150,000

Source: Savills Research & Consultancy

Wancheng

This refers to the city centre area focused on developing mid-end projects since 2008. (Further information to be presented in 9.3 Submarket analysis.)

9.2.3. Market trends

Real estate investment has been booming since 2010 with an average YoY growth of 61%, driven by the construction of major large-scale projects represented by Shenzhou Peninsula. The total investment amount was RMB10.4 billion in 2013, which indicates that the strong supply will continue in the next three years.

2010 was a remarkable year for Wanning's real estate market, which saw a 238% growth in housing transactions, but prices did not rise until 2011. However, the strict housing policies and tightened mortgage requirements issued in 2011 discouraged housing buyers from the mainland, which led to a slowdown in transaction volume growth. Market performance then witnessed a stable uptrend and total take-up stood at 629,200 sq m with an average sales price of RMB11,508 per sq m in 2013.

9.3. Market outlook

The real estate industry has been highlighted in Wanning's 12th Five-year Plan as an important sector to develop in order to grow the economy, promote consumption and accelerate urbanization. Therefore, it encourages developing affordable housing as a primary goal, while in the meantime maintaining the stable and healthy expansion of tourism-related real estate for non-Hainan housing buyers. Total land supply for residential use from 2010 to 2012 was 15 sq km, indicating that the market will experience sufficient supply in the next three years.

Increasing housing prices and a high-density population during peak seasons in Sanya and Haikou will force housing buyers to search for alternative products in other cities. With the ever-improving infrastructure and the development of Hainan International Tourism Island, Wanning will become one of the most outstanding cities on the eastern coast. Thus, housing demand and prices in Wanning are expected to rise gradually.

9.4. Wancheng market analysis

9.4.1. Wancheng introduction

Wancheng, the political, economic and cultural centre of Wanning, is located in the southeast of Wanning with an inland sea (Small Sea to the north and South Sea to the east) and Hainan's only mountain (Dongshanling). According its urban planning, the city centre will expand east to Small Sea in order to improve the living environment by taking advantage of its nature resources. The city council and key government agencies have relocated along Wanhai Avenue. It will develop cultural, finance and retail facilities within the new area.

9.4.2. Market characteristics

The most obvious advantages of Wancheng are its advanced facilities and easy accessibility. However, unlike Xinglong and the coastal areas, housing supply consists of mid-end residences. Housing buyers are largely middle-class people from Beijing and northeast China, accounting for over 85% of the total. Actual demand from local residents is still low.

As the landscapes and natural views are poor compared with Xinglong and Shenzhou Bay, this submarket is less prominent. Thus, there is unavoidable competition with similar projects in other cities along the eastern coast, such as Wancheng and Qionghai.

There are ten projects for sale in the market up to Q1/2014. Half of the supply launched to the market is concentrated between 2010 and 2012. Projects are mostly mid-scale, and developed by local developers in this area. The largest scale project so far is Wanning Glory City along Wanhai Avenue. It has a total planned plot area of 244,340 sq m and Phase one, with a GFA of 154,642 sq m, is currently under construction.

Table 9-6: Residential supply in Wancheng, Q1/2014

Project (EN)	Project (CN)	Housing type	Opening time	Total GFA (sq m)	Unit size (sq m)	Average sales price (RMB per sq m)
Wanning Glory City	萬甯國瑞城	Mid-end	Mar 2013	175,000	60 – 90	7,500
Seashore Resort	寶安椰林灣	Mid-end	Dec 2008	231,310	41 – 84	7,500
Mountain Sea	山泉海	Mid-end	Jun 2010	198,000	39 – 76	6,400
Central Park	中央坡公館	Mid-end	Aug 2011	52,234	57 – 124	8,600
Flamenco Island Sea	佛拉明戈嶼海	Mid-end	Dec 2011	48,155	40 – 75	7,400
Sun City	海韻陽光城	Mid-end	Feb 2012	150,000	40 – 83	7,300
City Spring	萬城春天	Mid-end	May 2012	55,299	62 – 125	7,800
Huaya Island Holiday	華亞海島假日	Mid-end	Feb 2013	180,000	50 – 108	7,800
Green Garden	翠竹園	Mid-end	Jun 2013	31,075	50 – 65	6,400
Century Paradise	世紀桃源	Mid-end	Nov 2013	227,924	42 – 85	6,800

Source: Savills Research and Consultancy, Q1/2014

The average sales price at RMB7,350 per sq m is slightly increased compared with 2012. It is below the city average recorded at RMB11,508 per sq m in Q1/2014. The price difference is mainly caused by the higher city average which is driven by a large amount of high-end supply in Xinglong and coastal areas, whereas Wanning's market is dominated by mid-end supply.

Since the national restriction policies and tightened mortgage policies put a hold on purchasing demand, a number of developers are either offering 1% to 10% price discounts or providing free extra area to house buyers.

9.4.3. Market outlook

Wancheng will make the best of its central city superiority and ecological residents along the Small Sea following its city plan in the next three years.

Disposable income per capita for urban residents is expected to increase by 12.5% per annum according to the 12th Five-year Plan, and thus the housing affordability of local residents will be improved. Together with the integration of new residents among the original inhabitants and the promotion of urbanization, demand from local residents is expected to boom in the next five years.

Furthermore, the submarket will draw more attention from house buyers outside Hainan when the infrastructure and the city image is improved by the development of Shimei Bay and Shenzhou Bay.

Wancheng is considered to be a place enjoying advanced facilities and easy access to a range of tourism and vocational resources. Consequently, housing prices in Wancheng look set to gradually grow, given a positive economic outlook over the next five years.

9.4.4. Competition

The following chart states the top 10 residential developers in terms of total GFA within Wancheng District, Wanning as of March 31, 2014:

Table 9-7: Ranking of developers in Wancheng's residential market

Ranking	Company	Total GFA (approximate sq.m.)
1	國瑞地產 Glory Real Estate Co, Ltd	361,000
2	寶安地產 Baoan Real Estate	231,000
3	海南豪城實業有限公司 Hainan Haocheng Investment Co	228,000
4	萬寧凱德投資有限公司 Wanning Kaide Investment Co, Ltd	198,000
5	萬寧富通房地產有限公司 Futong Real Estate Co. Ltd	180,000
6	海南金利實業有限公司 Hainan Jingli Co. Ltd	150,000
7	海南中匯宏基時代廣場投資有限公司 Zhonghui Group	55,299
8	海南萬寧市興海實業有限公司 Xinghai Investment Co, Ltd	53,898
9	萬寧國興房地產開發有限公司 Wanning Guoxing Real Estate Development Co. Ltd	52,234
10	萬寧儒生置業有限公司 Wanning Rusheng Real Estate Co. Ltd	51,767

Source: Savills Research and Consultancy

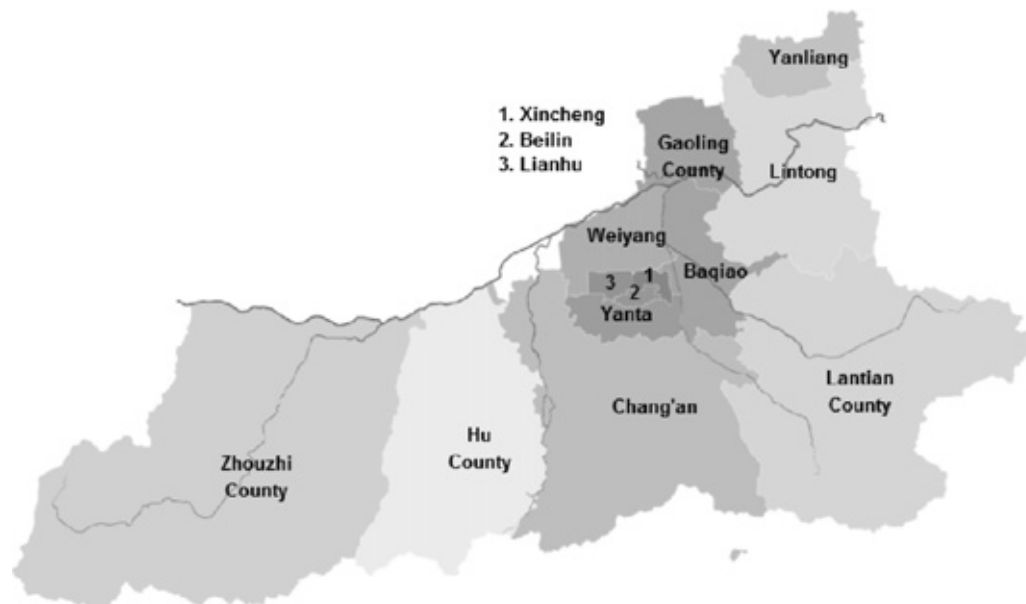
10. Xi'an market research

10.1. Xi'an macro economic overview

10.1.1. Xi'an overview

Xi'an is the capital of Shaanxi Province, and a sub-provincial city in the People's Republic of China, with a total population of 8.1 million as of 2013 and an administrative area of 10,108 sq. km. It is the economic and cultural centre of Shaanxi Province. The urban area of Xi'an City includes nine districts and four counties: Xincheng District, Beilin District, Lanhu District, Baqiao District, Weiyang District, Yanta District, Yanliang District, Lintong District, Chang'an, Changri, Lantian County, Zhouzhi County, Hu County and Gaoling County.

Map 10-1: Xi'an administration map

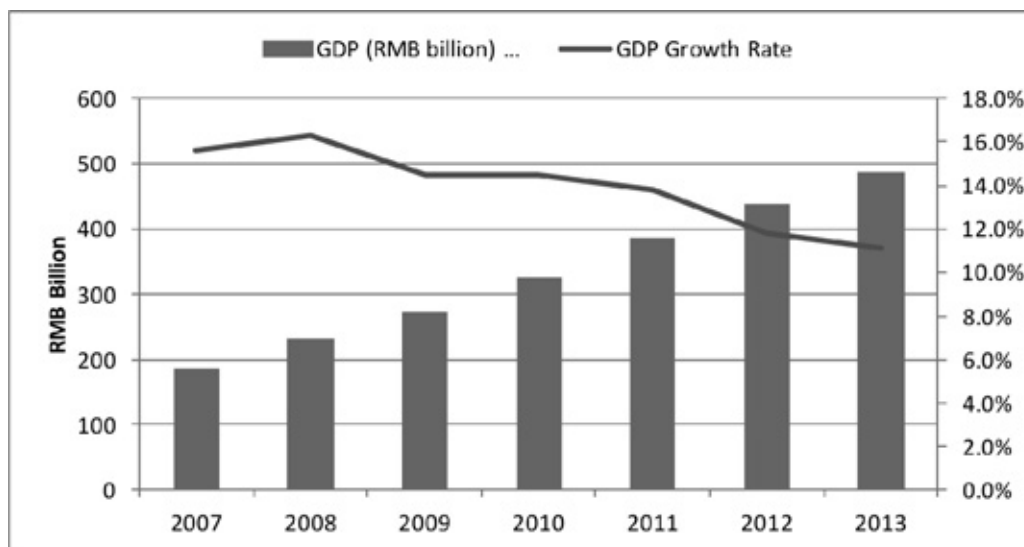


Source: Savills Research & Consultancy

According to the 12th Five-Year Plan proposed in 2011, Xi'an will accomplish the following targets by the end of 2015: GDP will reach RMB640 billion; urban per capita disposable income will reach RMB44,488; 5.5% of GDP will be spent on research and development; the urbanization rate will reach 75%; and the proportion of GDP accounted for by the tertiary industries will be 56%.

10.1.2. Xi'an macro economic overview

Chart 10-1: Xi'an's GDP, 2007 – 2013



Source: Savills Research & Consultancy

By the end of 2013, Xi'an's nominal GDP reached RMB488.4 billion, and tertiary industry contributed about 52.2% to GDP. FAI totalled RMB513.5 billion, an increase of 21.0% YoY. The consumption power of local residents continues to grow. In 2013, Xi'an's retail sales reached RMB254.8 billion, an increase of 14.0% YoY.

Xi'an's GDP increased at a CAGR of 17.5% from RMB186 billion in 2007 to RMB488 billion in 2013, and the per capita disposable income in Xi'an increased at a CAGR of 17.4% from RMB12,662 in 2007 to RMB33,100 in 2013. The following table shows selected economic indicators for Xi'an for the years indicated:

Table 10-1: Xi'an's key statistics, 2007 – 2013

	2007	2008	2009	2010	2011	2012	2013	CAGR (%)
Population (million)	7.6	7.7	7.8	7.8	7.9	8.0	8.1	1.1
GDP (RMB billion)	185.7	231.8	272.4	324.1	386.2	436.9	488.4	17.5
GDP per capita (RMB)	22,463	27,794	32,411	38,343	45,475	54,892	56,871	16.7
FAI (RMB billion)	143.5	190.6	250.0	325.1	334.6	424.3	513.5	23.7
Per capita disposable income (RMB)	12,662	15,206	18,963	22,244	25,981	29,982	33,100	17.4
Retail sales (RMB billion)	93.6	117.7	138.1	163.7	196.6	223.6	254.8	18.2

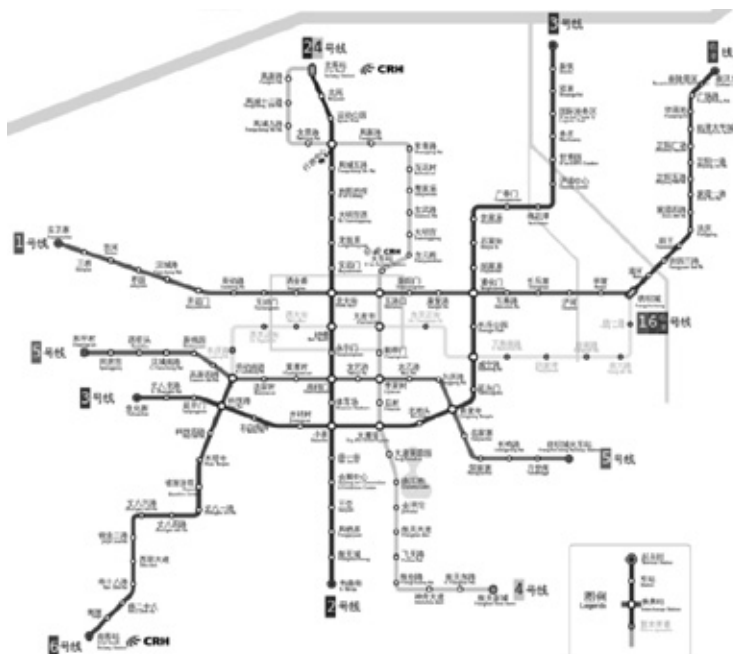
Source: Bureau of Statistics of Xi'an

10.1.3. Xi'an infrastructure development

Metro

Currently the Metro system is designed with six lines. The first Metro line, line 2, opened on September 16, 2011 and line 1 opened on September 15, 2013. The rest are planned to start construction in 2013, with completion expected between 2016 and 2018.

Map 10-2: Xi'an's Metro plans in 2013



Source: The official website of Xi'an Metro Co, Ltd

Rail

There are six railway stations in Xi'an. Xi'an Railway Station, located just north of Xi'an walled city, is one of the eight major national railway stations, and the main railway transportation hub of Shaanxi Province. The new Xi'an North Railway Station, situated a few miles to the north, is the station for the high-speed trains of the Zhengzhou — Xi'an High-Speed Railway. The city's other stations are Xi'an West, Xi'an East, Xi'an South, Sanmincun and Fangzhicheng railway stations.

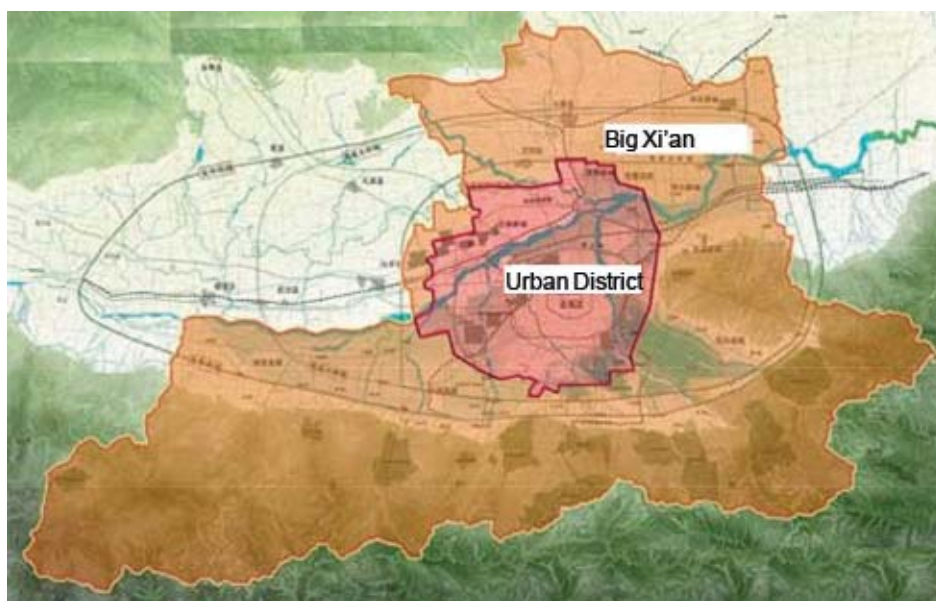
Air

Xi'an Xianyang International Airport is the major airport serving the city and is the largest airport in the northwestern part of China. The airport is located to the northwest of the city, between Xi'an and Xianyang.

10.1.4. Xi'an city planning

The Xi'an government has proposed the concept of "Big Xi'an", which envisages one central city, three vice central cities and eight new cities. The central city is the current urban district. It will have a area of 850 sq. km., with a population of 8.5 million. The three vice central cities are Yanliang, Lintong and Huxian. Each of them will have a population of 500,000 to 600,000 and are positioned to develop specific industries. The new cities are Zhouzhi, Lantian, Gaoling, Jingyang, Sanyuan, Fuping, Changning and Hongqing. These new cities will have a population of around 100,00 to 150,000.

Map 10-3: Xi'an city planning map



Source: Xi'an Government

10.1.5. Xi'an real estate market overview

Real estate investment in Xi'an increased at a CAGR of 26.6% from RMB38.7 billion in 2007 to RMB159.6 billion in 2013. The total GFA completed in Xi'an increased at a CAGR of 8.7% from

4.8 million sq. m. in 2007 to 7.9 million sq. m. in 2013. The total GFA sold in Xi'an increased at a CAGR of 13.2% from 8.3 million sq. m. in 2007 to 15.4 million sq. m. in 2012. The average selling price in Xi'an increased at a CAGR of 24.1% from RMB3,395 per sq. m. in 2007 to RMB9,993 per sq. m. in 2012.

The following table shows selected property market indicators of Xi'an for the periods indicated:

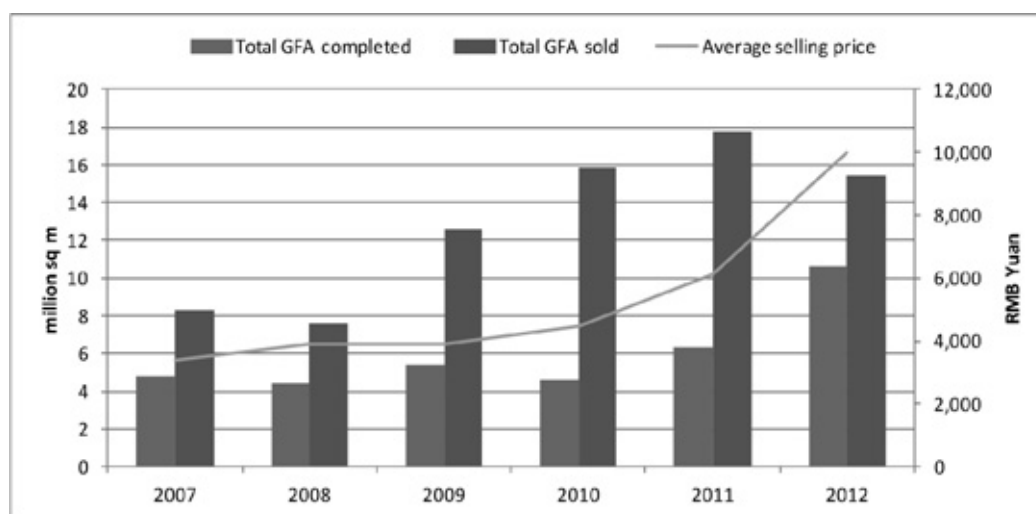
Table 10-2: Xi'an's property market, 2007 – 2012

	2007	2008	2009	2010	2011	2012	2013	CAGR (%)
Real estate investment (RMB billion)	38.7	54.0	69.6	84.2	99.7	128.2	159.6	26.6
Total GFA completed (million sq.m.)	4.8	4.4	5.4	4.6	6.3	10.6	7.9	8.7
Total GFA sold (million sq.m.)	8.3	7.6	12.6	15.9	17.8	15.4	N/A	13.2
Average selling price (RMB per sq.m.)	3,395	3,901	3,877	4,447	6,131	9,993	N/A	24.1

Source: Bureau of Statistics of Xi'an

From 2007 to 2012, the total GFA of sold commodity housing was consistently higher than the total GFA of completed commodity housing, indicating that demand was higher than the effective supply.

Chart 10-2: Supply and demand of commodity housing in Xi'an, 2007 – 2012



Source: Savills Research & Consultancy

The strong demand for real properties in Xi'an was driven by population growth, economic growth, urbanization and rising resident spending power, which all played key roles in stimulating market demand as well as price appreciation in the city.

Population growth

In 2013, the total population of Xi'an reached 8.1 million, with an annual growth rate of 1.4%. This is much higher than the average national population growth rate, which is 0.6%. According to the 12th Five-Year Plan, the total permanent population of Xi'an will increase to 9.0 million.

Economic growth

From 2007 to 2013, the CAGR of GDP in Xi'an was 17.5%, and the per capita disposable income reached a CAGR of 17.4%.

Resident spending power

Retail sales in Xi'an increased from RMB93.6 billion in 2007 to RMB254.8 billion in 2013, representing a CAGR of 18.2%. Xi'an's GDP per capita reached RMB56,871 in 2013, representing a CAGR of 16.7% from 2007. The urban resident per capita living expenditure consumption stood at RMB23,848, representing a growth of 11.3% YoY.

Urbanization

In accordance with the Master Plan of Xi'an, the urbanization rate will rise from 71.5% in 2012 to 79.5% in 2020. It is reasonable to assume that the fast urbanization rate will generate considerable housing demand in Xi'an.

10.2. Xi'an office market overview*10.2.1. Market definition*

The office category includes only Grade A office buildings available for sale or lease on the Xi'an market, with an office area of over 30,000 sq. m. Similar to other second-tier cities, the majority of office buildings in Xi'an are sold strata titled when launched onto the market, before entering the leasing market. Therefore, we include both strata-titled and lease-only office buildings in this study. Offices constructed for self use by developers or SOEs, or converted office space in hotels and residential apartments are excluded from this study.

*10.2.2. Distribution and market performance**Distribution*

The city's Grade A office market took off in the late 1990s, with the first Grade A office buildings handed over in 1998. The market then developed slowly prior to 2010 with per annum supply registering just 56,000 sq. m. between 2001 and 2010. Supply growth then accelerated in 2011, averaging 114,000 sq. m. per year between 2011 and 2013. As a result, Xi'an's Grade A office stock reached 899,000 sq. m. by the end of 2013, less than most of the other major second-tier cities, including Shenyang, Dalian, Qingdao and Chengdu, although more than Tianjin and Chongqing.

Xi'an's Grade A office market is divided into four key business areas, namely North City area, South City area, High-tech Zone (HTIDZ) and Qujiang area. HTIDZ is the largest submarket with stock of 462,000 sq. m., accounting for 51.3% of total stock, while North City area and Qujiang area are much smaller, with stock accounting for 13.7% and 13.9% of the total, respectively.

Map 10-4: Xi'an's major business districts

Source: Savills Research

As the capital city of Shannxi Province and the economic center of northwest China, Xi'an has attracted a number of IT and high-tech, manufacturing (particularly in terms of electronic equipment), commerce and trade, property development, and industrial enterprises, which are also the major demand drivers for office space. In the past five years, overseas financial, professional services, energy and pharmaceutical companies have accelerated their entry to the market, bringing a growing demand for prime office space, as well as an upgrade in tenant mix in the overall market.

As a result, net take-up in the past three years averaged 84,000 sq. m., accounting for 73.9% of the per annum supply in the same period. Steady demand led to the city-wide vacancy rate falling to 19.0% by the end of 2013, representing a YoY decline of 1.9 ppts, despite new supply of nearly 100,000 sq. m. in the year. The Grade A office city-wide vacancy rate stood at a healthy level compared with other major second-tier cities such as Chengdu, Chongqing and Tianjin.

Echoing strong economic growth in the city during the past decade, Grade A office rents witnessed stable growth between 2009 and 2013, with the CAGR of effective rents reaching 6.2%. By the end of 2013, Grade A office rents appreciated by 3.8% YoY to RMB102.2 per sq. m. per month.

HTIDZ is one of the first of the country's High-tech Industrial Zones and therefore enjoys a wide range of incentive policies from both the China and Xian governments. Combined with a mature business ambiance, and a cluster of quality overseas and domestic corporations, HTIDZ easily commands the highest rents in the city, which stood at RMB116.0 per sq. m. per month by the end of 2013, a 13.5% premium on the city's average. In contrast, Qujiang area had the lowest rents in the city at RMB80.0 per sq. m. per month by the end of 2013.

Table 10-3: Office market stock in Xi'an

Submarket	GFA (sq. m.)	Rent (RMB per sq. m. per month)
North City	Approx 123,000	83.5
South City	Approx 189,000	114.0
HTIDZ	Approx 462,000	116.0
Qujiang	Approx 125,000	80.0
Total	899,000	102.2

Source: Savills Research & Consultancy

10.2.3. Xi'an office market outlook

Similar to a number of other second-tier cities, Xi'an is expected to witness a pick-up in supply over the next two years, with a total of 17 projects scheduled for handover, bringing a total office GFA of 1.24 million sq. m., and more than doubling current market stock by the end of 2015. By submarket, supply in HTIDZ, South City and North City areas accounted for 31.0%, 27.7% and 31.4% of the total, respectively, in the same period.

Despite the intensified market competition, which is expected to suppress both rents and city-wide occupancy rates in the short term as landlords provide rental discounts to secure healthy occupancies, the Grade A office market should be significantly upgraded as the majority of these future projects have higher standard specifications compared with existing projects.

Table 10-4: Future supply in Xi'an, 2014-2015

Project	Completion	District	Grade	GFA (sq. m.)
Tuorui International 拓銳國際	2014	Qujiang	A	46,000
Daminggong Wanda Center 大明宮萬達中心	2014	North City	A	91,000
Linghai Building 領海大廈	2014	HTIDZ	A	90,000
Zhihai Building 智海大廈	2014	HTIDZ	A	57,000
Zhujiang Time Plaza 珠江時代廣場	2014	South City	A	13,000
Hengtian Caizhi Building 恒天財智大廈	2014	Other	A	40,000
Chang'an International Tower 2 長安國際二期	2014	South City	A	50,000
Zhengshang International Finance Center 正尚國際金融廣場	2015	North City	A	80,000
Quanshi Beiao Center 泉石北奧中心	2015	North City	A	108,000
Forton International Fortune Center 富爾頓國際財富中心	2015	North City	A	110,000
Hualian Shopping Plaza Tower 3 華聯購物廣場三期寫字樓	2015	South City	A	44,000
Xi'an International Center Tower 1 西安國際中心一期	2015	South City	A	140,000
Liz Han Palace 利茲瀚宮	2015	South City	A	67,000
Wangdu City Window 旺都城市之窗	2015	HTIDZ	A	213,000
Ark International 方舟國際	2015	HTIDZ	A-	24,000
Chaoyang New World 朝陽新世界	2015	South City	A	31,000
Qujiang Dijie International Plaza 曲江諦傑國際廣場	2015	Qujiang	A	36,000

Source: Savills Research

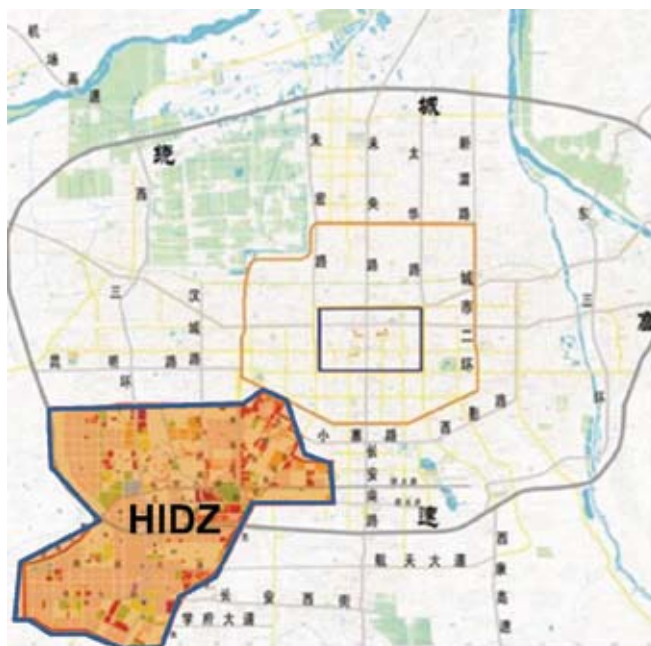
10.3. HTIDZ office market overview

10.3.1. HTIDZ overview

Located in the southwest of Xi'an, HTIDZ was approved and established by the State Council as a state-level development zone in March 1991. HTIDZ had a total land area of 307 sq. km. in 2013.

Xi'an HTIDZ has a well-developed transportation network. It is 7 km from the downtown area of Xi'an, 11 km from the nearest railway station, and 35 km from Xi'an Xianyang International Airport. The planned Metro line six running through the HTIDZ is expected to be completed in 2018 offering easier access to downtown area.

Map 10-5: Xi'an HTIDZ location



Source: HTIDZ Administration Committee

Xi'an HTIDZ currently houses more than 8,000 high-tech enterprises, and nearly 100 Fortune 500 companies and subsidiary R&D centers. The gross industrial output from enterprises registered in HTIDZ accounts for approximately 30% of Xi'an's GDP.

Pillar industries of Xi'an HTIDZ include IT and high-tech, electronic, equipment and automobile manufacturing, and bio-tech and pharmaceuticals companies. Representative enterprises include Oracle, Emerson Electric, Huawei Technologies, ZTE, SPSS, Qimonda AG, Sybase, NTTData, NEC, New Egg, Fujitsu and Kingdee.

HTIDZ CBD

Located in the south of HTIDZ with Jinye Road as the axis road, HTIDZ CBD was planned by the government in 2003, with a total site area of approximately 2 sq. km. and a total planned GFA of approximately 2 million sq. m.

HTIDZ CBD focuses on business, with the majority of completed, constructed or proposed projects positioned as office buildings. Most of the land plots have been successively transacted since 2004, with currently completed projects mainly located in the north of HTIDZ CBD, including offices the City Gate (accommodating the HTIDZ Administrative Committee) and Huixin IBC, residential project Greenland Century City, and hospitality projects Holiday Inn and Xi'an Greenland Pico International Conference and Exhibition Centre. Greenland Group is the largest landlord in HTIDZ CBD, with projects totaling approximately 1.2 million sq. m.

HTIDZ CBD has attracted a series of renowned developers, investors, and four- and five-star hotel operators, such as Greenland Group, CREC Group, China Investment Group and Ramada Hotel Group, with

their landmark projects CREC Xi'an Centre, Greenland Centre (Tower I and 2), Greenland Being Funny Shopping Mall and Ramada Hotel, expected to be completed over the next five years. Combined with the planned Metro line six along Jinye Road, which is expected to be completed in 2018 offering easier access to downtown areas, HTIDZ CBD is expected to develop into one of the most mature business districts in Xi'an, with a cluster of high-quality projects, and a large pool of quality tenants and end users.

10.3.2. HTIDZ office market overview

HTIDZ is the largest, most mature and expensive office submarket in Xi'an with the first Grade A office building completed in 2003. By the end of 2013, there were six Grade A office buildings with a total office GFA of 462,000 sq. m., accounting for 51.3% of the city's stock. Office buildings located in HTIDZ have high-standard specifications compared with their counterparts located in South City and North City areas, highlighted by High-tech International Business Centre, Xi'gang International Building and Linking International.

Demand for HTIDZ prime office space was much stronger than for any of the other three major business districts, supported by the concentration of renowned IT and high-tech enterprises, a larger share of overseas companies, a cluster of quality residential communities and the established retail facilities. As a result, HTIDZ's office market outperformed the overall market, with vacancy rates dropping to 12.3% by the end of 2013, 6.7 ppts lower than the city's average. Meanwhile, net take-up during the past three years registered 56,000 sq. m., accounting for 66.7% of the city's total, with IT and high-tech, manufacturing, and commerce and trade companies as the major demand drivers.

HTIDZ Grade A office rents witnessed a CAGR of 6.6% during the past five years, and grew by 2.8% YoY in 2013 to RMB116.0 per sq. m. per month, the highest level in the city and enjoying a 13.5% premium over the city's average.

10.3.3. HTIDZ outlook

HTIDZ's Grade A office market is expected to witness a pick-up in supply over the next three years, with nine projects scheduled for handover, bringing a total office GFA of 989,000 sq. m. and accounting for 42.7% of the total supply in the same period. As a result, HTIDZ's Grade A office stock is expected to triple by the end of 2016.

Despite growing demand, this large amount of supply is expected to push up HTIDZ vacancy rates, given the intensified competition between landlords, and consequently suppress rental growth in the short term. However, HTIDZ is expected to be further upgraded when these projects are completed, as most of them have high-standard specifications. Notably, the submarket is expected to welcome the first batch of International Grade A office buildings in the city, when CREC Xi'an Centre and Greenland Centre Tower 1 are handed over in 2016.

Table 10-5: Future supply in HTIDZ, 2014 – 2016

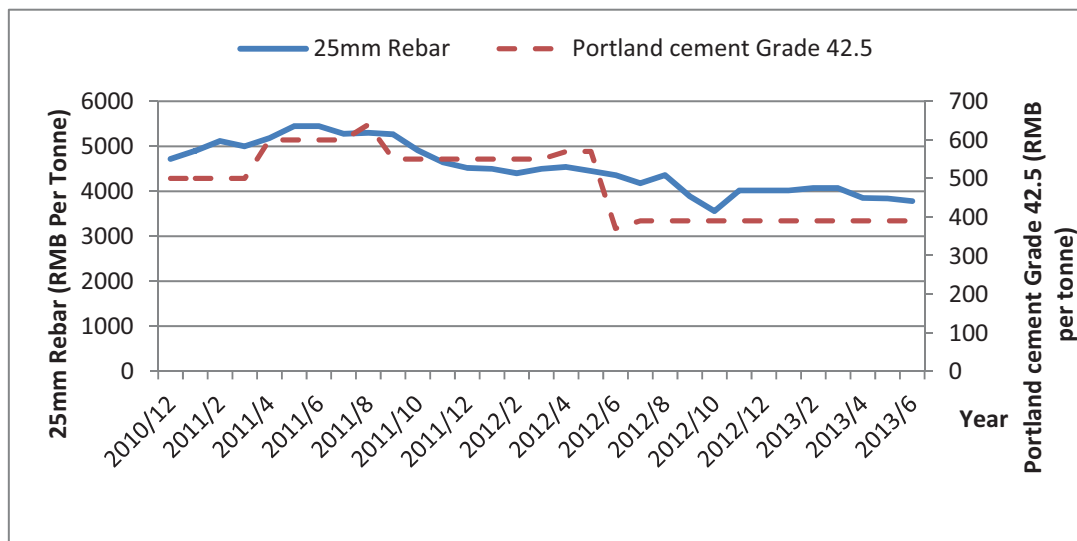
Project	Completion	Grade	GFA (sq. m.)
Linghai Building 領海大廈	2014	A	90,000
Zhihai Building 智海大廈	2014	A	57,000
Wangdu City Window 旺都城市之窗	2015	A	213,000
Ark International 方舟國際	2015	A-	24,000
Century Golden Flower Project 世紀金花	2016	A	156,000
Zhongtie Xi'an Center 中鐵西安中心	2016	IA	133,500
Greenland Center 1 綠地中心1座	2016	IA	170,000
Moore Center 摩爾中心	2016	A-	116,000
Qidi Time 1 啟迪·清揚時代 1期	2016	A	30,000

Source: Savills Research

11. Prices of construction materials and other raw materials

The prices of construction materials, such as steel and cement decreased in 2012 and 2013. Savills expects that price of steel and cement in the 2014 will remain at the same level as in 2013. The real estate developers benefit from decreasing construction material prices.

The following chart shows the historical trend of steel prices and cement prices in China from 2010 to Q2 2013.



Source: Rider Levett Bucknall.

Note:

- (i) Rider Levett Bucknall specializes in all aspects of quantity surveying and provides a wide range of comprehensive professional services.
- (ii) The 'steel prices' refer to the spot average wholesale prices in Beijing for 25mm steel rebar, most commonly used in the construction industry for dwellings and houses
- (iii) The 'cement prices' refer to the spot average wholesale prices in Beijing for Portland cement Grade 42.5.

Limitations on the report

This report contains forward-looking statements which state Savills (Hong Kong) Limited's ("the Consultant") beliefs, expectations, forecasts or predictions for the future. The Consultant stresses that all such forecasts and statements, other than statements of historical fact, outlined in this report should be regarded as an indicative assessment of possibilities rather than absolute certainties. The process of making forecasts involves assumptions about a considerable number of variables which are very sensitive to changing conditions. Variations of any one may significantly affect outcomes and the Consultant draws your attention to this.

The Consultant therefore can give no assurance that the forecasts outlined in this report will be achieved or that such forecasts and forward-looking statements will prove to have been correct and you are cautioned not to place undue reliance on such statements. The Consultant undertakes no obligation to publicly update or revise any forward-looking statements contained in this report, whether as a result of new information, future events or otherwise, except as required by law, and all forward-looking statements contained in this summary report are qualified by reference to this cautionary statement.

The report is prepared by the Consultant for information only. While reasonable care has been exercised in preparing the report, it is subject to change and these particulars do not constitute, nor constitute part of, an offer or contract. Interested parties should not rely on the statements or representations of fact but must satisfy themselves by inspection or otherwise as to the accuracy. No representation, warranty or covenant, express or implied, is given and no undertaking as to accuracy, reasonableness or completeness of the information contained in this report. In producing this report, the Consultant has relied upon external third-party information and on statistical models to generate the forward-looking statements. It should be noted, and it is expressly stated, that there is no independent verification of any of the external third-party documents or information referred to herein. This report is limited to the matters stated in it and no opinion is implied or may be inferred beyond the matters expressly stated herein.

Yours sincerely,
Savills (Hong Kong) Limited

Simon Smith
Senior Director
Head of Research & Consultancy

1. PRC Taxation

(1) Income tax on foreign investment enterprises

The New Income Tax Law 《中華人民共和國企業所得稅法》 was promulgated by NPC on March 16, 2007 and came into effect on January 1, 2008. The Chinese domestic enterprises and FIEs are treated equally on the income tax rate, and the enterprise income tax rate shall be 25%. In accordance with the New Income Tax Law and its implementing regulations, the non-resident enterprise which has not set up institutions or establishments in China, or has set up institutions or establishments but the income has no relationship with such institutions or establishments, it shall pay enterprise income tax on such income sourced from China, and the income tax rate shall be 20%, subject to reduction as provided by any applicable double taxation treaty, unless the relevant income is specially exempted from tax under the applicable tax laws, regulations, notices and decisions which relate to FIEs and their investors.

The enterprises that were approved and established prior to the promulgation hereof and that, in accordance with the effective tax laws and administrative regulations, enjoy a special lower tax rate shall, in accordance with the provisions of the State Council, progressively transit to the tax rate specified herein within 5 years following the implementation hereof. Those enterprises that enjoy a fixed-term tax exemption or tax reduction shall, in accordance with the provisions of the State Council, continue to enjoy such exemption or reduction after the implementation hereof until the expiration of the term of such exemption or reduction. However, if an enterprise did not enjoy such preferential treatment because it has not yet achieved profitability, the term of such preferential treatment shall be calculated from January 1, 2008 until the expiration of the term of such exemption or reduction.

Based on the Notice of State Administration of Taxation on Issues Relating to Prepayment of Enterprise Income Tax for Real Estate Development Enterprises 《國家稅務總局關於房地產開發企業所得稅預繳問題的通知》 promulgated by the State Administration of Taxation on April 11, 2008 and amended on January 4, 2011, a real estate development enterprise shall prepay enterprise income tax on the monthly (or quarterly) basis according to the actual profit of the current year, an estimated amount of profit shall be worked out on the monthly (or quarterly) basis and calculated into total profits for prepayment, on the basis of the revenue which is derived from pre-sale of residences and commercial buildings under development and construction, as well as other buildings, ancillary facilities and supporting facilities under development prior to their completion and according to the estimated rate of profit as prescribed.

Based on the Circular on Issues Concerning Treatment of Enterprise Income Tax in Enterprise Restructuring Business 《關於企業重組業務企業所得稅處理若干問題的通知》 promulgated by the State Administration of Taxation and Ministry of Finance on April 30, 2009, enterprise restructuring refers to transactions of material change in legal structure or economic structure of an enterprise other than changes in the daily operating activities, including change in legal form of the enterprise, debt restructuring, equity acquisition, asset acquisition, merger, and split, and the tax treatment of enterprise restructuring shall be divided into general reorganization and special reorganization based on different criteria.

Based on the Circular of the State Administration of Taxation on Strengthening the Administration of Enterprise Income Tax on Incomes from Equity Transfers of Non-Resident Enterprises 《國家稅務總局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》 promulgated by the State Administration of Taxation on December 10, 2009, the non-resident enterprise shall file tax return and pay the enterprise income tax regarding the equity transfer income to the competent tax authorities at the locality of the Chinese resident enterprise whose equity has been transferred (such tax authorities shall be responsible for the tax collection and administration of the income tax of such resident enterprise) within seven 7 days upon the date of equity transfer as agreed in relevant contracts and/or agreements. The abovementioned equity transfer income refers to the income obtained by the non-resident enterprises from their transfers of the equity of Chinese resident enterprises (excluding the stocks of Chinese resident enterprises that are purchased from and sold in the open securities markets)

Based on the Circular of the State Administration of Taxation on the Interpretation and the Determination of the “Beneficial Owners” in the Tax Treaties 《國家稅務總局關於如何理解和認定稅收協定中“受益所有人”的通知》promulgated by the State Administration of Taxation on October 27, 2009, for the determination of “beneficial owners” status, rather than viewed only from the technical level or domestic law angle, it shall be analyzed and viewed on the basis of purposes of the tax treaties (i.e. avoiding double taxation and preventing tax evasion and omission) and the principle of “substance over form” and in line with the specific circumstances of the cases. In general, the following factors are not conducive for the determination of applicants’ status as “beneficial owners”:

- (a) The applicant is obliged to pay or distribute all or major part (e.g. above 60%) of the proceeds within a specified time limit (e.g. within 12 months after receiving) to residents of a third country (region);
- (b) The applicant has no or hardly has any other operation activities except the properties or rights from which the proceeds generate;
- (c) As for a company applicant and the like, the applicant’s small (few) asset, scale and staff mismatch with the proceeds;
- (d) The applicant has no or hardly has any right to control or dispose, nor does it assume or assumes little risk on the proceeds or the properties or rights from which the proceeds generate;
- (e) The counterparty county (region) to the tax treaties does not levy tax or grant tax exemption on the proceeds or levy at an extremely low rate;
- (f) Besides the loan contract based on which interests accrue and are paid, the applicant has other similar loan or deposit contracts in respect of amount, interest rate and execution date with a third party;
- (g) Besides the transfer contracts of copyright, patent or technology based on which royalties generate or are paid, the applicant has other transfer contracts in respect of right to use or ownership of copyright, patent or technology with a third party.

As for proceeds of differing natures, if it is believed that the applicant does not satisfy the requirements of Article 1 hereof upon comprehensive analysis on the basis of the factors said above, the applicant shall not be determined as the “beneficial owner.”

(2) Business tax

Pursuant to the Provisional Regulations of the PRC Concerning Business Tax 《中華人民共和國營業稅暫行條例》promulgated by the State Council which came into effect on January 1, 1994 (as amended on November 10, 2008 and came into effect on January 1, 2009) and its Implementation Rules, businesses that provide services (including entertainment business), assign intangible assets or sell immovable property became liable to business tax at a rate ranging from three to twenty per cent of the charges of the services provided, intangible assets assigned or immovable property sold, as the case may be.

(3) Land Appreciation Tax

Pursuant to the PRC Provisional Regulations on Land Appreciation Tax 《中華人民共和國土地增值稅暫行條例》(the “**Provisional Regulations**”) promulgated by the State Council on December 13, 1993 and effected on January 1, 1994 (as amended on January 8, 2011 and came in to effect on January 8, 2011), and the PRC Detailed Implementation Rules on the Provisional Regulations of the People’s Republic of China on Land Appreciation Tax (the “**Detailed Implementation Rules**”) which was promulgated and effected on January 27, 1995, any appreciation amount gained from taxpayer’s transfer of property shall be subject to

land appreciation tax. LAT is calculated based on a 4-band excess progressive tax rate: for the portion with appreciation not exceeding 50% of the deductible amount, the applicable tax rate is 30%; the applicable tax rate for the portion with appreciation exceeding 50% but not exceeding 100% of the deductible amount is 40%; the applicable tax rate for the portion exceeding 100%, but not exceeding 200% of the deductible amount is 50%; the applicable tax rate for the portion exceeding 200% of the deductible amount is 60%. The related deductible items aforesaid include the following:

- (a) amount paid for obtaining the land use right;
- (b) costs and expenses for development of land;
- (c) costs and expenses of new buildings and ancillary facilities, or evaluated prices of old buildings and constructions;
- (d) related tax payable for transfer of property; and
- (e) other deductible items as specified by the Ministry of Finance.

According to the requirements of the Provisional Regulations, the Detailed Implementation Rules and the Notice issued by the Ministry of Finance in respect of the Levy and Exemption of Land Appreciation Tax for Development and Transfer Contracts signed before January 1, 1994 《財政部關於對一九九四年一月一日前簽訂開發及轉讓合同的房地產徵免土地增值稅的通知》, which was announced by the Ministry of Finance on January 27, 1995, LAT is exempted under any one of the following circumstances:

- (a) taxpayers constructing ordinary standard residences for sale (i.e. the residences built in accordance with the local standard for general civilian used residential properties. Deluxe apartments, villas, resorts, etc. are not under the category of ordinary standard residences), where the appreciation amount does not exceed 20% of the sum of deductible items;
- (b) real estate taken over and repossessed according to laws due to the construction requirements of the State;
- (c) due to redeployment of work or improvement of living standard, individuals transfer originally self-used residential property, of which they have been living there for five years or more, and after obtaining tax authorities' approval;
- (d) for real estate assignments which were signed before January 1, 1994, whenever the properties are transferred, the LAT shall be exempted; and
- (e) either when the real estate assignments were signed before January 1, 1994 or when the project proposal has been approved and that capital was injected for development in accordance with the conditions agreed, the LAT shall be exempted if the properties are transferred within five years after January 1, 1994 for the first time. The date of signing the assignment shall be the date of signing the Sale and Purchase Agreement. Particular real estate projects which are approved by the Government for the development of the whole piece of land and long-term development, of which the properties are transferred for the first time after the five-year tax-free period, after auditing being conducted by the local financial and tax authorities, and approved by Ministry of Finance and State Taxation Bureau, the tax-free period would then be appropriately prolonged.

After the enactment of the Provisional Regulations and the Detailed Implementation Rules, due to the longer period for the real estate development and transfer, many districts, while they were implementing the regulations and rules, did not force the real estate development enterprises to declare and pay the LAT. Therefore, in order to assist the local tax authorities in the collection of LAT, the Ministry of Finance, State Taxation Bureau, Ministry of Construction and State Land Administration Bureau had separately and jointly issued several notices to restate the following: After the assignments are signed, the taxpayers should

declare the tax to the local tax authorities where the real estate is located, and pay the LAT in accordance with the amount as calculated by the tax authority and the time as required. For those who fail to acquire proof as regards the tax paid or the tax exemption from the tax authorities, the real estate administration authority shall not process the relevant title change procedures, and shall not issue the real estate title certificate.

The State Taxation Bureau also issued the Notice issued by the State Taxation Bureau in respect of the Serious Handling of Administration Work in relation to the Collection of Land Appreciation Tax 《國家稅務總局關於認真做好土地增值稅徵收管理工作的通知》 on July 10, 2002 to request local tax authorities to modify the management system of LAT collection and operation details, to build up sound taxpaying declaration system for LAT, to modify the methods of pre-levying for the pre-sale of real estates. That notice also pointed out that either for the real estate assignments which were signed before January 1, 1994 or where the project proposal has been approved and capital was injected for development, the privilege policy for LAT exemption for the properties that are transferred within five years after January 1, 1994 for the first time is expired, and such tax shall be levied again.

According to the Circular on Several Issues of the Levy and Administration of Land Appreciation Tax promulgated jointly by the State Administration of Taxation and the State Land Administration Bureau 《國家稅務總局、國家土地管理局關於土地增值稅若干徵管問題的通知》 in January 1996 and the Circular on Issues related to the Administration and Levy of the Land Appreciation Tax 《國家稅務總局、建設部關於土地增值稅徵收管理有關問題的通知》 promulgated by the State Administration of Taxation and the Ministry of Construction in April 1996, the taxation authorities at all levels should cooperate with the land resource and real estate management authorities on the levy and administration of the LAT in accordance with the related regulations and the above two circulars.

The State Administration of Taxation promulgated the Circular Concerning the Settlement of the LAT Imposed on Real Property Developers (the “**Circular**”) 《國家稅務總局關於房地產開發企業土地增值稅清算管理有關問題的通知》 on December 28, 2006. Pursuant to the Circular, effective from February 1, 2007, a real property developer shall settle and clear the LAT payment of its development projects that meet certain criteria with the tax authorities in accordance with the applicable LAT tax rates. The LAT shall be settled for projects approved by the competent authorities. For projects developed in different stages, the land appreciation tax shall be settled accordingly. LAT must be paid if the projects meet any of the following requirements: (i) the property development projects are completed and sold out; (ii) the property developer transfers the whole unfinished development project; or (iii) the land use right is transferred directly. In addition, the competent tax departments may require the developer to settle the LAT if either of the following criteria meet: (i) for the completed property development projects, the transferred GFA represents more than 85% of the total saleable GFA, or the proportion represented is less than 85%, but the remaining saleable GFA has been leased out or used by the developer; (ii) the project has not been sold out for more than three years after obtaining the sale or pre-sale permits; (iii) the developer applies for cancellation of the tax registration without having settled the LAT; or (iv) other conditions stipulated by the competent tax departments at provincial level. The tax bureaus at the provincial level shall, taking account of the local practical conditions, stipulate specific rules or measures on the management of the LAT settlement in accordance with the Circular.

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

Appreciation value	LAT rates (%)
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

On May 19, 2010, the State Administration of Taxation issued the Notice of the State Administration of Taxation on Issues Relevant to the Settlement of LAT 《國家稅務總局關於土地增值稅清算有關問題的通知》, which stipulated that the determination of incomes for the settlement of LAT, and the deduction of real estate development expenses. The major provisions are as follows:

- (a) At the time of settlement of LAT, if invoices have already been issued for the sale of commercial properties in full amount, the amount as indicated on the invoices shall be determined as the income. If no invoice is issued or if the invoices issued fail to cover the full amount, the income shall be determined on the basis of the amount of the properties as indicated in the sales contract concluded between the buyer and seller as well as other proceeds. If the area of the commercial property as indicated in the sales contract is not the same as that actually measured by the relevant department and if any amount of money is made up or refunded for the property prior to settlement, adjustment shall be made when the LAT is calculated;
- (b) For the interest expense in the financial expenses, if it is possible to calculate and amortize it under the item of “transfer of the real estate project” and a certificate of the financial institution is provided for it, the actual amount of the said interest expense may be deducted to the extent of not exceeding the amount calculated at the interest rate of the commercial bank for the same type of loan during the same period. Other real estate development expenses shall be calculated and deducted within 5% of the summation of “the amount paid for obtaining the land use right” and “the amount of real estate development costs”; and
- (c) For any interest expense which cannot be calculated and amortized under the item of “transfer of the real estate project” or for which no certificate of the financial institution is provided, it shall, as a real estate development expense, be calculated and deducted within 10% of the summation of “the amount paid for obtaining the land use right” and “the amount of real estate development costs.”

On May 25, 2010, the State Administration of Taxation issued the Notice of the State Administration of Taxation on Strengthening the Collection of LAT 《國家稅務總局關於加強土地增值稅徵管工作的通知》, which stipulated that the tax authorities all places shall adjust the present pre-levy rates.

Except for the housing for low-income people, the pre-levy rate shall not be lower than 2% in the eastern provinces, not lower than 1.5% in the mid and north-eastern provinces, and not lower than 1% in the provinces of Western China. All places shall determine proper pre-levy rates on the basis of the different types of real estate (division of areas shall be governed by the relevant document of the State Council). Where a tax authority has not adopted the pre-levy of LAT or delayed the pre-levy of LAT for the time being, it shall carry out the pre-levy work under relevant tax law and regulations so as to ensure that the adjusting role of the value added tax is given full play at the pre-levy stage.

(4) Deed Tax

Pursuant to the PRC Interim Regulations on Deed Tax 《中華人民共和國契稅暫行條例》 promulgated by the State Council on July 7, 1997, the transferee, whether an individual or otherwise, of the title to a land site or building in the PRC shall be the obliged taxpayer for deed tax. The rate of deed tax is 3%–5%. The governments of provinces, autonomous regions and municipalities directly under the central government may, within the foresaid range, determine and report their effective tax rates to the Ministry of Finance and State Administration of Taxation for the record.

(5) Land Use Tax

Pursuant to the PRC Interim Regulations on Land Use Tax in respect of Urban Land (“**Land Use Tax Interim Regulations**”) 《中華人民共和國城鎮土地使用稅暫行條例》 promulgated by the State Council in

September 1988 and amended in December 2006, the land use tax in respect of urban land is levied according to the area of relevant land. According to the Land Use Tax Interim Regulations, as of January 1, 2007, annual land use tax is collected from foreign-invested enterprises at a rate per square meter of between RMB0.6 and RMB30.0 for urban land.

(6) 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 PRC Provisional Rules on Real Estate Tax promulgated by the State Council on September 15, 1986. 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 PRC Provisional Rules on Urban Real Estate Tax promulgated by the State Council on August 8, 1951, the urban real estate tax is charged at a rate of 1.8% annually based on standard prices for property or 18% annually based on rental income.

By issuance of PRC State Council Order 546 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 PRC Provisional Rules on Real Estate Tax 《中華人民共和國房產稅暫行條例》 promulgated by the State Council on September 15, 1986.

(7) Stamp Duty

Under the PRC Interim Regulations on Stamp Duty 《中華人民共和國印花稅暫行條例》 promulgated by the State Council on August 6, 1988 and amended in January 8, 2011, for building property transfer instruments, including those in respect of property ownership transfer, the duty rate shall be 0.05% of the amount stated therein; for permits and certificates relating to rights, including real estate title certificates and land use right certificates, stamp duty shall be levied on an item basis at an annual rate of RMB5 per item.

(8) Urban Maintenance Tax

Under the PRC Interim Regulations on Urban Maintenance and Construction Tax 《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 individual or otherwise, of product tax, value-added tax or business tax shall be required to pay urban maintenance tax. The tax rate shall be 7% for a taxpayer whose domicile is in an urban area, 5% for a tax payer 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.

(9) Education Surcharge

Under the Interim 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 (last amended by the State Council on January 8, 2011), any taxpayer, whether an individual or otherwise, of product tax, value-added tax or business tax shall pay an education surcharge, unless such obliged taxpayer is instead required to pay a rural area education surcharge as provided by the Notice of the State Council on Raising Funds for Schools in Rural Areas. Education surcharge shall be calculated and levied at a rate of 1% on the actual amount of product tax, value-added tax and business tax paid by the taxpayer.

According to the Circular on Issues Concerning Policies on Unifying Local Education Surtax 《關於統一地方教育附加政策有關問題的通知》 promulgated by ministry of finance on November 17, 2010, the rate at which local education surtax is levied should be 2% of the value-added tax, the business tax or the consumption tax actually paid by entities and individuals (including foreign-invested enterprises, foreign enterprises and foreign individuals).

2. Tax on income from PRC derived by a Non-Resident enterprise

According to the New Income Tax Law and Implementing Regulations of New Income Tax Law, income such as dividends, rental, interest and royalty from PRC derived by a Non-Resident enterprise which has no establishment in PRC or has establishment but the income has no relationship with such establishment is subject to a 10% withholding tax, subject to reduction as provided by any applicable double taxation treaty, unless the relevant income is specifically exempted from tax under the applicable income tax laws, regulations, notices and decisions which relate to foreign investment enterprises and their investors. According to the Arrangements in respect of Prevention of Double Taxation and Tax Evasion between Hong Kong and PRC (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), the PRC tax resident enterprise who distributes dividends to its Hong Kong shareholders should be levied enterprise income tax according to PRC laws. However, if the beneficiary of the dividends is a Hong Kong tax resident, who directly holds not less than 25% equity of the aforesaid enterprise (i.e. the dividends distributor), the tax levied should be 5% of the distributed dividends. If the beneficiary of the dividends is a Hong Kong tax resident, who directly holds less than 25% equity of the aforesaid enterprise, the tax levied should be 10% of the distributed dividends.

3. Foreign Exchange Controls

The lawful currency of the PRC is the Renminbi, which is currently not freely convertible into foreign exchange. SAFE, under the authority of the PBOC, is empowered with the functions of administering all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations.

Prior to December 31, 1993, enterprises in the PRC requiring foreign currency were required to obtain approval from the State Planning Committee and the Ministry of Foreign Trade and Economic Cooperation before it could convert RMB into foreign currency, and such conversion had to be effected at the official rate prescribed by the SAFE. RMB reserved by FIEs could also be converted into foreign currency at swap centres with the prior examination and verification by SAFE. The exchange rates used by swap centres were largely determined by the supply of and demand for foreign currencies and RMB.

On January 1, 1994, the former dual exchange rate system for Renminbi was abolished and replaced by a controlled floating exchange rate system, which is determined by demand and supply of Renminbi. Pursuant to such systems, the PBOC sets and publishes the daily Renminbi-U.S. dollar exchange rate. Such exchange rate is determined with reference to the transaction price for Renminbi-U.S. dollar in the inter-bank foreign exchange market on the previous day. Also, the PBOC, with reference to exchange rates in the international foreign exchange market, announces the exchange rates of Renminbi against other major foreign currencies. In foreign exchange transactions, designated foreign exchange banks may, within a specified range, freely determine the applicable exchange rate in accordance with the rate announced by the PBOC.

On January 29, 1996, the State Council promulgated Regulations for the Control of Foreign Exchange 《外匯管理條例》 (“**Control of Foreign Exchange Regulations**”) which became effective from April 1, 1996. The Control of Foreign Exchange Regulations classifies all international payments and transfers into current account-items and capital account-items. Current account items are no longer subject to SAFE approval while capital account items still are. The Control of Foreign Exchange Regulations were subsequently amended on January 14, 1997 and August 5, 2008. Such amendment affirms that the State shall not restrict international current account payments and transfers.

On June 20, 1996, PBOC promulgated the Regulations for Administration of Settlement, Sale and Payment of Foreign Exchange 《結匯、售匯及付匯管理規定》 (the “**Settlement Regulations**”) which became effective on July 1, 1996. The Settlement Regulations abolished the remaining restrictions on convertibility of foreign exchange in respect of current account items while retaining the existing restrictions on foreign exchange transactions in respect of capital account items.

On October 25, 1998, PBOC and SAFE promulgated the Notice Concerning the Discontinuance of Foreign Exchange Swapping Business 《關於停辦外匯調劑業務的通知》 pursuant to which and with effect from December 1, 1998, all foreign exchange swapping business in the PRC for foreign-invested enterprises shall be discontinued, while the trading of foreign exchange by foreign-invested enterprises shall be regulated under the system for the settlement and sale of foreign exchange applicable to banks.

On July 21, 2005, the PBOC announced that, beginning from July 21, 2005, the PRC will implement a regulated and managed floating exchange rate system based on market supply and demand and by reference to a basket of currencies. The Renminbi exchange rate is no longer pegged to the U.S. dollar. The PBOC will announce the closing price of a foreign currency such as the U.S. dollar traded against the Renminbi in the inter-bank foreign exchange market after the closing of the market on each business day, setting the central parity for trading of the Renminbi on the following business day. Save for foreign-invested enterprises or other enterprises which are specially exempted by relevant regulations, all entities in the PRC (except for foreign trading companies and production enterprises having import and export rights, which are entitled to retain part of foreign exchange income generated from their current account transactions and to make payments using such retained foreign exchanges in their current account transactions or approved capital account transactions) once were required to sell their foreign exchange income to designated foreign exchange banks. Foreign exchange income from loans issued by organizations outside the territory or from the issuance of bonds and shares is not required to be sold to designated banks, but may be deposited in foreign exchange accounts with designated banks.

On October 21, 2005, SAFE promulgated the Notice of the State Administration of Foreign Exchange on Relevant Issues concerning Foreign Exchange Administration for Domestic Residents to Engage in Financing and in Return Investment via Overseas Special Purpose Companies 《國家外匯管理局關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》 (“**Notice 75**”) which came into effect on November 1, 2005. Under Notice 75, PRC residents, including PRC Companies and PRC resident individuals, have to register their foreign investments with the local SAFE prior to incorporating or taking control of a special purpose vehicle (the “SPV”). Where a PRC resident contributes the assets or stock rights of a domestic enterprise that it owns into a SPV, or engages in capital financing abroad after contributing assets or stock rights into the SPV, it has to register such change. Other than the abovementioned registration requirement, Notice 75 also requires PRC residents to register, modify or record with the local foreign exchange authority within 30 days from the date of increase/decrease of capital, share transfer, mergers or division, change in long term equity or debt investments and guarantees in or by the SPV. In addition, the proceeds from overseas listing of the SPV shall, according to the repatriation plan submitted to the foreign exchange administration for record, be repatriated according to current regulations for the administration of foreign exchange. In addition, the foreign exchange income from profits, bonus and capital change obtained by the PRC residents from the SPV shall be repatriated within 180 days.

Pursuant to the Circular of the State Administration of Foreign Exchange on Retaining Foreign Exchange Income under Current Account by Domestic Entities 《關於境內機構自行保留經常項目外匯收入的通知》 issued by the SAFE on August 12, 2007, domestic entities can retain foreign exchange income under current account in light of its operation needs. Enterprises in the PRC (including foreign-invested enterprises) which require foreign exchange for transactions relating to current account items, may, without the approval of SAFE, effect payment from their foreign exchange account or convert and pay at the designated foreign exchange banks, upon presentation of valid receipts and proof. Foreign-invested enterprises which need foreign currencies for the distribution of profits to their shareholders, and Chinese enterprises which, in accordance with regulations, are required to pay dividends to shareholders in foreign

currencies, may with the approval of board resolutions on the distribution of profits, effect payment from their foreign exchange account or convert and pay at the designated foreign exchange banks. Convertibility of foreign exchange in respect of capital account items, like direct investment and capital contribution, is still subject to restriction, and prior approval from SAFE or its competent branch.

On August 1, 2008, the revised Foreign Exchange Control Regulations of the PRC was adopted by the State Council and was promulgated for implementation on August 5, 2008. In summary, taking into account the promulgation of the recent new regulations and to the extent the existing provisions stipulated in previous regulations do not contradict these new regulations, the present position under the PRC law relating to foreign exchange control are as follows:

- (a) The previous dual exchange rate system for RMB was abolished and a managed floating exchange rate system based largely on supply and demand with reference to a basket of currencies was introduced. The People's Bank of China, will announce the closing price of foreign currencies against the RMB in the inter-bank foreign exchange market after the closing of the market on each working day, and will make it the central parity for trading against the RMB on the following working day;
- (b) Foreign exchange earnings of domestic entities may be transferred to China or held abroad according to the regulations stipulated by SAFE;
- (c) FIEs may have their own foreign currency accounts and are also permitted to retain their recurrent exchange earnings according to their needs of operation and the sums retained may be deposited into foreign exchange bank accounts maintained with designated banks;
- (d) Reservation or sale of capital account foreign exchange earnings to designated banks shall be approved by the foreign exchange control administration unless stated otherwise. Foreign exchange funds from capital account shall only be used according to the purpose approved by the foreign exchange control administration and the relevant competent authorities;
- (e) Where a foreign enterprise makes a direct investment or carries out the issuance and/or business of securities or other derivatives within the PRC, or where a domestic entity makes a direct investment or carries out the issuance and/or business of securities or other derivatives outside the PRC, it shall go through the registration procedure according to the relevant regulations stipulated by SAFE. A guarantee or a commercial loan provided to the entity outside the PRC by a domestic entity shall be subject to approval and registration with relevant foreign exchange administration. The utilization of foreign debts by an enterprise shall be in compliance with relevant regulations and has to undergo foreign debt registration with the foreign exchange control administration;
- (f) FIEs which require foreign exchange for their ordinary trading activities such as trade services and payment of interest on foreign debts may purchase foreign exchange from designated foreign exchange banks if the application is supported by proper payment notices or supporting documents;
- (g) FIEs may require foreign exchange for the payment of dividends that are payable in foreign currencies under applicable regulations, such as distributing profits to their foreign investors. They can withdraw funds from their foreign exchange bank accounts kept with designated foreign exchange banks, subject to the due payment of tax on dividends. Where the amount of the funds in foreign exchange is insufficient, the FIE may, upon the presentation of the resolutions of the directors on the profit distribution plan and other relevant documents, purchase foreign exchange from designated foreign exchange banks;
- (h) FIEs may apply to the Bank of China or other designated foreign exchange banks to remit profit out of the PRC to the foreign parties if the requirements provided by the PRC laws, rules and regulations are met; and

- (i) Strict supervision and control by foreign exchange control administration has been imposed upon FIEs established in the manner of acquisitions of the PRC enterprises by foreign enterprises with PRC residents as shareholders.

On August 29, 2008, the General Department of SAFE issued the Notice on Relevant Business Operations Issues on the Improvement of the Administration of 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本金支付結匯管理有關業務操作問題的通知》, which aims at strengthening the administration of payment and settlement of foreign exchange capital of foreign-invested enterprises. The notice requires that:

- (a) the capital verification of a foreign-invested enterprise shall be conducted by accountants before the foreign-invested enterprise applies for the payment and settlement of foreign currency capital;
- (b) the RMB proceeds converted from the foreign-invested enterprise's foreign currency capital shall be used within the approved business scope and unless otherwise regulated, such proceeds shall not be invested in the domestic equity interests. Other than FIREEs, foreign-invested enterprise shall not use the RMB proceeds converted from its foreign exchange capital to purchase domestic properties for non-self use; and
- (c) the RMB proceeds converted from foreign-invested enterprises' foreign currency capital shall not be used to repay the unused RMB loans.

2. HONG KONG Taxation

Tax on Dividends

Under the current practice of the Hong Kong Inland Revenue Department, no tax is payable in Hong Kong in respect of dividends paid by us.

Capital gains and profits tax

No tax is imposed in Hong Kong in respect of capital gains from the sale of the shares. Trading gains from the sale of the shares by persons carrying on a trade, profession or business in Hong Kong, where such gains are derived from or arise in Hong Kong from such trade, profession or business, will be chargeable to Hong Kong profits tax. Currently, profits tax is imposed on corporations at the rate of 16.5% and on unincorporated businesses at the rate of 15%. Gains from sales of the shares effected on the Stock Exchange will be considered to be derived from or arise in Hong Kong. Liability for Hong Kong profits tax would thus arise in respect of trading gains from sale of the shares effected on the Stock Exchange realized by persons carrying on a business of trading or dealing in securities in Hong Kong.

Stamp Duty

Hong Kong stamp duty will be payable by the purchaser on every purchase, and by the seller on every sale, of the shares. The duty is charged at the ad valorem rate of 0.1% of the consideration for, or (if greater) the value of, the shares transferred on each of the seller and purchaser. In other words, a total of 0.2% is currently payable on a typical sale and purchase transaction of the shares. In addition, a fixed duty of HK\$5 is charged on each instrument of transfer (if required). Where a sale or purchase of the shares is effected by a person who is not a resident of Hong Kong and the stamp duty payable on the contract note is not paid, the relevant instrument of transfer (if any) shall be chargeable with such duty, together with the stamp duty otherwise chargeable thereon, and the transferee shall be liable to pay the stamp duty on the instrument.

Estate Duty

The Revenue (Abolition of Estate Duty) Ordinance 2005 came into effect on February 11, 2006 in Hong Kong. No Hong Kong estate duty is payable and no estate duty clearance papers are needed for an application for a grant of representation in respect of holders of the shares whose deaths occur on or after February 11, 2006.

1. Legal Framework Regulating the PRC Property Market**(1) Establishment of a Real Estate Development Enterprise**

According to the Urban Real Estate Management Law 《城市房地產管理法》 implemented on January 1, 1995 and amended on August 30, 2007 (the “**Urban Real Estate Law**”) the Administrative Regulations on Urban Real Estate Development and Operation implemented on July 20, 1998, a real estate developer is defined as an enterprise which engages in the development and business of real estate for the purpose of making profits. Under the Development Regulations, in addition to requirements on establishing enterprises, an enterprise that engages in development of real estate must satisfy the following requirements:

- (a) its registered capital must be RMB1 million or more; and
- (b) it must have four or more full-time professional real estate/construction technicians and two or more fulltime accounting officers, each of whom must hold the relevant qualification certificate. The local government of a province, autonomous region or municipality directly under the central government may, based on local circumstances, impose more stringent requirements on the registered capital and the professional personnel of a real estate developer.

To establish a real estate development enterprise, the developer should apply for registration with the administration for industry and commerce on or above the county level. The real estate developer must also report its establishment to the real estate development authority in the location of the registration authority, within 30 days of the receipt of its business licence.

Under the Foreign Investment Industrial Guidance Catalog 《外商投資產業指導目錄》 promulgated jointly by the MOFCOM and the National Development and Reform Commission (“**NDRC**”) in November 2004 as amended on December 24, 2011, the development and construction of ordinary residential units falls within the category of industries in which foreign investment is encouraged, whereas the development of a whole land lot and the construction and operation of high end hotels, villas, high-end office buildings, international conference centres and large theme parks falls within the category of industries in which foreign investment is subject to restrictions, while other real estate development falls within the category of industry in which foreign investment is permitted.

On December 24, 2011, the MOFCOM and NDRC jointly issued the new Foreign Investment Industrial Guidance Catalog effective from January 30, 2012. Under the New Foreign Investment Industrial Guidance Catalog:

- (a) the development of a whole land lot jointly with PRC partners and the construction and operation of high-end hotels, high-end office buildings and international conference centres fall within the category of industries in which foreign investment is subject to restrictions;
- (b) the construction and operation of golf courses and villas fall within the category of industries in which foreign investment is prohibited; and
- (c) other real estate development falls within the category of industries in which foreign investment is permitted.

On July 11, 2006, the Ministry of Construction, MOFCOM, NDRC, People’s Bank of China (“**PBOC**”), State Administration of Industry and Commerce (“**SAIC**”) and SAFE jointly promulgated the Circular on Standardizing the Admittance and Administration of Foreign Capital in the Real Estate Market

《關於規範房地產市場外資准入和管理的意見》and on August 14, 2006, the General Office of MOFCOM promulgated the Circular of Further Implementation of Opinions on Foreign Investment in Real Estate 《商務部辦公廳關於貫徹落實《關於規範房地產市場外資准入和管理的意見》有關問題的通知》, which state that: (i) an overseas entity or individual investing in real estate in the PRC other than for self-use, shall apply for the establishment of a Foreign Invested Real Estate Enterprise (“FIREE”) in accordance with applicable PRC laws and shall only conduct operations within the authorized business scope after obtaining the relevant approvals from and registering with the relevant governmental authorities; (ii) the registered capital of a FIREE with a total investment of US\$10 million or more shall not be less than 50% of its total investment amount, whereas for a FIREE with a total investment of less than US\$10 million, the current rules on registered capital shall apply, but the registered capital of a FIREE with a total investment of US\$3 million or less shall not be less than 70% of its total investment amount; (iii) a newly established FIREE can first obtain an approval certificate and business license which are valid for one year. The official approval certificate and business license can be obtained by submitting the land use right certificate to the relevant government departments after the land grant premium for the land has been paid; (iv) an equity transfer of a FIREE or the transfer of its projects, as well as the acquisition of a domestic real estate enterprise by foreign investors, must first be approved by the commercial authorities. The investor shall submit a letter to the commercial authorities confirming that it will abide with the land grant contract, the construction land planning permit and the construction works planning permit. In addition, the investor shall also submit the land use right certificate, the evidence from the construction authorities confirming the alteration of archives and evidence from the tax authorities confirming that tax relating to the transfer has been fully paid; (v) foreign investors acquiring a domestic real estate enterprise through an equity transfer, acquiring the Chinese investors’ equity interest in an equity joint venture or through any other methods shall pay the purchase price from its own capital in a lump sum rather than by installments and shall ensure that the enterprise’s employees and bank loans are treated and dealt with in accordance with applicable PRC laws; (vi) if the registered capital of a FIREE is not fully paid up, its land use right certificate has not been obtained or the paid-in capital is less than 35% of the total investment amount of the project, the FIREE is prohibited from borrowing from any domestic or foreign lenders and SAFE shall not approve the settlement of any foreign loans; (vii) the investors in a FIREE shall not in any manner stipulate a fixed return clause or equivalent clause in their joint venture contract or in any other documents; and (viii) a branch or representative office established by a foreign investor in the PRC (other than a FIREE), or a foreign individual working or studying in the PRC for more than one year, is permitted to purchase commodity residential properties located in the PRC only for the purpose of self-residence. Residents of Hong Kong, Macau and Taiwan and overseas Chinese may purchase commodity residential properties limited to a certain floor area based on their living requirements in the PRC for self-residence purposes.

On May 23, 2007, MOFCOM and SAFE jointly issued the Notice on Further Strengthening and Regulating the Approval and Supervision on Foreign Investment in Real Estate Sector in the PRC 《關於進一步加強、規範外商直接投資房地產業審批和監管的通知》 which made the following requirements for approval and supervision of foreign investment in real estate:

- (a) foreign investment in the real estate sector in the PRC relating to high-grade properties will be strictly controlled;
- (b) before obtaining approval for the setup of real estate entities with foreign investment, either (i) both the land use right certificates and housing ownership right certificates must be obtained or, (ii) contracts for obtaining land use rights or housing ownership rights must be entered into;
- (c) entities which have been set up with foreign investment need to obtain approval before they expand their business operations into the real estate sector and entities which have been set up with foreign investment for real estate development operation need to obtain new approval if they are engaged in new real estate development projects;

- (d) acquisitions of real estate entities and foreign investment in the real estate sector by way of round trip investment will be strictly regulated. Foreign investors must not avoid approval procedures by changing actual controlling persons of domestic real estate enterprises;
- (e) parties to real estate entities with foreign investment should not in any way guarantee a fixed investment return;
- (f) local approval authorities should file the approvals of establishment of foreign investment real estate entities with MOFCOM for their records in a timely manner according to applicable laws;
- (g) foreign exchange administration authorities and banks authorized to conduct foreign exchange business should not effectuate foreign exchange settlements regarding capital account items to those that fail to file with MOFCOM or fail to pass the annual reviews; and
- (h) for those real estate entities which are illegally approved by local authorities for their establishment, (i) MOFCOM should carry out investigation, order punishment and make rectification, and (ii) foreign exchange administrative authorities should not carry out foreign exchange registrations for such entities.

On June 18, 2008, MOFCOM promulgated the Notice on Better Implementation of the Filing of Foreign Investment in the Real Estate Industry 《關於做好外商投資房地產業備案工作的通知》, under which MOFCOM authorizes the provincial departments in charge of commerce to verify record-filing materials of FIREEs. After approving matters relating to foreign investments in the real estate sector in accordance with the relevant PRC laws and regulations (including establishment of an enterprise, increase of capital, issuance of new shares, equity transfer, merger and acquisition, and other relevant matters), local departments, whether at municipal, district or county level, in charge of commerce shall submit those materials, which were originally required to be submitted to MOFCOM for record-filing, to the relevant provincial departments in charge of commerce for verification. After the verification, the provincial departments will file the record filing form of FIREE with MOFCOM.

(2) Qualifications of a Real Estate Developer

Under the Regulations on Administration of Development of Urban Real Estate 《城市房地產開發經營管理條例》 (the “**Development Regulations**”) promulgated by the State Council on July 20, 1998, the real estate development authorities shall examine applications for registration of qualifications of a real estate developer when it reports its establishment, by considering its assets, professional personnel and business results. A real estate developer shall only undertake real estate development projects in compliance with the approved qualification registration.

In accordance with the Provisions on Administration of Qualifications of Real Estate Developers 《房地產開發企業資質管理規定》 (“**Provisions on Administration of Qualifications**”) promulgated by the Ministry of Construction on March 29, 2000, a real estate developer shall apply for registration of its qualifications according to such Provisions. An enterprise may not engage in development and sale of real estate without a qualification classification certificate for real estate development. The construction authority under the State Council oversees the qualifications of real estate developers throughout the country, and the real estate development authority under a local government on or above the county level shall oversee the qualifications of local real estate developers.

In accordance with the Provisions on Administration of Qualifications, real estate developers are classified into four classes:

- (a) Class 1 qualification is subject to preliminary examination by the construction authorities at the provincial level and the final approval of the Ministry of Construction. A Class 1 real estate

developer is not restricted as to the scale of its real estate projects and may undertake a real estate development anywhere in the country; and

- (b) Class 2, 3 or 4 qualifications and provisional qualifications are regulated by the construction authorities at the provincial level. A real estate developer of the Class 2 qualification or lower may undertake a project with a GFA of less than 250,000 sq.m., detailed business scope of the developer of the Class 2 qualification or lower is determined by the construction authorities at the provincial level.

Under the Provisions on Administration of Qualifications, the real estate development authorities will examine applications for registration of qualifications submitted by real estate developers by mainly considering their registered capital and financial condition, the length of time they have conducted real estate development business, the professional personnel they employ, the performance and operating results from their past real estate operations and their quality control systems. A real estate developer that passes the qualification examination will be issued a qualification certificate of the relevant class by the qualification examination authority. A developer of any qualification classification may only engage in the development and sale of real estate within its approved scope of business and may not engage in business which is limited to another higher classification. The real estate development authorities perform annual inspections of qualified developers. Developers who fail to meet the qualification requirements or which operate in breach of the requirements may have their qualification classification certificates degraded or revoked.

For a newly established real estate developer, which passes the qualification examination, the real estate development authority will issue a provisional qualification certificate within 30 days of receipt by the authority of the relevant application for filing. The provisional qualification certificate will be effective for one year from its date of issuance and may be extended for not more than two additional years with the approval of the real estate development authority. The real estate developer must apply to the real estate development authority within one month before the expiry of its provisional qualification certificate for a formal qualification classification certificate. Any failure to obtain the required provisional or formal qualification certificate or a development of a project exceeding the prescribed scope of the qualification may result in a fine ranging from RMB50,000 to RMB100,000 and, if such failure is not rectified within the prescribed period, the developer's qualification certificate and/or business licence may be revoked.

(3) Acquisition of Land Use Rights

Although all land in the PRC is owned by the State or is collectively owned, individuals and entities may obtain land use rights and hold such land use rights for development purposes. Individuals and entities may acquire land use rights in different ways, the two most important ways of which are either a grant of land use rights by local land authorities or a transfer of land use rights by land users who have obtained land use rights. The grant of land use rights from local land authorities may be carried out by means of bidding, auction or listing-for-sale and subject to the regulations discussed below as applicable, pursuant to agreements entered into directly with the local governments.

PRC law distinguishes between the ownership of land and the right to use land. Land use rights can be granted by the State to us to entitle us to the exclusive use of a piece of land for a specified purpose within a specified term and on such other terms and conditions as may be prescribed. A premium is payable on the grant of land use rights. The maximum term that can be granted for the right to use a piece of land depends on the purpose for which the land is used. As described above, the maximum limits specified in the relevant regulations vary from 40 to 70 years depending on the purpose for which the land is used.

The PRC Constitution was amended to allow for the transfer of land use rights for value. In December 1988, the Land Administration was amended to permit the transfer of land use rights for value.

Under the Interim Regulations of the People's Republic of China on Grant and Transfer of the Right to Use State-owned Urban Land 《中華人民共和國城鎮國有土地使用權出讓和轉讓暫行條例》 (“**Interim Regulations on Grant and Transfer**”) promulgated in May 1990, local governments at or above county level have the power to grant land use rights for specific purposes and for a definite period to a land user pursuant to a contract for the grant of land use rights against payment of a grant premium.

Under the Interim Regulations on Grant and Transfer, there are different maximum periods of grant for different uses of land. They are generally as follows:

<u>Use of Land</u>	<u>Maximum Period in Years</u>
Commercial, tourism, entertainment	40
Residential	70
Industrial	50
educational, scientific, cultural, public health and physical educational	50
Comprehensive and others	50

Under the Interim Regulations on Grant and Transfer, all local and foreign enterprises are permitted to acquire land use rights unless the law provides otherwise. The State may not reclaim lawfully granted land use rights prior to expiration of the term of grant unless public interest requires repossession by the State under special circumstances, in which case compensation will be paid by the State. A land grantee may lawfully transfer, mortgage or lease its land use rights to a third party for the remainder of the term of grant.

Upon expiration of the term of grant, renewal is possible subject to the execution of a new contract for the grant of land use rights and payment of a premium. If the term of the grant is not renewed, the land use rights and ownership of any buildings erected on the land will revert to the State without compensation.

In accordance with the Regulations on the Grant of State-owned Land Use Rights Through Competitive Bidding, Public Auction and Listing-for-Sale promulgated by the Ministry of Land and Resources (“**MLR**”) 《招標拍賣掛牌出讓國有土地使用權規定》 (the “**Bidding Auction and Listing Regulations**”) on May 9, 2002 and implemented on July 1, 2002 (as amended on September 28, 2007), and the Urban Real Estate Law, land for commercial use, tourism, entertainment and commodity housing development must be granted by means of competitive bidding, public auction or listing-for-sale.

Under the Bidding Auction and Listing Regulations, competitive bidding of land use rights is where the relevant land administration authority (the “**grantor**”) issues a bidding announcement, inviting individuals, legal persons or other organizations (whether specified or otherwise) to participate in tender for the land use rights of a particular parcel of land, with the land user to be determined according to the results of the biddings. Auction for land use rights is where the grantor issues an auction announcement, and the bidders can at specified time and location openly bid for a parcel of land. Listing-for-sale is where the grantor issues a listing-for-sale announcement, and in accordance with the announcement, the land grant conditions will be listed in a specified land grant exchange within a specified period, bidders’ payment applications will be listed and the land user will be granted according to the bidder’s payment applications at the end of such listing period. The procedures are as follows:

- (a) the land authority under the government of the city and county issues an announcement at least 20 days prior to the day of competitive bidding, public auction or listing-for-sale. The announcement includes without limitation basic particulars of the land parcel, qualification requirements of the bidder and auction applicants, the methods and criterion used to confirm the winning tender or winning bidder and the deposit of the bid;
- (b) the grantor conduct a qualification verification of the bidding applicants and auction applicants and instructs the applicants who satisfy the requirements of the announcement to attend the competitive bidding, public auction or listing-for-sale;

- (c) after determining the winning tender or the winning bidder by holding a competitive bidding, public auction or listing-for-sale, the grantor and the winning tender or winning bidder then enter into a confirmation. The grantor refunds the other applicants their deposits;
- (d) the grantor and the winning tender or winning bidder then enter into a land use right grant contract at the time and venue set in the confirmation. The deposit of the bid paid by the winning tender or winning bidder is deemed as part of the assignment price of the State-owned land use rights; and
- (e) the winning tender or winning bidder applies for the land registration after paying the assignment price. The people's government of the municipality and county level or above then issues the "Land Use Rights Certificate."

According to the Regulations on the Grant of State-owned Construction Land Use Rights through Competitive Bidding, Public Auction and Listing-for-Sale 《招標拍賣掛牌出讓國有建設用地使用權規定》 promulgated by the MLR on September 28, 2007 and implemented on November 1, 2007, profit-oriented land for industrial use, commercial use, tourism, entertainment, commodity housing development and land which attracts two or more applicants must be granted by means of competitive bidding, public auction or listing-for-sale.

The Regulations on the Grant of State-owned Construction Land Use Rights through Competitive Bidding, Public Auction and Listing-for-Sale 《招標拍賣掛牌出讓國有建設用地使用權規定》 further emphasized that the winning tender or winning bidder must apply for the land registration after paying the entire premium, in accordance with the State-owned Construction Land Use Rights Assignment, before obtaining the State-owned Construction Land Use Rights Certificate. If the winning tender or winning bidder does not pay the entire assignment price, it will not be granted the State-owned construction land-use right certificates. Proportional division and grant of the State-owned construction land-use right certificates corresponding to the amount of the assignment price paid is not allowed.

In June 2003, the MLR promulgated the Regulation on Transfer of State-Owned Land Use Rights by Agreement 《協議出讓國有土地使用權規定》. According to this regulation, if there is only one entity interested in using the land, the land use rights (excluding land use rights used for business purposes including commercial, tourism, entertainment and commodity residential properties) may be granted by way of agreement. The local land bureau, together with other relevant government departments including the city planning authority, will formulate a plan concerning issues including the specific location, boundary, purpose of use, area, term of grant, conditions of use, conditions for planning and design as well as the proposed land premium, which shall not be lower than the minimum price regulated by the State, and submit such plan to the relevant government for approval. Afterwards, the local land bureau and the person who is interested will negotiate and enter into the grant contract based on the above-mentioned plan. If two or more entities are interested in the land use rights to be granted, such land use rights shall be granted by means of bidding, auction or listing-for-sale.

Upon signing the land grant contract, the grantee is required to pay the land premium pursuant to the terms of the contract and the contract is then submitted to the relevant local bureau for the issue of the land use right certificate. Upon expiration of the term of grant, the grantee may apply for its renewal. Upon approval by the relevant local land bureau, a new contract is entered into to renew the grant, and a grant premium shall be paid.

In order to control and facilitate the procedure for obtaining land use rights, several local governments have stipulated standard provisions in land grant contracts. Such provisions generally include terms such as use of land, land premium and manner of payment, building restrictions including site coverage, total GFA and height limitations, constructions of public facilities, submission of building plans and approvals, deadlines for completion of construction, town planning requirements, restrictions against alienation before payment of premiums and completion of prescribed development and liabilities for breach of contract.

Any change requested by the land user in the specified use of land after the execution of a land grant contract will be subject to approvals from the relevant land bureau and the relevant urban planning department, and a new land use contract may have to be signed and the land premium may have to be adjusted to reflect the appreciation of the new use. Registration procedures must then be carried out immediately.

On September 24, 2003, the MLR issued the Notice on Strengthening Land Supply Management and Promoting Sustainable Healthy Development of Real Estate Market 《關於加強土地供應管理促進房地產市場持續健康發展的通知》 to stringently control land supply for high-end commodity properties.

On March 31, 2004, the MLR and the Ministry of Supervision issued the Notice Regarding Supervision Work of Legal Enforcement Situation of Granting Business Land Use Rights Through Tender, Auction or Listing-for-Sale 《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 requires that commencing on August 31, 2004, the profit-oriented land such as commercial land, tourist land, entertainment land and commercial residence land, etc. shall be granted through tender, auction or listing-for-sale and may not be granted pursuant to the bilateral agreements entered into directly with the local land authority for any historical reasons.

The Urgent Notice on Further Governing and Rectifying Land Market and Strengthening Administration of Land 《關於深入開展土地市場治理整頓嚴格土地管理的緊急通知》 promulgated by the General Office of the State Council on April 29, 2004 restated the principle of strict administration of the approval process for the construction land and the protection of the basic farmland.

On May 30, 2006, the MLR issued the Urgent Notice on ulteriorly Strengthening the Administration of Land 《關於當前進一步從嚴土地管理的緊急通知》. The notice stated, amongst other things, that (i) land for property development must be assigned by competitive bidding, public auction or listing-for-sale and (ii) the supervision and examination of the performance of land use contract should be strengthened, and the defaulting parties be prosecuted.

The Notice on Issues Relating to the Strengthening of Land Control 《關於加強土地調控有關問題的通知》 promulgated by the State Council on August 31, 2006 sets out the administration of the income and expenditure relating to land premium, modifies the tax policies relating to the land and created a system of the publication of the standards of the lowest price in respect of the grant of the land use rights for SOL for industrial purposes.

On March 16, 2007, the NPC promulgated the Property Rights Law of the PRC 《中華人民共和國物權法》 (the “**Property Law**”), which took effect as at October 1, 2007. The Property Law stipulates the construction land use rights may be obtained through grant or allocation. With respect to the land used for operational purposes, including industry, business, entertainment or residential commodity properties purposes, the grant of land use rights shall be conducted through public tender, auction or listing-for-sale. There are stringent restrictions imposed upon obtaining construction land use rights through allocation.

On November 18, 2009, five governmental authorities, including the Ministry of Finance, Ministry of Supervision, National Audit Office of the PRC, MLR and PBOC issued the Notice on Further Strengthening the Management of the Income and Expenditure Relating to Land Grants 《關於進一步加強土地出讓收支管理的通知》 to regulate the management of income and expenditure on land grants. In particular, property developers are required to provide a down payment of no less than 50% of the land premium and are required in principle to pay the entire land premium in installments within one year.

The MLR issued the Circular on Certain Issues Concerning Strengthening Land Supply and Supervision for Real Estate 《國土資源部關於加強房地產用地供應和監管有關問題的通知》 on March 8, 2010. The circular requires developers to make a 50% down payment of the land premiums within one month from the date of the land grant contract, and to make the rest of the payment within a year. Where a developer enters into a land grant contract but fails to pay land premiums, the relevant land shall be confiscated.

On April 17, 2010, the State Council issued the Notice on Resolutely Curbing the Soaring of Housing Prices in Some Cities 《國務院關於堅決遏制部份城市房價過快上漲的通知》, which strengthens the supervision on land purchase and financing by real estate development enterprises. According to the said Notice, the departments of land and resources shall restrict the enterprises which have violated laws and regulations when purchasing new land. When a real estate development enterprise participates in the auction, development and construction of land, its shareholder(s) shall not illegally provide loans, on-lending, guarantee or other relevant financing conveniences to it. Commercial banks shall enforce the pre-loan examination and post-loan management on development loans extended to real estate enterprises. For real estate development enterprises which have left any land idle or engaged in land speculation, commercial banks shall not grant loans to such enterprises for new development projects, and the securities regulatory departments shall suspend the approval of their listing, refinancing and restructuring of major assets.

Pursuant to the Notice on Issues relating to Strict Enforcement of Adjustment Policies on Real Estate Land and Improvement of the Healthy Development of Land Market 《關於嚴格落實房地產用地調控政策促進土地市場健康發展有關問題的通知》 promulgated by the MLR on December 19, 2010 and became effective on the same date:

- (a) provincial MLR shall reinforce the examination of public notices relating to the grant of land use rights by way of public tenders, auctions or listings-for-sale, and shall require the municipal and county MLR to withdraw these public notices and formulate a new plan for granting land use rights if any of the following events occur:
- (b) land use rights granted over a parcel of land where the land area exceeds the size approved by the relevant competent authorities;
- (c) more than one parcel of land is granted to the same bidder at the same time;
- (d) land use rights granted over a parcel of land where the demolition of buildings erected on such land has not been carried out or the occupants of such land have not been compensated for the demolition and resettlement;
- (e) land use rights granted over a parcel of residential land with a plot ratio of less than one;
- (f) and use rights granted to an unlawful entities; and
- (g) land use rights granted in other circumstances which will be in contravention of the relevant PRC laws and regulations.
- (h) bidders for the land use rights and their controlling shareholders are not allowed to pass the bidder qualification examination if they, among other things, (i) fraudulently obtain land use rights by falsifying documents, (ii) resell or transfer land use rights illegally, (iii) leave the land idle for more than one year due to the their own acts, and/or (iv) develop land in manners which contravenes the terms of the land use rights contracts. In addition, the bidders and their controlling shareholders are prohibited from participating in the grant of land use rights process before they rectify the above acts.

On January 26, 2011, the General Office of the State Council issued the Notice on Further Adjustment and Control of the Real Estate Market 《國務院辦公廳關於進一步做好房地產市場調控工作有關問題的通知》 to provide stricter management regulations of housing land supply. Among the various requirement set out by the notice, entities and persons participating in the bidding of land shall state the source of capital and provide the relevant evidence.

(4) Transfer of Land Use Rights

After land use rights relating to a particular area of land have been granted by the State, unless any restriction is imposed, the party to whom such land use rights have been granted may transfer, lease or mortgage such land use rights for a term not exceeding the term which has been granted by the State. The

difference between a transfer and a lease is that a transfer involves the vesting of the land use rights by the transferor in the transferee during the term for which such land use rights are vested in the transferor. A lease, on the other hand, does not involve a transfer of such rights by the lessor to the lessee. Furthermore, a lease, unlike a transfer, does not usually involve the payment of a premium. Instead, a rent is payable during the term of the lease.

Land use rights cannot be transferred, leased or mortgaged if the provisions of the land grant contract, with respect to the prescribed period and conditions of investment, development and use of the land, have not been complied with.

In addition, different areas of the PRC have different conditions which must have been fulfilled before the respective land use rights can be transferred, leased or mortgaged.

All transfers, mortgages and leases of land use rights must be evidenced by a written contract registered with the relevant local land bureau at municipality or county level. Upon a transfer of land use rights, all rights and obligations contained in the contract pursuant to which the land use rights were originally granted by the State are deemed to be incorporated as part of the terms and conditions of such transfer, depending on the nature of the transaction.

Under Article 38 of the Urban Real Estate Law, real property that has not been registered and a title certificate for which has not been obtained in accordance with the law cannot be transferred.

Under Article 39 of the Urban Real Estate Law, where land use rights are acquired by means of grant, the following conditions must be fulfilled when real estate is assigned: (i) the premium for the grant of land use rights must have been paid in full in accordance with the land grant contract and a land use right certificate must have been obtained; (ii) investment or development must have been made or carried out in accordance with terms of the land grant contract; (iii) for housing construction projects, more than 25% of the total amount of development for investment must have been made or completed; and (iv) where the development or investment involves a large tract of land, conditions for use of the land for industrial or other construction purpose have been achieved.

(5) 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. The parties to a transfer shall 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: (a) the grant price has been paid in full for the grant of the land use rights as provided by the grant contract and a land use right certificate has been obtained; (b) development has been carried out according to the grant contract; 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 has 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.

If the land use rights were originally obtained by grant, the term of the land use rights after transfer of the real estate shall be the remaining portion of the original term provided by the land use right grant

contract after deducting the time that has been used by the former land users. In the event that the transferee intends to change the usage of the land provided in the original grant contract, consent shall first be obtained from the original assignor and the planning administration authority under the local government of the relevant city or county and an agreement to amend the land use right grant contract or a new land use right grant contract shall be signed in order to, inter alia, adjust the land use right grant price accordingly.

If the land use rights were originally obtained by allocation, transfer of the real property shall be subject to the approval of the government vested with the necessary approval power as required by the State Council. After the People's Government vested with the necessary approval power approves such a transfer, the transferee shall complete the formalities for transfer of the land use rights, unless the relevant statutes require no transfer formalities, and pay the transfer price according to the relevant statutes.

(6) Pre-examination of the Construction Sites

Under the Measures for Administration of Examination and Approval for Construction Sites 《建設用地審查報批管理辦法》 promulgated by the MLR on March 2, 1999 and amended on November 30, 2010 and the Measures for Administration of Preliminary Examination of Construction Project Sites 《建設項目用地預審管理辦法》 promulgated by the MLR on November 29, 2008 and became effective on January 1, 2009, a real estate developer must make a preliminary application for construction to the relevant land administrative authority when carrying out a feasibility study on a construction project. Upon receipt of a preliminary application, the land administration authority will carry out a preliminary examination of various aspects of the construction project in compliance with the overall zoning plans and land supply policies of the PRC Government, and will issue a preliminary approval if it is satisfied with the result of its examination. The opinions derived from this preliminary examination are requisite documents for the approval of the construction project.

(7) Planning Permits

Under the Measures for Administration on Planning of Granting and Transfer of Right to Use Urban State-owned Land 《城市國有土地使用權出讓轉讓規劃管理辦法》 promulgated by the Ministry of Construction on December 4, 1992 and became effective on January 1, 1993, and the Notice on Strengthening the Planning Administration of Granting and Transferring Right to Use State-owned Land 《關於加強國有土地使用權出讓規劃管理工作的通知》 promulgated by the Ministry of Construction on December 26, 2002 and became effective on the same date, a real estate developer shall, after signing a land grant contract, apply for an opinion on the site selection of a construction project and a construction land planning permit from the relevant city and county planning authorities. After obtaining a construction land planning permit, the real estate developer shall organize the necessary planning and design work in accordance with planning and design requirements and apply for a construction work planning permit from the relevant urban planning authority pursuant to the Law of the PRC on Urban and Rural Planning 《中華人民共和國城鄉規劃法》 (“**Urban and Rural Planning Law**”) promulgated by Standing Committee of the NPC in October 2007 and effective on January 1, 2008.

(8) Construction

Before commencing any construction work, the developer shall apply for a Permit for Erection of Construction Projects from the construction authority under the local government above the county level according to the Measures for Administration of Granting Permission for Commencement of Construction Works 《建築工程施工許可管理辦法》 promulgated by the Ministry of Construction in October 1999 (amended in July 2001).

Under the Building Construction and Municipal Facilities Construction Tender Management Regulations 《房屋建築和市政基礎設施工程施工招標投標管理辦法》 (the “**Tender Regulations**”) promulgated on June 1, 2001 which states that a Tender Appraisal Committee should be set up for the appraisal of the tender for

construction works for the project. According to the Tender Regulations, the Tender Appraisal Committee to be organized by the tenderee shall include representatives of the tenderee and relevant specialists selected by the tenderee from a list certified by the construction administration authorities. The number of members of the Tender Appraisal Committee shall be an odd number and shall consist of at least five members. The relevant specialists shall make up no less than two-thirds of the membership. In accordance with the Tender Regulations, if the estimated price of a single construction contract amounts to at least RMB2 million or the total investment of the project is at least RMB30 million, the developer is required to undertake a bidding process for the award of the construction contracts.

Pursuant to the Development Regulations and the Interim Measures for the Administration of the Registration of the Inspection and Acceptance of the Completed Building Construction Works and the Municipal Infrastructure Facilities 《房屋建築工程和市政基礎設施工程竣工驗收備案管理暫行辦法》 promulgated by the Ministry of Construction in April 2000 (amended in October 2009) and after the completion of the real estate development project, the real estate developer should apply for the project completion inspection and acceptance to the county level or higher local real estate administration authorities. A real estate development project may only be delivered to the buyer after passing the necessary acceptance examination, and may not be delivered before the necessary acceptance examination is conducted or without passing such an acceptance examination.

For a housing estate or other building complex project, an acceptance examination shall be conducted upon completion of the whole project and where such a project is developed in phases, an acceptance examination may be carried out for each completed phase. The real estate developer should register the project completion inspection and acceptance within 15 days from the pass of the inspection and acceptance. The project should not be delivered to users if it has not passed the project completion inspection and acceptance. Projects like residential house quarters should pass the composite completion inspection and acceptance. Projects developed in stages can also be inspected and accepted in stages.

(9) Completion of a Real Estate Project

Construction projects shall be delivered for use only after passing the inspection and acceptance test under Article 61 of the PRC Construction Law 《中華人民共和國建築法》, which became effective on March 1, 1998 and subsequently amended on April 22, 2011.

A real estate development project must comply with various laws and legal requirements concerning planning, construction quality, safety and environment and technical guidance on architecture, design and construction work, as well as provisions contained in the relevant contracts. On January 30, 2000, the State Council promulgated and implemented the Regulation on the Quality Management of Construction Projects 《建設工程質量管理條例》, which sets out the respective quality responsibilities and liabilities for developers, construction companies, exploration companies, design companies and construction supervision companies. The real estate developer shall submit records for filing to the departments in charge of project construction of the relevant local governmental authorities above the county level in the area where the projects are constructed within 15 days after the projects having successfully passed the completion acceptance inspection, pursuant to the Measures for the Administration on the Filing of Inspection Upon Completion of Buildings and Municipal Infrastructure 《房屋建築和市政基礎設施工程竣工驗收備案管理辦法》, promulgated by the Ministry of Construction on October 19, 2009.

(10) Pre-Sale of Commodity Properties

Any pre-sale of commodity properties must be conducted in accordance with the Measures for Administration of Pre-sale of Commodity Properties 《城市商品房預售管理辦法》 (the “**Pre-sale Measures**”) promulgated by the Ministry of Construction on November 15, 1994, as amended on August 15, 2001 and July 20, 2004. The Pre-sale Measures provide that any pre-sale of commodity properties is subject to specified procedures. The pre-sale of commodity properties shall be subject to a licensing system. If a real estate developer intends to sell commodity properties in advance, it shall apply to the real estate administrative authority to obtain a pre-sale permit. The pre-sale of commodity properties is required to meet the following conditions:

- (a) the related land premium having been fully paid up and a land use rights certificate having been obtained;
- (b) a construction work planning permit and a construction work commencement permit having been obtained; and
- (c) the funds invested in the development of the commodity properties intended for pre-sale representing 25% or more of the total investment in the project and the progress of construction and the completion and delivery dates having been properly determined.

The proceeds of pre-sale of commodity properties must be used to develop the relevant project. Further, the Pre-sale Measures authorizes the real estate administrative authority on the provincial autonomous regional and municipal level to set up their implementation rules in accordance with the Pre-sale Measures.

(11) Sales after the Completion of Commodity Properties

Commodity properties may be put up for post-completion sale only when the preconditions for such sale have been satisfied. Under the Measures for Administration of Sale of Commodity Properties 《商品房銷售管理辦法》 promulgated by the Ministry of Construction on April 4, 2001 and became effective on June 1, 2001, the sale of commodity properties after the completion shall meet the following conditions:

- (a) the real estate development enterprise has a business licence and a qualification classification certificate for real estate development;
- (b) the land use rights certificates or approval documents of land use having been obtained;
- (c) the construction work planning permit and the construction work commencement permit having been obtained;
- (d) the commodity properties having been completed, inspected and accepted as qualified;
- (e) the relocation of the original residents having been completed;
- (f) the supplementary essential facilities such as the supply of water, electricity, heating and gas, and communications are ready for use, and other public facilities are ready for use, or the schedule of construction and delivery date of such facilities having been specified; and
- (g) the property management plan is completed.

The Provisions on Sales of Commodity Properties at Clearly Marked Price 《商品房銷售明碼標價規定》 was promulgated by the NDRC on March 16, 2011 and became effective on May 1, 2011. According to the provisions, any real estate developer or real estate agency (“**real estate operators**”) is required to mark the

selling price explicitly and clearly for both newly-build and second-hand commodity properties. The provisions require real estate operators to clearly indicate the prices and relevant fees of commodity properties, as well as other factors affecting the prices of commodity properties to the public. With respect to the real estate development projects that have received property pre-sale licence or have completed the filing procedures for the sales of constructed properties, real estate operators shall announce all the commodity properties available for sales on at once within the specified time limit. Furthermore, with regard to a property that has been sold out, real estate operators are obliged to disclose this information and to disclose the actual transaction price. Real estate operators cannot sell commodity properties beyond the explicit marked price or charge any other fees not explicitly marked. Moreover, real estate operators may neither mislead properties purchasers with false or irregular price marking, nor engage in price fraud by using false or misleading price marking methods.

(12) Leases of Buildings

Both the Interim Regulations on Grant and Transfer and the Urban Real Estate Law permit leasing of granted land use rights and the buildings or homes constructed on the land. Leasing of properties situated in urban areas is governed by the Measures for Administration of Leasing of Urban Buildings 《城市房屋租賃管理辦法》 (the “**Leasing Measures**”) prior to February 1, 2011 and is governed by the Administrative Measures for Commodity House Leasing 《商品房屋租賃管理辦法》 since February 1, 2011. The Leasing Measures were promulgated by the Ministry of Construction on May 9, 1995 in accordance with the Real Estate Law in order to strengthen the administration of the leasing of urban buildings. The Leasing Measures permit property owners to lease their properties to others for residential or Commercial Property uses except as otherwise prohibited by relevant law. The landlords and tenants who are the parties to a property lease transaction are required to enter into a written lease agreement specifying all of the terms of the lease arrangement as required by statute.

Leasing of buildings and the underlying land use rights shall not exceed 20 years. The lease agreement becomes effective upon signing; however, it must be registered with the relevant real estate administration authority at the municipality or county level within 30 days after its execution for the purpose of protecting the tenant’s interest against claims from third parties. A tenant may, upon obtaining consent from the landlord, assign or sublet the premises to sub-tenants. The Leasing Measures became invalid on February 1, 2011.

The Administrative Measures for Commodity House Leasing, which were promulgated by the Ministry of Construction on December 1, 2010, further strengthen the administration of leasing by stipulating more specific procedural rules of lease registration with local real estate administration authority.

On July 30, 2009, the Supreme People’s Court issued the Interpretation of Certain Issues concerning the Application of Law for Judging Disputes over Urban Building Leasing Contracts 《關於審理城鎮房屋租賃合同糾紛案件具體應用法律若干問題的解釋》 which became effective on September 1, 2009 (the “**Leasing Interpretation**”). The Leasing Interpretation clarifies that courts should not uphold the claim that a building leasing contract is invalid due to the failure of registration. If parties agreed on such registration being a condition precedent to the effectiveness of building leasing contract, the agreement prevails, unless that one party has performed major obligations which were accepted by the other party.

(13) Mortgages of Real Estate

The mortgage of real estate in the PRC is mainly governed by the Property Law 《中華人民共和國無權法》, Security Law of the PRC 《中華人民共和國擔保法》, the Urban Real Estate Law and the Measures for Administration of Mortgages of Urban Real Estate 《城市房地產抵押管理辦法》. According to these laws and regulations, land use rights, the buildings and other attachments on the ground may be mortgaged. To create

a mortgage interest, the parties concerned shall conclude a mortgage contract in writing and register the mortgage. The mortgage interest is created as of the date of registration. Where a building is mortgaged, the land use rights within the area occupied by the building shall be mortgaged along with the building. Where the land use rights are mortgaged, the buildings on the land shall be mortgaged along with that right. However, the newly-built houses on the land that is already mortgaged shall not be included in the mortgaged property. Where it is necessary to auction the mortgaged real estate, the newly-built houses on the land may be auctioned, according to law, together with the mortgaged property, but the mortgagee shall have no right to enjoy the priority of having his claim satisfied by the proceeds from auction of the newly-built houses. Where a piece of property of which a property ownership certificate has been obtained in accordance with the law is mortgaged, the relevant registration authority shall record the additional types of ownership on the original property ownership certificate, which shall subsequently be kept by the mortgagor. A Certificate of Other Rights of Property shall be issued to the mortgagee. Where pre-sale commodity properties or construction in process is mortgaged, the registration authorities shall specify the circumstances on the mortgage contract. Where construction of the mortgaged property is completed during the period of mortgage, the parties concerned shall, following acquirement of a property ownership certificate by the mortgagor, undertake a new mortgage registration.

(14) Idle Land

According to the Urban Real Estate Law, where a real property development is carried out on land for which the land use rights are acquired by means of grant, the land must be developed in line with the specified use for the land and the deadline for commencement of the development must be set out in the land grant contract. Where the development does not commence within one year from the specified date set out in the land grant contract, an idle land fee may be charged at a rate equivalent to not more than 20% of the relevant land premium. Where the development does not commence within two years from the specified date, the relevant land use rights may be withdrawn without compensation, except where the commencement of construction is delayed due to force majeure, an act of the government or relevant government departments, or delays in preliminary work necessary for the commencement of development.

The Urgent Notice to Further Strengthen Land Management at Current Stage 《關於當前進一步從嚴土地管理的緊急通知》 issued by the MLR on May 30, 2006 provides that: (a) the dates of construction commencement and completion shall be clearly stated in the State-owned land grant contracts; and (b) the penalty on idle land shall be strengthened. Where the idle land fee should be levied, it shall be levied at the highest level in accordance with the law. Where the idle land should be reclaimed without compensation, it must be absolutely reclaimed back in accordance with the law.

According to the Measures on Disposing Idle Land 《閑置土地處置辦法》 enacted by the MLR on April 28, 1999 and amended on May 22, 2012, land can be classified as idle land under any of the following circumstances: (i) where the user of State-owned construction land fails to commence the construction within one year as of the construction commencement date as agreed on and specified in the Contract for Paid Use of State-owned Construction Land or the Land Allocation Decision; (ii) where the construction has commenced with its development area accounts for less than one third of the total development area or its actual investment accounts for less than 25% of the total investment, the development and construction of relevant land has been suspended for one year.

Upon investigation and verification, on discovering the land deemed as idle according to the conditions as prescribed in the Measures, the departments of land and resources at the municipal or county level shall issue the Idle Land Identification Letter to the user of State-owned construction land.

For the idle land caused due to the behaviors of governments or relevant governmental departments or the force majeure, the departments of land and resources at the municipal or county level shall negotiate with the users of State-owned construction land and dispose the land through the following manners: (i) Extend the deadline for construction commencement; (ii) Change the purposes and planning conditions

of the land; (iii) Arrange temporary use of the land on the part of the governments; (iv) Recover the right to use State-owned construction land with compensation through agreement; (v) Replace the land; (vi) other disposal manners may be stipulated by the departments of land and resources at the municipal or county level in light of the actual situations.

For the idle land caused due to other circumstances, idle land may be disposed through the following manners: (i) In the event that the construction has not commenced for one year, the departments of land and resources at the municipal or county level shall, upon approval of the local people's governments at the same level, issue the Decision on the Collection of the Charges for Idle Land to users of State-owned construction land, and shall collect the charges for idle land at 20% of cost of land transfer or land allocation. The charges for idle land shall not be listed into the production cost. (ii) In the event that the construction has not commenced for two years, the departments of land and resources at the municipal or county level shall, upon approval of people's governments with approval right, issue the Decision on Recovering the Right to Use State-owned Construction Land to users of State-owned construction land, and recover the right to use the State-owned construction land without compensation.

Where the idle land is due to acts of the State or relevant government authorities and the land user has partly paid the purchase price (including any compensation or resettlement cost) for the land, in addition to the methods provided above, the State may acknowledge the relevant land to the land user for the part of land which the land user has paid the compensation or requisition fee, while the remaining part of the land will be withdrawn by the government. On May 24, 2006, the Circular on Forwarding Opinions of Ministry of Construction and Other Departments on Adjusting Housing Supply Structure and Stabilizing Housing Prices issued by the General Office of the State Council 《國務院辦公廳轉發建設部等部門關於調整住房供應結構穩定住房價格意見的通知》 provides that if any land remains idle for one year, an idle land fee shall be levied and the land shall be developed in due course; if any land remains idle for two years, the idle land will be confiscated.

On September 8, 2007, the MLR promulgated the Notice on Strengthening the Handling of Idle Land 《關於加大閑置土地處置力度的通知》. The notice sets out the principles of dealing with idle land. Prior to granting land use rights, issues relating to the ownership of land, the compensation and the settlement regarding land shall be properly dealt with. The notice also prescribes that the land use rights certificate shall not be issued before the land premium for acquisition of land has been paid in full, nor shall it be issued separately according to the proportion of payment of land premium.

On January 3, 2008, the State Council issued the Notice on Promoting the Saving and Intensification of Use of Land 《關於促進節約集約用地的通知》 which states, among other things, that (i) State policies in relation to the forfeiture of land use rights of land which has remained idle for more than two years without compensation shall be strictly implemented; (ii) if any land remains idle for one year, an idle land fee of 20% of the relevant land premium shall be levied; (iii) before June 2008, local governments are required to submit to the State Council reports on the status of the clearance and handling of idle land; (iv) the prohibition of land supply for villa projects shall continue; (v) the authorities are required to research commence the drafting of implementation rules concerning the levy of land appreciation fees on idle land; (vi) in relation to the supply of residential land, planning conditions such as minimum plot ratio limits and the number and type of flats that can be constructed shall be taken into account in land grant contracts and allocation decisions to ensure that at least 70% of the total land grants for residential developments will consist of low-cost rental housing, economy housing, limited pricing housing and units of less than 90 sq.m. in size; and (vii) financial institutions are required to exercise caution when approving financing for any property developer who fails to commence the construction for one year or more from the commencement date stipulated in the land grant contract, complete at least one-third of the development of project or inject at least 25% of the total investment in the project.

On November 18, 2009, the Ministry of Finance, MLR, PBOC, Ministry of Supervision and National Audit Office issued the Circular on Further Tightening Control over Income and Expenses from Land Transfer 《財政部、國土資源部、中國人民銀行等關於進一步加強土地出讓收支管理的通知》, which among other

things, limits the period for full payment of the land premium prescribed under the land grant contract entered between municipality- and county-level MLR and a land right transferee to one year. There is an exception for special projects approved by all relevant local land transfer authorities, for which full payment of the land premium for such special project must be paid within two years with a first installment of no less than 50% of the total land premium. The circular also provides that the local level governments should strictly enforce relevant regulations to impose penalties on, or restrict from acquiring new land, property developers that have delayed payment of land premiums or construction for reasons other than force majeure.

On March 8, 2010, the MLR issued the Notice on Certain Issues on Strengthening Land Supply and Supervision of Real Estate 《關於加強房地產用地供應和監管有關問題的通知》. Pursuant to the notice, the land price must not be less than 70% of the standard land grant fee for the applicable grade of land. Parties to the land grant must execute a land grant contract within 10 business days of completing the tender, auction or listing-for-sale process. Any property developers who fail to comply with the reporting requirement during the property development period are prohibited from acquiring land for at least one year.

On September 21, 2010, the Ministry of Construction and the MLR jointly promulgated the Notice on Further Strengthening Land Use and Construction Management Control of Real Estate 《關於進一步加強房地產用地和建設管理調控的通知》. Pursuant to the notice, the land use rights granted to a property development enterprise must be withdrawn and be re-granted through a new tender, auction or listing-for-sale if such property development enterprise fails to commence the construction of a project on the land involved within the prescribed time limit due to its application for adjustment of construction planning conditions. To participate in a tender, auction or listing-for-sale, a bidder must, in addition to providing the relevant identification documents and deposit, provide a bank credit reference and a letter confirming that the deposit it pays for such tender, auction or listing-for-sale does not come from a bank loan, shareholder loan, re-lending and fund-raising. If the land is left idle for more than one year by the property development enterprise, the property development enterprise and its controlling shareholder shall be prohibited from taking part in the tender, auction or listing-for-sale for the grant of the land use rights. Furthermore, property development enterprises must commence the construction of a housing project within one year from the date of delivery of the land as stipulated on the land grant contract, and complete the construction within three years from the commencement date of the construction.

On January 26, 2011, the State Council issued the Notice on Further Improvement of the Regulation and Control of Real Estate Market 《國務院辦公廳關於進一步做好房地產市場調控工作有關問題的通知》, pursuant to which the qualification certificates and the sources of capital of real estate enterprises will be censored. If a real estate development enterprise fails to obtain a construction permit two years after the land is provided, the land will be confiscated and fines will be imposed accordingly.

(15) Demolition and Removal

In accordance with the Regulations for the Administration of Demolition and Removal of Urban Housing 《城市房屋拆遷管理條例》 (“**Regulations on Demolition**”), which were promulgated by the State Council on June 13, 2001, upon obtaining approvals for a construction project, construction plan and State-owned land use rights, a real estate developer may apply to the department in charge of demolition and removal of the municipal or county people’s government of the place where the real estate is located for a permit for housing demolition and removal. Upon granting an approval and issuing a demolition and removal permit, the department in charge of demolition and removal shall issue a demolition and removal notice to the inhabitants of the area to be demolished. The demolition and removal party shall implement the demolition and removal within the area and period specified in the housing demolition and removal permit. If the demolition and removal party fails to complete the demolition and removal works within the permitted period, it shall, at least 15 days prior to the expiry of the permit, apply to the original approval department in charge of demolition and removal for an extension.

During the demolition and removal period announced by the department in charge of demolition and removal, the demolition and removal party and the parties subject to demolition and removal shall enter into an agreement for compensation and relocation in respect of the demolition and removal. If the demolition and removal party, the parties subject to demolition and removal and the house tenant cannot reach an agreement, any party concerned may apply to the original approval department in charge of demolition and removal for a ruling. Such ruling shall be rendered within 30 days of the application. If any party disagrees with the ruling, it may initiate proceedings in the People's Court within three months after the delivery of the ruling. Pursuant to law, if the demolition and removal party has provided housing or monetary compensation to the party subject to demolition and removal, the demolition and removal shall not be stopped during the period of legal proceedings.

Pursuant to the Regulations on Demolition, compensation for housing demolition and removal may be effected by way of monetary compensation or exchange of house property rights. If the monetary compensation method is used, the amount of compensation shall be assessed on the basis of the real property market price determined by the location, uses and the gross area of the housing to be demolished. The demolition and removal party shall entrust a qualified real estate assessment agency to conduct an assessment on the housing to be demolished. If property right exchange is used, the demolition and removal party and the party subject to demolition and removal shall, on the basis of the real property market price and the location, uses and the gross area of the housing to be demolished, calculate the amount of compensation which shall be made for the housing to be demolished, the real property market price of the housing to be exchanged for the housing to be demolished, and work out the difference between the two.

In addition to paying the demolition and removal compensation, the demolition and removal party shall pay removal allowance to the party subject to demolition and removal. During the interim period, when the party subject to demolition and removal arranges accommodation by himself, the demolition and removal party shall pay temporary relocation allowance. On the other hand, when the demolition and removal party provides accommodation to the party subject to demolition and removal during the interim period, the demolition and removal party need not to pay the temporary relocation allowance.

The Regulations on Demolition was repealed by the Regulations on the Expropriation and Compensation of Houses on State-owned Land 《國有土地上房屋徵收與補償條例》 (“**Expropriation Rules**”). In accordance with the Expropriation Rules, as promulgated by the State Council and effective on January 21, 2011, buildings on State-owned land can be expropriated for public interest reasons, and those owners of expropriated buildings which are located on State-owned land are entitled to fair indemnification. Where a building is expropriated according to law, the corresponding right to use the State-owned land shall be retracted at the same time. Compensation agreements regarding the compensation methods, compensation amount, payment terms and other relevant issues shall be entered into between those expropriated owners and the relevant PRC governmental authorities responsible for house expropriation. The compensation for the value of the expropriated building shall not be less than the market price of a property similar to the expropriated building on the date of announcement of the decision to expropriate the building. The value of the expropriated building shall be assessed by a qualified real estate price assessment institution according to the assessment measures for building expropriation. Indemnification shall be made prior to the relocation. In the event that no compensation agreement was reached within the time limit, the city or county government may make an administrative decision on the indemnification according to the application of the relevant PRC governmental authorities responsible for house expropriation and publish a government notice within the area of the expropriation. No enterprise or individual may compel the expropriated owners to relocate by means of violence, threat or other illegal methods. Property developers are prohibited from participating in relocation arrangement.

Pursuant to Provisions of the Supreme People's Court on Several Issues Concerning Handling the Cases of Application for Enforcing Expropriation Compensation Decisions of Housing on the State-Owned Lands by the People's Courts 《最高人民法院關於辦理申請人民法院強制執行國有土地上房屋徵收補償決定案件若干問題的規定》, effective on April 10, 2012, if seven situations occur for expropriation compensation decisions, the people's court should rule not to grant enforcement and the

public may fully prove such seven situations to the people's court. The seven situations include: 1. a clear lack of factual basis; 2. a noticeable lack of legal basis; 3. it's clear not to meet the principle of fair compensation, and serious damage to legitimate rights and interests of the executed, or basic production and living operating conditions of making the executed without guarantees; 4. clear violation of administrative purposes, and serious damage to the public interest; 5. serious violation of legal procedures or due process; 6. excess of authority; 7. other situations not to grant enforcement prescribed by laws, regulations, rules and other provisions.

(16) Warranty and Maintenance of Buildings

Under the PRC Construction Law 《中華人民共和國建築法》 promulgated by the Standing Committee of the NPC on November 1, 1997 and amended on April 22, 2011, the Measures on Administration of Sale of Commodity Buildings 《商品房銷售管理辦法》 promulgated by the Ministry of Construction on April 4, 2001, the Rules on the Implementation of the System on Residence Quality Guarantee and Residence Usage Specification 《商品住宅實行住宅質量保證書和住宅使用說明書制度的規定》 promulgated by the Ministry of Construction on May 20, 1998, when a real property developer delivers newly built residential houses, it should provide the Residence Usage Specification and Residence Quality Guarantee. The Residence Quality Guarantee is the legal document stipulating the warranty and maintenance obligations a real property developer should bear for the already sold residential houses and it can be a supplementary agreement to the Commodity House Purchase Contract.

Under the Regulations on Quality Management of Construction Projects 《建設工程質量管理條例》 promulgated by the State Council on January 30, 2000, when a construction contractor hands over construction completion examination and acceptance report, it should provide the Quality Guarantee, which should specify scope, term and responsibilities of quality warranty.

According to Measures on the Warranty and Maintenance of Building Construction Projects 《房屋建築工程質量保修辦法》 promulgated by the Ministry of Construction on June 30, 2000 under the normal usage, the warranty and maintenance period to different parts of the construction projects should not be shorter than the following: (i) the reasonable using period as stipulated by the project designing documents for the groundwork foundation and main body structure project; (ii) five years for the waterproof project of the surface, the toilet and rooms having waterproof requirements, the leakage preventing of the outside walls; (iii) two heating periods/cooling periods for the heating and cooling system; (iv) two years for the electrical system, water supply pipe and drainpipe, equipment fixing; and (v) two years for the fitment project. The warranty and maintenance period of other parts of the construction projects may be determined by real estate developers and the builder's agreement.

(17) Insurance

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

(18) Restrictions on the Grant of Residential Development Loans and Individual Property Purchase Loans by Banks.

Pursuant to the Guidance on Risk Management of Property Loans Granted by Commercial Banks 《商業銀行房地產貸款風險管理指引》 issued by CBRC on August 30, 2004, commercial banks may not be provided any loan in any form for a project without the State-Owned Land Use Right Certificate, Construction Land Use Planning Permit, Construction Works Planning Permit and Construction Works Commencement Permit. Any property developer applying for property development loans shall have at least 35% of capital required for the development, a commercial bank should maintain a strict loan system for considering applications for property development loans.

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

On May 24, 2006, the Ministry of Construction, NDRC, the Ministry of Supervision, the Ministry of Finance, the MLR, PBOC, the State Bureau of Statistics, the State Administration of Taxation and the CBRC jointly issued Opinions on Adjusting Housing Supply Structure and Stabilization of Housing Prices 《關於調整住房供應結構穩定住房價格意見的通知》. These opinions stipulate that a commercial bank shall not lend funds to property developers with a project capital ratio of less than 35%, or take commodity properties which have been vacant for more than three years as security for mortgage loans and shall strictly control the granting of revolving credit facilities to property developers holding a large amount of idle land and vacant commodity properties. The opinions also require that, from June 1, 2006, the minimum amount of down payment shall not be less than 30% of the purchase price of the underlying individual commodity houses with a GFA of 90 sq. m. or more.

In accordance with the Circular on Strengthening Commercial Real Estate Loan Administration 《關於加強商業性房地產信貸管理的通知》 jointly issued by the PBOC and CBRC on September 27, 2007, when a borrower applies for individual housing loans for his first owner occupied residential unit with gross floor area of more than 90 square meters, the down payment is at least 30%; in respect to his loan application for additional purchases of residential units, the down payment cannot be less than 40%, the loan interest cannot be lower than 1.1 times the benchmark lending rate published by the PBOC in the same period and at the same level, and the amount of the down payment and interest of the loan should be increased to a greater extent based on the number of the purchased apartments. The level of increase should be decided by commercial banks according to loan risk management principals. The down payment of business premise loans should not be less than 50% with a maximum loan term of 10 years, and the loan interest should be no less than 1.1 times the benchmark lending rate published by the PBOC at the same period and level. The level of down payment, term of loan and interest level should be decided by Commercial banks according to loan risk management principals. To the loan application for premises used for both business and residential purposes, the down payment should be no less than 45% and the loan term and interest rate should be decided according to the provisions on the administration of business premise loans. Furthermore, commercial banks should not advance loans to property development enterprises which hoard land or building resources as confirmed by the land and resources authorities and construction authorities.

On July 29, 2008, PBOC and CBRC issued the Notice on Financially Promoting the Economization and Intensive Use of Land 《關於金融促進節約集約用地的通知》, which among other things,

- (a) restrict PRC commercial banks from granting loans to property developers for the purpose of paying land premiums;
- (b) regulate the secured loans for land reserve in various respects including to obtain land use certificate, to secure up to 70% value of security's appraised valuation, and to limit the length of maturity in no more than two years;
- (c) prudently grant or extend loans to the property developer who (i) delay the commencement of development date specified in the land transfer agreement more than one year, (ii) has not finished one-third of the intended project, or (iii) has not invest the quarter of the intended total project investment;
- (d) restrict granting loans to the property developer, the land of which is idle for two years; and
- (e) restrict taking idle land as a security for loans.

(19) Measures on Stabilizing Housing Price

The General Office of the State Council promulgated the Circular on Stabilizing Real Estate Price 《關於切實穩定住房價格的通知》 on March 26, 2005, requiring measures to be taken to restrain the housing price from increasing too fast and to promote the healthy development of the real estate market. The Opinions on Work of Stabilizing Housing 《關於做好穩定住房價格工作的意見》 jointly issued by the Ministry of Construction, NDRC, the Ministry of Finance, the MLR, PBOC, the State Administration of Taxation and the CBRC on April 30, 2005 provides that:-

- (a) Where housing prices grow too rapidly at a time when the supply of low-to medium-priced ordinary commodity houses and economically affordable houses is insufficient, construction projects should mainly involve the construction of low- to medium-priced ordinary commodity houses at and economically affordable houses. The construction of low-density, high-end houses should be strictly controlled;
- (b) Where the price of land for residential use and the price of residential housing grow too rapidly, land supply for residential use as a proportion of the total land supply should be appropriately raised, and the land supply for the construction of low- to medium-priced ordinary commodity houses and economically affordable houses should be especially increased. Land supply for villa construction should continue to be suspended, and land supply for high-end residential property construction should be strictly restricted;
- (c) Idle land fee must be imposed on land that has not been developed for one year from the contractual construction commencement date. Land use rights of land that has not been developed for two years will be repossessed without compensation;
- (d) Commencing on June 1, 2005, a business tax upon the transfer of a residential property by an individual within two years from his or her purchase will be levied on the entire sales proceeds from such transfer. If an individual transfers his or her ordinary residential property more than two years after its purchase, the business tax will be exempted. For an individual who transfers a property other than an ordinary residential house after two years from its purchase, the business tax will be levied on the difference between the price of such transfer and the original purchase price;
- (e) Ordinary residential houses with a medium to small GFA and at low-to-medium prices may be granted certain preferential treatment in relation to planning permits, land supply, credit and taxation. Properties enjoying these preferential policies must satisfy the following conditions in principle: the floor area ratio of the residential development is above 1.0, the GFA of one single unit is less than 120 sq.m., and the actual transfer price is lower than 120% of the average transfer price of comparable properties at comparable locations. Local governments at the provincial level may, based on their actual local circumstances, formulate specific standards for ordinary residential properties that can enjoy the preferential policies; and
- (f) Transfer of uncompleted commodity properties by any pre-sale purchaser is forbidden. In addition, purchasers are required to buy properties in their real names. Any pre-sale contract of commodity property must also be filed with the relevant governmental agencies electronically immediately after its execution.

The General Office of the State Council promulgated the Circular on Adjusting Real Estate Supply Structure and Stabilizing Real Estate Price 《國務院辦公廳轉發建設部等部門關於調整住房供應結構穩定住房價格意見的通知》 on May 24, 2006. The regulation stipulates that:

- (a) 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-priced

and small- to medium-sized ordinary residential properties (including economically affordable housing) or low-cost rental properties;

- (b) requiring that at least 70% of the total developed area of residential projects approved or constructed on or after June 1, 2006 must consist of units smaller than 90 sq.m. in terms of GFA and that projects which have received project development approvals prior to that date but have not obtained construction work commencement permits must adjust their planning in order to conform with this new requirement. However, municipalities under direct administration of the PRC central government and provincial capitals and certain cities specifically designated in the State plan may deviate from such ratio under special circumstances upon approval from the Ministry of Construction;
- (c) increasing the minimum amount of down payment from 20% to 30% of the purchase price of the underlying residential property if the underlying property has a GFA of 90 sq.m. or more, as effective from June 1, 2006;
- (d) prohibiting commercial banks from lending funds to real estate developers with a capital ratio, calculated by dividing the registered capital by the gross investment required for the relevant projects, of less than 35%, restricting the extension of loans and the grant of revolving credit facilities to property developers holding a large amount of idle land and vacant commodity properties, and prohibiting commercial banks from taking commodity properties which have been vacant for more than three years as security for loans; and
- (e) imposing a business tax levy on the entire sales proceeds from the re-sales of properties if the holding period is shorter than five years, effective from June 1, 2006, as opposed to two years as such levy was initially implemented from June 2005. Where an individual transfers a property other than an ordinary residential property five years after the purchase of such property, the business tax will be levied on the difference between the resale price and the original purchase price.

On May 30, 2006, the MLR published the Urgent Notice on Tightening Land Administration 《國土資源部關於當前進一步從嚴土地管理的緊急通知》. In the notice, the MLR emphasized that local governments must adhere to their annual overall land use planning and land supply plans and tighten the control on land supply for non-agricultural use. The notice requires local governments to suspend the supply of land for new villa projects to ensure adequate supply of land for more affordable housing and to strictly enforce the regulations applicable to the holding of idle land.

On July 6, 2006, the Ministry of Construction promulgated Certain Opinions regarding the Implementation of the Ratio Requirements for the Structure of Newly Constructed Residential Properties 《建設部關於落實新建住房結構比例要求的若干意見》, which stipulate that residential properties with a GFA of less than 90 sq.m. shall account for over 70% of the total area of residential properties which are newly approved and constructed per year in each city or county since June 1, 2006. The relevant local government will have the authority to determine the configuration of newly constructed properties.

On December 20, 2008, the General Office of the State Council issued the Certain Opinion on Promoting the Healthy Development of Real Estate Market 《國務院辦公廳關於促進房地產市場健康發展的若干意見》 to encourage development of the real estate market by providing support in respect of taxes and credits. The following measures, among others, have been adopted:

- (a) In order to promote ordinary residential property purchases, the following incentives had been enacted and effective until December 31, 2009:
 - applying the same preferential policy previously granted to first-time home buyers to second-time home buyers whose per capita GFA of the first property is below the local average level;

- providing one-year business tax exemption for residential property transfer. Individuals who transfer their ordinary residential properties having held such properties for two or more years (instead of the previous five-year requirement) are exempt from business tax. In addition, if the residential property has been held for less than two years when it is transferred, the business tax due is now calculated on a net rather than a gross basis; and
 - individuals who transfer their non-residential property having held such properties for two or more years (instead of the previous five-year requirement) must still pay business tax on the property on a net basis, but if the property has been held for less than two years when it is transferred, the business tax is calculated on a gross basis.
- (b) Commercial banks shall, in accordance with the credit policies and regulation requirements, strengthen the credit support for low- to medium-priced and small- to medium-sized ordinary commodity properties, especially for projects under development; and provide the financing assistance and relevant financial services to reputable and capable real estate enterprises engaging in mergers and acquisitions transactions; and
- (c) The urban real estate tax is abolished and the Provisional Regulations of the PRC Governing the Real Estate Tax 《中華人民共和國房產稅暫行條例》 apply to domestic/foreign-invested enterprises and individuals.

On January 7, 2010, the General Office of the State Council issued the Notice on Promoting the Steady and Healthy Development of the Real Estate Market (國務院辦公廳關於促進房地產市場平穩健康發展的通知). The Notice, among other things, provides that:

- (a) To the families (including the debtors, their spouses and their juvenile children) who have bought a residential house by the loans and are applying for loans to buy a second residential house or more residential houses, the down payments of the loans should not be lower than 40%, the loan rates should be strictly depended on the risks.
- (b) Banks are restricted from offering loans to a property development project or property developer which is not in compliance with credit loan regulations or policies.

On April 17, 2010, the State Council issued the Notice on Strictly Restraining the Excessive Growth of the Property Prices in Some Cities 《國務院關於堅決遏制部份城市房價過快上漲的通知》, according to which a stricter differential housing credit policy shall be enforced. It provides that, among other things, (a) for first-time family buyer (including the borrower, his/her spouse and his/her underage children, similarly hereinafter) of the apartment larger than 90 square meters, a minimum 30% down payment must be paid; (b) the down payment requirement on second-home mortgages was raised to at least 50% from 40% and also reiterated that an extra 10% should be adopted on interest rates for such buyers; and (c) for those who buy three or more houses, even higher requirements on both down payments and interest rates shall be levied. In addition, the banks can suspend housing loans to third or more home buyers in places where house prices rise too rapidly and too high and home supply is insufficient.

Pursuant to the Notice on Further Standardization of the Administration of Housing Purchase by Offshore Institutions and Individuals 《關於進一步規範境外機構和個人購房管理的通知》 promulgated by the Ministry of Construction and SAFE on November 4, 2010, an offshore individual is only permitted to purchase a house for self-use in the PRC and an offshore institution which has branches or representative offices in the PRC is only permitted to purchase non-residential houses for office use in the cities where they are registered.

On September 29, 2010, the Ministry of Finance, the Ministry of Construction and SAT promulgated the Notice on the Adjustment of the Deed Tax and Personal Income Tax Preferential Policies in Real Estate

Transactions 《財政部、國家稅務總局、住房和城鄉建設部關於調整房地產交易環節契稅個人所得稅優惠政策的通知》, which provides that, effective from October 1, 2010, deed tax rate is reduced to 1% for a first time individual buyer who purchases an ordinary residential property with a GFA less than 90 sq.m. as the family's sole property.

On January 26, 2011, the General Office of the State Council issued the Notice on Further Adjustment and Control of Real Estate Market 《國務院辦公廳關於進一步做好房地產市場調控工作有關問題的通知》, which provides, among other things, that:

- (a) each municipal government shall issue its annual housing price control target in respect of newly constructed residential properties in the first quarter of 2011 after taking into account the local economic development, the increase rate of per capita disposal income and the capability to pay for residential properties;
- (b) the management of social security housing and the increase of the supply of public leasing residential properties are reinforced;
- (c) the supervision and inspection of LAT collection in respect of property development projects where the prices of properties developed are higher than properties in the vicinity are strengthened;
- (d) real estate development enterprises are encouraged to build a certain proportion of public leasing residential properties together with the development of ordinary residential properties, and hold, operate or sell these public leasing residential properties to the PRC Government;
- (e) second residential property purchasers are required to pay a down payment of no less than 60% of the purchase price for these second residential properties and the applicable mortgage rate must be at least 1.1 times that of the corresponding benchmark interest rate;
- (f) any transfer of residential properties by individuals within five years of purchase shall be subject to a business tax calculated based on the entire sale proceeds from such transfer;
- (g) entities and persons participating in the bidding of land shall State the source of capital and provide the relevant evidence;
- (h) land use rights granted over a parcel of land where a construction work commencement permit has not been obtained within two years shall be revoked and a fine will be imposed on the land which has been idle for more than one year;
- (i) no land or any development project on the land shall be transferred in any manner whatsoever if the total project development investment is less than 25%;
- (j) each local authority shall increase the supply of land and ensure that at least 70% of the total developed area of residential projects must be used for developing social security housing, residential properties built as part of shanty town redevelopment and small- to medium-sized residential properties;
- (k) each municipality, provincial capital and cities with soaring housing prices shall implement and enforce measures restricting the purchase of residential properties. In principle:
 - families having local household registration and owning one residential property or families not having local household registration but are able to provide evidence of tax payment or social insurance payment within a certain period are allowed to purchase one additional residential property (including newly constructed residential commodity properties and second-hand residential properties); and

- real estate development enterprises shall suspend any sale of their properties to families having local household registration and owning two or more residential properties, or families owning one or more residential property but not having local household registration and are not able to provide certain proof of local tax payment or social insurance payment, and
- (1) if
- a local authority fails to issue its annual housing price control target in respect of newly constructed residential properties on a timely basis; or
 - a local authority fails to comply with the obligation in achieving the target of social security housing; or
 - the housing prices of newly constructed residential properties exceed the relevant annual price control target of these properties,

the relevant local authority shall report to the State Council and the responsible persons of such local authority may be held accountable by the Ministry of Supervision, the Ministry of Construction and other departments in accordance with the relevant PRC laws and regulations.

On January 27, 2011, the Ministry of Finance and the SAT issued the Notice on Adjusting the Business Tax Policy on Transfers of Residential Properties by Individual 《財政部、國家稅務總局關於調整個人住房轉讓營業稅政策的通知》 to discourage speculative activities in the secondary real estate market and control soaring housing prices. For example, effective from January 28, 2011:

- (a) transfers of residential properties by individuals who have held them for less than five years are subject to business tax calculated on a gross basis;
- (b) transfers of non-residential properties by individuals who have held them for five years or more are subject to business tax calculated on a net basis; and
- (c) transfers of residential properties by individuals who have held them for five years or more are exempted from business tax.

The NDRC promulgated the Rules on Sales of Commercial Houses at Clearly Marked Prices 《國家發展改革委關於發布〈商品房銷售明碼標價規定〉的通知》 (the “**Rules**”) on March 16, 2011, which went into effect on May 1, 2011. Pursuant to the Rules, the prices of newly constructed commercial houses sold by real estate developers and intermediary service operators shall be clearly marked. In addition, the prices of the second-hand houses sold by intermediary service operators shall also be clearly marked pursuant to the Rules. The scope of public disclosure for a clearly marked price includes the price of a commercial house, relevant charges and other factors that affect the price of the commercial house, such as the name of the developer, the property pre-sale permit, nature of land, the land use commencement and expiration years, property name, location, floor area ratio, landscaping ratio, parking space allotment ratio, the architectural structure of the property, decoration status, etc. In addition, the Rules also require that a commercial house operator shall clearly specify the price of each commercial house, i.e., one price for one house. If pricing is based on the building area or internal construction area, the unit price of the building area or the internal construction area shall also be specified. With respect to the timing of disclosure, the Rules provide that for real estate development projects for which the property pre-sale permit has been obtained or application for spot house sales has been filed for reference, the commercial house operators shall make one-off public disclosure of all sources of the houses for sale within a required time frame and shall strictly conduct external sales based on the clearly marked prices as reported.

If a commercial house operator fails to specify the prices and charge fees based on public disclosures pursuant to the Rules or engages in price fraud through price specification formats or pricing means, the

Rules stipulate that the pricing authorities of all people's governments above county level shall impose administrative punishment pursuant to laws, regulations and rules such as the Price Law of the People's Republic of China, the Rules on Administrative Penalty against Price-related Unlawful Practices, the Rules on Clearly Marked Prices of Goods and Services, and the Rules on Prohibition against Price Fraud.

On February 26, 2013, the General Office of the State Council issued the Circular on the Continuation of Property Market Control 《國務院辦公廳關於繼續做好房地產市場調控工作的通知》 (“**Circular 17**”). Circular 17 includes the following key points:

- (a) the refinement of housing price control targets;
- (b) the tightening of purchase restrictions;
- (c) a rise in minimum down payments and mortgage rates in certain situations;
- (d) a 20% tax on profits from the individual sale of second-hand homes;
- (e) the expansion of property tax pilot programs;
- (f) an increase in residential land supply; and
- (g) the acceleration of social housing construction.

In connection with Circular 17, various municipal governments have promulgated measures to further control the property markets in their respective cities, which include:

Beijing

On March 30, 2013 the Beijing Municipal Government General Office issued the Notice on Implementation of Notice of the State Council General Office on Continuing to Manage the Real Estate Market and Further Strengthen the Work on Controlling the Real Estate Market of Beijing 《北京市人民政府辦公廳貫徹落實〈國務院辦公廳關於繼續做好房地產市場調控工作的通知〉精神進一步做好本市房地產市場調控工作的通知》, according to which, each Beijing single adult who does not own any residential property is permitted to purchase only one residential property. Those who already own one or more residential properties are not qualified to purchase further residential properties. Transfer of any residential property by individuals is subject to individual income tax, which is 20% on the gains from such transfer. An individual is exempt from such individual income tax if the residential property he transfers has been used by him for 5 or more years and is the only residential property for his household.

Shenyang

On March 30, 2013 the Shenyang Municipal Government General Office issued the Circular on Continuing to Control the Real Estate Market 《瀋陽市人民政府辦公廳關於繼續做好房地產市場調控工作的通知》, under which each Shenyang resident household that owns only one residential property is allowed to purchase one more residential property. Non-Shenyang resident households who can provide a local tax payment certificate or social security certificate for over one year are allowed to purchase one residential property. Transfer of any residential property by individuals is subject to individual income tax, which is 20% on the gains from such transfer.

(20) Real Estate Management

According to the Regulation on Property Management 《物業管理條例》, enacted by the State Council on June 8, 2003 and enforced on September 1, 2003, as amended on August 26, 2007 and effective on October 1, 2007, the State implements a qualification scheme system in monitoring the property

management enterprises. Under the Measures for the Administration of Qualifications of Property Management Enterprises 《物業管理企業資質管理辦法》 promulgated by the Ministry of Construction on March 17, 2004, as amended on November 26, 2007, a property service enterprise must apply for assessment of its qualification by the relevant qualification approval authority. An enterprise which passes such a qualification assessment will be issued a qualification certificate. No enterprise may engage in property management without undertaking a qualification assessment conducted by the relevant authority and obtaining a qualification certificate.

(21) Civil Defense Property

According to the PRC Law on Civil Air Defense (《中華人民共和國人民防空法》, the “Civil Defense Law”) promulgated by the NPC in October 1996 and amended in August 2009, civil defense is an integral part of national defense. The Civil Defense Law encourages the public to invest in the construction of civil defense property. Investors in civil defense are permitted to use (including lease), manage the civil defense property in time of peace and profit therefrom.

(22) Urban Redevelopment

On October 25, 2009, Guangdong Province People’s Government issued Urban Redevelopment Opinion in order to promote the redevelopment of old towns, old plants and old villages (“舊城鎮、舊廠房、舊村莊”) in Guangdong Province. The Urban Redevelopment Opinion set forth the principles for ascertaining the scope of old towns, old plants and old villages suitable for redevelopment. It encourages the original owners of the relevant land use rights to redevelop the old towns, old plants and old villages on themselves, subject to approvals by local government authorities. Where the land use rights need to be reclaimed or acquired in the redevelopment of old towns and old villages, the compensation can either be paid in cash or in the form of substitute land, or a combination thereof. Historical issues concerning the relevant land use rights can be resolved according to the principles set forth in the Urban Redevelopment Opinion.

2. Major Environmental Protection Requirements

In accordance with the PRC Environmental Protection Law 《環境保護法》 adopted by the Standing Committee of the NPC on December 26, 1989, the Administration Supervisory Department of Environmental Protection of the State Council sets the national guidelines for the discharge of pollutants. The people’s governments of provinces, autonomous regions and municipalities directly under the central government may also set their own guidelines for the discharge of pollutants within their own provinces or districts in the event that the national guidelines are inadequate.

A company or enterprise which causes environmental pollution and discharges other polluting materials which endanger the public should implement environmental protection methods and procedures into their business operations. This may be achieved by setting up a system of accountability within the company’s business structure for environmental protection; adopting effective procedures to prevent environmental hazards such as waste gases, water and residues, dust powder, radioactive materials and noise arising from production, construction and other activities from polluting and endangering the environment. The environmental protection system and procedures should be implemented simultaneously with the commencement of and during the operation of construction, production and other activities undertaken by the company. Any company or enterprise which discharges environmental pollutants should report and register such discharge with the Administration Supervisory Department of Environmental Protection and pay any fines imposed for the discharge. A fee may also be imposed on the company for the cost of any work required to restore the environment to its original State. Companies which have cause severe pollution to the environment are required to restore the environment or remedy the effects of the

pollution within a prescribed time limit. If a company fails to report and/or register the environmental pollution caused by it, it will receive a warning or be penalized. Companies which fail to restore the environment or remedy the effects of the pollution within the prescribed time will be penalized or have their business terminated. Companies or enterprises which have polluted and endangered the environment must bear the responsibility for remedying the danger and effects of the pollution, as well as to compensate the any losses or damages suffered as a result of such environmental pollution.

If a company fails to report and/or register the environmental pollution caused by it, it will receive a warning or be penalized. Companies which fail to restore the environment or remedy the effects of the pollution within the prescribed time will be penalized or have their business licenses terminated. Companies or enterprises which have polluted and endangered the environment must bear the responsibility for remedying the danger and effects of the pollution, as well as to compensate the any losses or damages suffered as a result of such environmental pollution.

Under the Regulations on the Administration of Environmental Protection of Construction Project 《建設項目環境保護管理條例》 promulgated by the State Council on November 29, 1998, the development of each construction project is subject to the environment impact assessment, and the developer should submit to the competent administrative authorities the environmental impact statement which assess the pollution the construction project is likely to produce and its impact on the environment and stipulate the preventive and curative measures. And only after the competent authorities' examination and approval, can the developer start the construction project.

Under the Provisions on the Inspection and Acceptance of Environmental Protection of Construction Projects 《建設項目竣工環境保護驗收管理辦法》 promulgated by the State Environmental Protection Administration of China on December 27, 2001, each construction project completed is subject to the inspection of the competent environmental protection administrative authorities, and only after the construction project has passed the inspection and acquired the acceptance approval, can it be put into use.

3. Labor Protection

The Law of the People's Republic of China on Labor Contracts 《勞動合同法》 (the “**Labor Contracts Law**”) promulgated by the Standing Committee of NPC on June 29, 2007 and taken effect on January 1, 2008, which subsequently was amended on December 28, 2012 and to be effect on July 1, 2013, establishes the provisions of the conclusion, execution, modification, dissolution or termination of labor contracts. An employer unit's labor relationship with an employee shall be established on the date the employee is put to work. If an employer unit fails to conclude a written labor contract with an employee more than a month but less than a year after the date on which the employee is put to work, it shall pay the employee twice his or her wages each month. Where an employee has been working at an employer unit continuously for not less than 10 years, or where a labor contract is renewed with a fixed-term labor contract having been concluded on two consecutive occasions earlier, the employer unit and the employee shall conclude an open-ended labor contract. Where the labor contract is a fixed-term contract that is terminated due to expiration, unless the employee does not agree to renew the contract even though the conditions offered by the employer unit for renewal are the same as or better than those stipulated in the current labor contract, or where the employer unit fails to pay social insurance premiums for the employee in accordance with the law, or where any other circumstance formulated by the Labor Contracts Law occurs, the employer unit shall pay the employee financial compensation based upon the number of years worked at the employer unit, at the rate of one month's wages for each full year worked.

Employers in China are required to contribute, on behalf of their employees, to a number of social security funds, including funds for basic pension insurance, unemployment insurance, basic medical insurance, work-related injury insurance, maternity insurance, and housing provident funds. 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 PRC Social Insurance Law 《中華人民共和國社會保險法》 promulgated by the Standing Committee of the NPC on October 28, 2010 and became effective July 1, 2011; the Interim Regulations on the Collection and Payment of Social Security Funds 《社會保險費徵繳暫行條例》, which were promulgated by the State Council and became effective on January 22, 1999; the Interim Measures concerning the Maternity Insurance 《企業職工生育保險試行辦法》, which were promulgated by the Ministry of Labor on December 14, 1994 and became effective on January 1, 1995; the Regulations on Occupational Injury Insurance 《工傷保險條例》, which were promulgated by the State Council on April 27, 2003 and became effective on January 1, 2004 and then amended on December 20, 2010; and the Regulations on Management of the Housing Provident Fund 《住房公積金管理條例》, which were promulgated and became effective on April 3, 1999 and then amended on March 24, 2002.

1 Memorandum of Association

The Memorandum of Association of the Company was conditionally adopted on June 5, 2014 and effective on the Listing Date and states, inter alia, that the liability of the members of the Company is limited, that the objects for which the Company is established are unrestricted and the Company shall have full power and authority to carry out any object not prohibited by the Companies Law or any other law of the Cayman Islands.

The Memorandum of Association is available for inspection at the address specified in Appendix IX in the section headed “Documents available for inspection.”

2 Articles of Association

The Articles of Association of the Company were conditionally adopted on June 5, 2014 and effective on the Listing Date and include provisions to the following effect:

2.1 Classes of Shares

The share capital of the Company consists of ordinary shares. The authorized share capital of the Company at the date of adoption of the Articles of Association is HK\$10,000,000 divided into 10,000,000,000 shares of a par value of HK\$0.001 each.

2.2 Directors**(a) Power to allot and issue Shares**

Subject to the provisions of the Companies Law and the Memorandum of Association and Articles of Association, the unissued shares in the Company (whether forming part of its original or any increased capital) shall be at the disposal of the Directors, who may offer, allot, grant options over or otherwise dispose of them to such persons, at such times and for such consideration, and upon such terms, as the Directors shall determine.

Subject to the provisions of the Articles of Association and to any direction that may be given by the Company in general meeting and without prejudice to any special rights conferred on the holders of any existing shares or attaching to any class of shares, any share may be issued with or have attached thereto such preferred, deferred, qualified or other special rights or restrictions, whether in regard to dividend, voting, return of capital or otherwise, and to such persons at such times and for such consideration as the Directors may determine. Subject to the Companies Law and to any special rights conferred on any shareholders or attaching to any class of shares, any share may, with the sanction of a special resolution, be issued on terms that it is, or at the option of the Company or the holder thereof is, liable to be redeemed.

(b) Power to dispose of the assets of the Company or any subsidiary

The management of the business of the Company shall be vested in the Directors who, in addition to the powers and authorities by the Articles of Association expressly conferred upon them, may exercise all such powers and do all such acts and things as may be exercised or done or approved by the Company and are not by the Articles of Association or the Companies Law expressly directed or required to be exercised or done by the Company in general meeting, but subject nevertheless to the provisions of the Companies Law and of the Articles of Association and to any regulation from time to time made by the Company in general meeting not being inconsistent with such provisions or the Articles of Association, provided that no regulation so made shall invalidate any prior act of the Directors which would have been valid if such regulation had not been made.

(c) Compensation or payment for loss of office

Payment to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must first be approved by the Company in general meeting.

(d) Loans to Directors

There are provisions in the Articles of Association prohibiting the making of loans to Directors or their respective associates which are equivalent to the restrictions imposed by the Companies Ordinance.

(e) Financial assistance to purchase Shares

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries or any holding company or any subsidiary of such holding company in order that they may buy shares in the Company or any such subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

(f) Disclosure of interest in contracts with the Company or any of its subsidiaries

No Director or proposed Director shall be disqualified by his office from contracting with the Company either as vendor, purchaser or otherwise nor shall any such contract or any contract or arrangement entered into by or on behalf of the Company with any person, company or partnership of or in which any Director shall be a member or otherwise interested be capable on that account of being avoided, nor shall any Director so contracting or being any member or so interested be liable to account to the Company for any profit so realized by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship thereby established, provided that such Director shall, if his interest in such contract or arrangement is material, declare the nature of his interest at the earliest meeting of the Board at which it is practicable for him to do so, either specifically or by way of a general notice stating that, by reason of the facts specified in the notice, he is to be regarded as interested in any contracts of a specified description which may be made by the Company.

A Director shall not be entitled to vote on (nor shall he be counted in the quorum in relation to) any resolution of the Directors in respect of any contract or arrangement or any other proposal in which the Director or any of his associates has any material interest, and if he shall do so his vote shall not be counted (nor is he to be counted in the quorum for the resolution), but this prohibition shall not apply to any of the following matters, namely:

- (i) the giving to such Director or any of his associates of any security or indemnity in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;
- (ii) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or any of his associates has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;

- (iii) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or any of his associates is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
 - (iv) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries including:
 - (A) the adoption, modification or operation of any employees' share scheme or any share incentive scheme or share option scheme under which the Director or any of his associates may benefit; or
 - (B) the adoption, modification or operation of a pension or provident fund or retirement, death or disability benefits scheme which relates both to Directors, their associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or any of his associates, as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and
 - (v) any contract or arrangement in which the Director or any of his associates is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company.
- (g) Remuneration

The Directors shall be entitled to receive by way of remuneration for their services such sum as shall from time to time be determined by the Directors, or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided amongst the Directors in such proportions and in such manner as they may agree, or failing agreement, equally, except that in such event any Director holding office for less than the whole of the relevant period in respect of which the remuneration is paid shall only rank in such division in proportion to the time during such period for which he has held office. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

The Directors shall also be entitled to be paid all expenses, including travel expenses, reasonably incurred by them in or in connection with the performance of their duties as Directors including their expenses of traveling to and from board meetings, committee meetings or general meetings or otherwise incurred whilst engaged on the business of the Company or in the discharge of their duties as Directors.

The Directors may grant special remuneration to any Director who shall perform any special or extra services at the request of the Company. Such special remuneration may be made payable to such Director in addition to or in substitution for his ordinary remuneration as a Director, and may be made payable by way of salary, commission or participation in profits or otherwise as may be agreed.

The remuneration of an executive Director or a Director appointed to any other office in the management of the Company shall from time to time be fixed by the Directors and may be by way of salary, commission, or participation in profits or otherwise or by all or any of those modes and with such other benefits (including share option and/or pension and/or gratuity and/or other benefits on retirement) and allowances as the Directors may from time to time decide. Such remuneration shall be in addition to such remuneration as the recipient may be entitled to receive as a Director.

(h) Retirement, appointment and removal

The Directors shall have power at any time and from time to time to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next general meeting of the Company and shall then be eligible for re-election at that meeting.

The Company may by ordinary resolution remove any Director (including a Managing Director or other executive Director) before the expiration of his period of office notwithstanding anything in the Articles of Association or in any agreement between the Company and such Director (but without prejudice to any claim for compensation or damages payable to him in respect of the termination of his appointment as Director or of any other appointment of office as a result of the termination of his appointment as Director). The Company may by ordinary resolution appoint another person in his place. Any Director so appointed shall hold office during such time only as the Director in whose place he is appointed would have held the same if he had not been removed. The Company may also by ordinary resolution elect any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election but shall not be taken into account in determining the Directors who are to retire by rotation at such meeting. No person shall, unless recommended by the Directors, be eligible for election to the office of Director at any general meeting unless, during the period, which shall be at least seven days, commencing no earlier than the day after the despatch of the notice of the meeting appointed for such election and ending no later than seven days prior to the date of such meeting, there has been given to the Secretary of the Company notice in writing by a member of the Company (not being the person to be proposed) entitled to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also notice in writing signed by the person to be proposed of his willingness to be elected.

There is no shareholding qualification for Directors nor is there any specified age limit for Directors.

The office of a Director shall be vacated:

- (a) if he resigns his office by notice in writing to the Company at its registered office or its principal office in Hong Kong;
- (b) if an order is made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Directors resolve that his office be vacated;

- (c) if, without leave, he is absent from meetings of the Directors (unless an alternate Director appointed by him attends) for 12 consecutive months, and the Directors resolve that his office be vacated;
- (d) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (e) if he ceases to be or is prohibited from being a Director by law or by virtue of any provision in the Articles of Association;
- (f) if he is removed from office by notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors (including himself) for the time being then in office; or
- (g) if he shall be removed from office by an ordinary resolution of the members of the Company under the Articles of Association.

At every annual general meeting of the Company one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third, shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat. The Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors.

(i) **Borrowing powers**

The Directors may from time to time at their discretion exercise all the powers of the Company to raise or borrow or to secure the payment of any sum or sums of money for the purposes of the Company and to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital or any part thereof.

(j) **Proceedings of the Board**

The Directors may meet together for the despatch of business, adjourn and otherwise regulate their meetings and proceedings as they think fit in any part of the world. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

2.3 Alteration to constitutional documents

No alteration or amendment to the Memorandum of Association or Articles of Association may be made except by special resolution.

2.4 Variation of rights of existing shares or classes of shares

If at any time the share capital of the Company is divided into different classes of shares, all or any of the rights attached to any class of shares for the time being issued (unless otherwise provided for in the terms of issue of the shares of that class) may, subject to the provisions of the Companies Law, be varied or

abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class. To every such separate meeting all the provisions of the Articles of Association relating to general meetings shall *mutatis mutandis* apply, but so that the quorum for the purposes of any such separate meeting and of any adjournment thereof shall be a person or persons together holding (or representing by proxy or duly authorized representative) at the date of the relevant meeting not less than one-third in nominal value of the issued shares of that class.

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

2.5 Alteration of Capital

The Company in general meeting may, from time to time, whether or not all the shares for the time being authorized shall have been issued and whether or not all the shares for the time being issued shall have been fully paid up, by ordinary resolution, increase its share capital by the creation of new shares, such new capital to be of such amount and to be divided into shares of such respective amounts as the resolution shall prescribe.

The Company may from time to time by ordinary resolution:

- (a) consolidate and divide all or any of its share capital into shares of a larger amount than its existing shares. On any consolidation of fully paid shares and division into shares of larger amount, the Directors may settle any difficulty which may arise as they think expedient and in particular (but without prejudice to the generality of the foregoing) may as between the holders of shares to be consolidated determine which particular shares are to be consolidated into each consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some person appointed by the Directors for that purpose and the person so appointed may transfer the shares so sold to the purchaser thereof and the validity of such transfer shall not be questioned, and so that the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares rateably in accordance with their rights and interests or may be paid to the Company for the Company's benefit;
- (b) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled subject to the provisions of the Companies Law; and
- (c) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum of Association, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares.

The Company may by special resolution reduce its share capital or any capital redemption reserve in any manner authorized and subject to any conditions prescribed by the Companies Law.

2.6 Special resolution — majority required

A “special resolution” is defined in the Articles of Association to have the meaning ascribed thereto in the Companies Law, for which purpose, the requisite majority shall be not less than three-fourths of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorized representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given and includes a special resolution approved in writing by all of the members of the Company entitled to vote at a general meeting of the Company in one or more instruments each signed by one or more of such members, and the effective date of the special resolution so adopted shall be the date on which the instrument or the last of such instruments (if more than one) is executed.

In contrast, an “ordinary resolution” is defined in the Articles of Association to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorized representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles of Association and includes an ordinary resolution approved in writing by all the members of the Company aforesaid.

2.7 Voting rights

Subject to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, at any general meeting on a poll every member present in person (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy shall have one vote for each share registered in his name in the register of members of the Company.

Where any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

In the case of joint registered holders of any share, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present being the most or, as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding and, for this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand on the register in respect of the relevant joint holding.

A member of the Company in respect of whom an order has been made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs may vote by any person authorized in such circumstances to do so and such person may vote by proxy.

Save as expressly provided in the Articles of Association or as otherwise determined by the Directors, no person other than a member of the Company duly registered and who shall have paid all sums for the time being due from him payable to the Company in respect of his shares shall be entitled to be present or to vote (save as proxy for another member of the Company), or to be reckoned in a quorum, either personally or by proxy at any general meeting.

At any general meeting a resolution put to the vote of the meeting shall be decided by way of a poll save that the Chairman of the meeting may allow a resolution which relates purely to a procedural or administrative matter as prescribed under the Listing Rules to be voted on by a show of hands.

If a recognized clearing house (or its nominee(s)) is a member of the Company it may authorize such person or persons as it thinks fit to act as its proxy(ies) or representative(s) at any general meeting of the Company or at any general meeting of any class of members of the Company provided that, if more than

one person is so authorized, the authorization shall specify the number and class of shares in respect of which each such person is so authorized. A person authorized pursuant to this provision shall be entitled to exercise the same rights and powers on behalf of the recognized clearing house (or its nominee(s)) which he represents as that recognized clearing house (or its nominee(s)) could exercise as if it were an individual member of the Company holding the number and class of shares specified in such authorization, including, where a show of hands is allowed, the right to vote individually on a show of hands.

2.8 Annual general meetings

The Company shall in each year hold a general meeting as its annual general meeting in addition to any other general meeting in that year and shall specify the meeting as such in the notice calling it; and not more than 15 months (or such longer period as the Stock Exchange may authorize) shall elapse between the date of one annual general meeting of the Company and that of the next.

2.9 Accounts and audit

The Directors shall cause to be kept such books of account as are necessary to give a true and fair view of the State of the Company's affairs and to show and explain its transactions and otherwise in accordance with the Companies Law.

The Directors shall from time to time determine whether, and to what extent, and at what times and places and under what conditions or regulations, the accounts and books of the Company, or any of them, shall be open to the inspection of members of the Company (other than officers of the Company) and no such member shall have any right of inspecting any accounts or books or documents of the Company except as conferred by the Companies Law or any other relevant law or regulation or as authorized by the Directors or by the Company in general meeting.

The Directors shall, commencing with the first annual general meeting, cause to be prepared and to be laid before the members of the Company at every annual general meeting a profit and loss account for the period, in the case of the first account, since the incorporation of the Company and, in any other case, since the preceding account, together with a balance sheet as at the date to which the profit and loss account is made up and a Director's report with respect to the profit or loss of the Company for the period covered by the profit and loss account and the State of the Company's affairs as at the end of such period, an auditor's report on such accounts and such other reports and accounts as may be required by law. Copies of those documents to be laid before the members of the Company at an annual general meeting shall not less than 21 days before the date of the meeting, be sent in the manner in which notices may be served by the Company as provided in the Articles of Association to every member of the Company and every holder of debentures of the Company provided that the Company shall not be required to send copies of those documents to any person of whose address the Company is not aware or to more than one of the joint holders of any shares or debentures.

The Company shall at any annual general meeting appoint an auditor or auditors of the Company who shall hold office until the next annual general meeting. The remuneration of the auditors shall be fixed by the Company at the annual general meeting at which they are appointed provided that in respect of any particular year the Company in general meeting may delegate the fixing of such remuneration to the Directors.

2.10 Notice of meetings and business to be conducted thereat

An annual general meeting and any extraordinary general meeting called for the passing of a special resolution shall be called by not less than 21 days' notice in writing and any other extraordinary general meeting shall be called by not less than 14 days' notice in writing. The notice shall be inclusive of the day

on which it is served or deemed to be served and of the day for which it is given, and shall specify the time, place and agenda of the meeting, particulars of the resolutions to be considered at the meeting and, in the case of special business, the general nature of that business. The notice convening an annual general meeting shall specify the meeting as such, and the notice convening a meeting to pass a special resolution shall specify the intention to propose the resolution as a special resolution. Notice of every general meeting shall be given to the auditors and all members of the Company (other than those who, under the provisions of the Articles of Association or the terms of issue of the shares they hold, are not entitled to receive such notice from the Company).

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

- (a) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat or their proxies; and
- (b) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95% in nominal value of the shares giving that right.

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

- (c) the declaration and sanctioning of dividends;
- (d) the consideration and adoption of the accounts and balance sheets and the reports of the Directors and the auditors and other documents required to be annexed to the balance sheet;
- (e) the election of Directors in place of those retiring;
- (f) the appointment of auditors;
- (g) the fixing of, or the determining of the method of fixing of, the remuneration of the Directors and of the auditors;
- (h) the granting of any mandate or authority to the Directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than 20% (or such other percentage as may from time to time be specified in the Listing Rules) in nominal value of its then existing issued share capital and the number of any securities repurchased pursuant to sub-paragraph (g) below; and
- (i) the granting of any mandate or authority to the Directors to repurchase securities of the Company.

2.11 Transfer of Shares

Transfers of shares may be effected by an instrument of transfer in the usual common form or in such other form as the Directors may approve which is consistent with the standard form of transfer as prescribed by the Stock Exchange.

The instrument of transfer shall be executed by or on behalf of the transferor and, unless the Directors otherwise determine, the transferee, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members of the Company in respect thereof. All instruments of transfer shall be retained by the Company.

The Directors may refuse to register any transfer of any share which is not fully paid up or on which the Company has a lien. The Directors may also decline to register any transfer of any shares unless:

- (a) the instrument of transfer is lodged with the Company accompanied by the certificate for the shares to which it relates (which shall upon the registration of the transfer be cancelled) and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer;
- (b) the instrument of transfer is in respect of only one class of shares;
- (c) the instrument of transfer is properly stamped (in circumstances where stamping is required);
- (d) in the case of a transfer to joint holders, the number of joint holders to whom the share is to be transferred does not exceed four;
- (e) the shares concerned are free of any lien in favor of the Company; and
- (f) a fee of such maximum as the Stock Exchange may from time to time determine to be payable (or such lesser sum as the Directors may from time to time require) is paid to the Company in respect thereof.

If the Directors refuse to register a transfer of any share they shall, within two months after the date on which the transfer was lodged with the Company, send to each of the transferor and the transferee notice of such refusal.

The registration of transfers may, on 14 days' notice being given by advertisement published on the Stock Exchange's website, or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, be suspended and the register of members of the Company closed at such times for such periods as the Directors may from time to time determine, provided that the registration of transfers shall not be suspended or the register closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

2.12 Power of the Company to purchase its own Shares

The Company is empowered by the Companies Law and the Articles of Association to purchase its own shares subject to certain restrictions and the Directors may only exercise this power on behalf of the Company subject to the authority of its members in general meeting as to the manner in which they do so and to any applicable requirements imposed from time to time by the Stock Exchange and the Securities and Futures Commission of Hong Kong. Shares which have been repurchased will be treated as cancelled upon the repurchase.

2.13 Power of any subsidiary of the Company to own Shares

There are no provisions in the Articles of Association relating to the ownership of shares by a subsidiary.

2.14 Dividends and other methods of distributions

Subject to the Companies Law and Articles of Association, the Company in general meeting may declare dividends in any currency but no dividends shall exceed the amount recommended by the Directors. No dividend may be declared or paid other than out of profits and reserves of the Company lawfully available for distribution, including share premium.

Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends shall (as regards any shares not fully paid throughout the period in respect of which the dividend is paid) be apportioned and paid pro rata according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. For these purposes no amount paid up on a share in advance of calls shall be treated as paid up on the share.

The Directors may from time to time pay to the members of the Company such interim dividends as appear to the Directors to be justified by the profits of the Company. The Directors may also pay half-yearly or at other intervals to be selected by them at a fixed rate if they are of the opinion that the profits available for distribution justify the payment.

The Directors may retain any dividends or other moneys payable on or in respect of a share upon which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists. The Directors may also deduct from any dividend or other monies payable to any member of the Company all sums of money (if any) presently payable by him to the Company on account of calls, installments or otherwise.

No dividend shall carry interest against the Company.

Whenever the Directors or the Company in general meeting have resolved that a dividend be paid or declared on the share capital of the Company, the Directors may further resolve: (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up on the basis that the shares so allotted are to be of the same class as the class already held by the allottee, provided that the members of the Company entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or (b) that the members of the Company entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Directors may think fit on the basis that the shares so allotted are to be of the same class as the class already held by the allottee. The Company may upon the recommendation of the Directors by ordinary resolution resolve in respect of any one particular dividend of the Company that notwithstanding the foregoing a dividend may be satisfied wholly in the form of an allotment of shares credited as fully paid without offering any right to members of the Company to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to a holder of shares may be paid by cheque or warrant sent through the post addressed to the registered address of the member of the Company entitled, or in the case of joint holders, to the registered address of the person whose name stands first in the register of members of the Company in respect of the joint holding or to such person and to such address as the holder or joint holders may in writing direct. Every cheque or warrant so sent shall be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register of members of the Company in respect of such shares, and shall be sent at his or their risk and the payment of any such cheque or warrant by the bank on which it is drawn shall operate as a good discharge to the Company in respect of the dividend and/or bonus represented thereby, notwithstanding that it may subsequently appear that the same has been stolen or that any endorsement thereon has been forged. The Company may cease sending such cheques for dividend entitlements or dividend warrants by post if such cheques or warrants have been left uncashed on two consecutive occasions. However, the Company may exercise its power to cease sending cheques for dividend entitlements or dividend warrants after the first occasion on which such a cheque or warrant is returned undelivered. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Any dividend unclaimed for six years from the date of declaration of such dividend may be forfeited by the Directors and shall revert to the Company.

The Directors may, with the sanction of the members of the Company in general meeting, direct that any dividend be satisfied wholly or in part by the distribution of specific assets of any kind, and in particular of paid up shares, debentures or warrants to subscribe securities of any other company, and where any difficulty arises in regard to such distribution the Directors may settle it as they think expedient, and in particular may disregard fractional entitlements, round the same up or down or provide that the same shall accrue to the benefit of the Company, and may fix the value for distribution of such specific assets and may determine that cash payments shall be made to any members of the Company upon the footing of the value so fixed in order to adjust the rights of all parties, and may vest any such specific assets in trustees as may seem expedient to the Directors.

2.15 Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person who must be an individual as his proxy to attend and vote instead of him and a proxy so appointed shall have the same right as the member to speak at the meeting. A proxy need not be a member of the Company.

Instruments of proxy shall be in common form or in such other form as the Directors may from time to time approve provided that it shall enable a member to instruct his proxy to vote in favor of or against (or in default of instructions or in the event of conflicting instructions, to exercise his discretion in respect of) each resolution to be proposed at the meeting to which the form of proxy relates. The instrument of proxy shall be deemed to confer authority to vote on any amendment of a resolution put to the meeting for which it is given as the proxy thinks fit. The instrument of proxy shall, unless the contrary is stated therein, be valid as well for any adjournment of the meeting as for the meeting to which it relates provided that the meeting was originally held within 12 months from such date.

The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney authorized in writing, or if the appointor is a corporation either under its seal or under the hand of an officer, attorney or other person authorized to sign the same.

The instrument appointing a proxy and (if required by the Directors) the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, shall be delivered at the registered office of the Company (or at such other place as may be specified in the notice convening the meeting or in any notice of any adjournment or, in either case, in any document sent therewith) not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote or, in the case of a poll taken subsequently to the date of a meeting or adjourned meeting, not less than 48 hours before the time appointed for the taking of the poll and in default the instrument of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiration of 12 months from the date named in it as the date of its execution. Delivery of any instrument appointing a proxy shall not preclude a member of the Company from attending and voting in person at the meeting or poll concerned and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

2.16 Calls on Shares and forfeiture of Shares

The Directors may from time to time make calls upon the members of the Company in respect of any moneys unpaid on their shares (whether on account of the nominal amount of the shares or by way of premium or otherwise) and not by the conditions of allotment thereof made payable at fixed times and each member of the Company shall (subject to the Company serving upon him at least 14 days' notice specifying the time and place of payment and to whom such payment shall be made) pay to the person at the time and place so specified the amount called on his shares. A call may be revoked or postponed as the Directors may determine. A person upon whom a call is made shall remain liable on such call notwithstanding the subsequent transfer of the shares in respect of which the call was made.

A call may be made payable either in one sum or by installments and shall be deemed to have been made at the time when the resolution of the Directors authorizing the call was passed. The joint holders of a share shall be jointly and severally liable to pay all calls and installments due in respect of such share or other moneys due in respect thereof.

If a sum called in respect of a share shall not be paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest on the sum from the day appointed for payment thereof to the time of actual payment at such rate, not exceeding 15% per annum, as the Directors may determine, but the Directors shall be at liberty to waive payment of such interest wholly or in part.

If any call or installment of a call remains unpaid on any share after the day appointed for payment thereof, the Directors may at any time during such time as any part thereof remains unpaid serve a notice on the holder of such shares requiring payment of so much of the call or installment as is unpaid together with any interest which may be accrued and which may still accrue up to the date of actual payment.

The notice shall name a further day (not being less than 14 days from the date of service of the notice) on or before which, and the place where, the payment required by the notice is to be made, and shall state that in the event of non-payment at or before the time and at the place appointed, the shares in respect of which such call was made or installment is unpaid will be liable to be forfeited.

If the requirements of such notice are not complied with, any share in respect of which such notice has been given may at any time thereafter, before payment of all calls or installments and interest due in respect thereof has been made, be forfeited by a resolution of the Directors to that effect. Such forfeiture shall include all dividends and bonuses declared in respect of the forfeited shares and not actually paid before the forfeiture. A forfeited share shall be deemed to be the property of the Company and may be sold, re-allotted or otherwise disposed of.

A person whose shares have been forfeited shall cease to be a member of the Company in respect of the forfeited shares but shall, notwithstanding the forfeiture, remain liable to pay to the Company all moneys which at the date of forfeiture were payable by him to the Company in respect of the shares, together with (if the Directors shall in their discretion so require) interest thereon at such rate not exceeding 15% per annum as the Directors may prescribe from the date of forfeiture until payment, and the Directors may enforce payment thereof without being under any obligation to make any allowance for the value of the shares forfeited, at the date of forfeiture.

2.17 Inspection of register of members

The register of members of the Company shall be kept in such manner as to show at all times the members of the Company for the time being and the shares respectively held by them. The register may, on 14 days' notice being given by advertisement published on the Stock Exchange's website, or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, be closed at such times and for such periods as the Directors may from time to time determine either generally or in respect of any class of shares, provided that the register shall not be closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

Any register of members kept in Hong Kong shall during normal business hours (subject to such reasonable restrictions as the Directors may impose) be open to inspection by any member of the Company without charge and by any other person on payment of such fee not exceeding HK\$2.50 (or such higher amount as may from time to time be permitted under the Listing Rules) as the Directors may determine for each inspection.

2.18 Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment, choice or election of a chairman which shall not be treated as part of the business of the meeting.

Two members of the Company present in person or by proxy shall be a quorum provided always that if the Company has only one member of record the quorum shall be that one member present in person or by proxy.

A corporation being a member of the Company shall be deemed for the purpose of the Articles of Association to be present in person if represented by its duly authorized representative being the person appointed by resolution of the directors or other governing body of such corporation or by power of attorney to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

The quorum for a separate general meeting of the holders of a separate class of shares of the Company is described in sub-paragraph 2.4 above.

2.19 Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles of Association concerning the rights of minority shareholders in relation to fraud or oppression.

2.20 Procedure on liquidation

If the Company shall be wound up, and the assets available for distribution amongst the members of the Company as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members of the Company in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively. And if in a winding up the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed amongst the members of the Company in proportion to the capital paid up at the commencement of the winding up on the shares held by them respectively. The foregoing is without prejudice to the rights of the holders of shares issued upon special terms and conditions.

If the Company shall be wound up, the liquidator may with the sanction of a special resolution of the Company and any other sanction required by the Companies Law, divide amongst the members of the Company in specie or kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may, for such purpose, set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members of the Company. The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the members of the Company as the liquidator, with the like sanction and subject to the Companies Law, shall think fit, but so that no member of the Company shall be compelled to accept any assets, shares or other securities in respect of which there is a liability.

2.21 Untraceable members

The Company shall be entitled to sell any shares of a member of the Company or the shares to which a person is entitled by virtue of transmission on death or bankruptcy or operation of law if: (i) all cheques or

warrants, not being less than three in number, for any sums payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) the Company has not during that time or before the expiry of the three month period referred to in (iv) below received any indication of the whereabouts or existence of the member; (iii) during the 12 year period, at least three dividends in respect of the shares in question have become payable and no dividend during that period has been claimed by the member; and (iv) upon expiry of the 12 year period, the Company has caused an advertisement to be published in the newspapers or subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association, giving notice of its intention to sell such shares and a period of three months has elapsed since such advertisement and the Stock Exchange has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds it shall become indebted to the former member for an amount equal to such net proceeds.

SUMMARY OF CAYMAN ISLANDS COMPANY LAW AND TAXATION

1 Introduction

The Companies Law is derived, to a large extent, from the older Companies Acts of England, although there are significant differences between the Companies Law and the current Companies Act of England. Set out below is a summary of certain provisions of the Companies Law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of corporate law and taxation which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

2 Incorporation

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on July 16, 2012 under the Companies Law. As such, its operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the size of its authorized share capital.

3 Share capital

The Companies Law permits a company to issue ordinary shares, preference shares, redeemable shares or any combination thereof.

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account called the “share premium account.” At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by a company, subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation:

- (a) paying distributions or dividends to members;
- (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (c) in the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law);
- (d) writing-off the preliminary expenses of the company;

- (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and
- (f) providing for the premium payable on redemption or purchase of any shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, by special resolution reduce its share capital in any way.

Subject to the detailed provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder. In addition, such a company may, if authorized to do so by its articles of association, purchase its own shares, including any redeemable shares. The manner of such a purchase must be authorized either by the Articles of Association or by an ordinary resolution of the Company. The Articles of Association must provide that the manner of purchase may be determined by the Directors. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any member of the company holding shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and to act in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

4 Dividends and distributions

With the exception of section 34 of the Companies Law, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands in this area, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see 3 above for further details).

5 Shareholders' suits

The Cayman Islands courts can be expected to follow English case law precedents. The rule in *Foss v. Harbottle* (and the exceptions thereto which permit a minority shareholder to commence a class action against or derivative actions in the name of the company to challenge (a) an act which is *ultra vires* the company or illegal, (b) an act which constitutes a fraud against the minority where the wrongdoers are themselves in control of the company, and (c) an action which requires a resolution with a qualified (or special) majority which has not been obtained) has been applied and followed by the courts in the Cayman Islands.

6 Protection of minorities

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

Any shareholder of a company may petition the Grand Court of the Cayman Islands which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

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

The English common law rule that the majority will not be permitted to commit a fraud on the minority has been applied and followed by the courts of the Cayman Islands.

7 Disposal of assets

The Companies Law contains no specific restrictions on the powers of directors to dispose of assets of a company. As a matter of general law, in the exercise of those powers, the directors must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the company.

8 Accounting and auditing requirements

The Companies Law requires that a company shall cause to be kept proper books of account with respect to:

- (a) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place;
- (b) all sales and purchases of goods by the company; and
- (c) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the State of the company's affairs and to explain its transactions.

9 Register of members

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as its directors may, from time to time, think fit. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

10 Inspection of books and records

Members of a company will have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

11 Special resolutions

The Companies Law provides that a resolution is a special resolution when it has been passed by a majority of not less than two-thirds (or such greater number as may be specified in the articles of association of the company) of such members as, being entitled to do so, vote in person or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given. Written resolutions signed by all the members entitled to vote for the time being of the company may take effect as special resolutions if this is authorized by the articles of association of the company.

12 Subsidiary owning shares in parent

The Companies Law does not prohibit a Cayman Islands company acquiring and holding shares in its parent company provided its objects so permit. The directors of any subsidiary making such acquisition must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the subsidiary.

13 Mergers and Consolidations

The Companies Law permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (a) “merger” means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company and (b) a “consolidation” means the combination of two or more constituent companies into a consolidated company and the vesting of the undertaking, property and liabilities of such companies to the consolidated company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorized by (a) a special resolution of each constituent company and (b) such other authorization, if any, as may be specified in such constituent company’s articles of association. The written plan of merger or consolidation must be filed with the Registrar of Companies together with a declaration as to the solvency of the consolidated or surviving company, a list of the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and that notification of the merger or consolidation will be published in the Cayman Islands Gazette. Dissenting shareholders have the right to be paid the fair value of their shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) if they follow the required procedures, subject to certain exceptions. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

14 Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing 75% in value of shareholders or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the Grand Court of the Cayman Islands. Whilst a dissenting shareholder would have the right to express to the Grand Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Grand Court of the Cayman Islands is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management and if the transaction were approved and consummated the dissenting shareholder would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of his shares) ordinarily available, for example, to dissenting shareholders of United States corporations.

15 Takeovers

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Grand Court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Grand Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

16 Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

17 Liquidation

A company may be placed in liquidation compulsorily by an order of the court, or voluntarily (a) by a special resolution of its members if the company is solvent, or (b) by an ordinary resolution of its members if the company is insolvent. The liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories (shareholders)), settle the list of creditors and discharge the company's liability to them, rateably if insufficient assets exist to discharge the liabilities in full, and to settle the list of contributories and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

18 Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

19 Taxation

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties that are applicable to any payments made by or to the Company.

20 Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

21 General

Maples and Calder the Company's legal advisers on Cayman Islands law, have sent to the Company a letter of advice summarizing aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the section headed "Documents available for inspection" in Appendix IX. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he/she is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY**1 Incorporation**

Our Company was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law on July 16, 2012 under the name of “Glory Land Company Limited (国瑞置业有限公司).”

Our Company was registered as a non-Hong Kong company as defined in the Hong Kong Companies Ordinance on November 5, 2013 and our principal place of business in Hong Kong is at Suite 5103A, 51F, Central Plaza, 18 Harbour Road, Hong Kong. Our Company adopted and carries on business in Hong Kong under the name of “Guorui Properties Limited.” Ms. Kwong Yin Ping, Yvonne (鄺燕萍) of Flat A, 15/F, Block 2, 7 Tai Hang Road, Causeway Bay, Hong Kong was appointed as the authorized representative of our Company for the acceptance of service of process and notices in Hong Kong.

As our Company was incorporated in the Cayman Islands, our operation is subject to the relevant laws and regulations of the Cayman Islands and the Company’s constitution which comprises the Memorandum of Association and the Articles of Association. A summary of the relevant laws and regulations of the Cayman Islands and of our constitution is set out in the section headed “Appendix VII — Summary of Memorandum and Articles of Association of our Company and Cayman Islands Company Law” in this prospectus.

2 Changes in share capital of our Company

Our Company was incorporated with an authorized share capital of US\$50,000 divided into 50,000 Shares with a par value of US\$ 1.00 each.

On July 16, 2012, one share was allotted and issued to Offshore Incorporations (Cayman) Limited for a consideration of US\$ 1.00 as the initial subscriber, which was subsequently transferred by Offshore Incorporations (Cayman) limited to Alltogether, a company owned as to 100% by Chairman Zhang, for a consideration of US\$ 1.00 on the same day.

In addition to the existing authorized share capital of US\$50,000 divided into 50,000 shares of nominal value of US\$1.00, on November 25, 2013, the authorized share capital of our Company was increased by HK\$10,000,000 divided into 10,000,000,000 shares of nominal value of HK\$0.001 each. On the same day, The Company allotted and issued and Alltogether subscribed for an additional 3,750,000,000 Shares, credited as fully paid at par value for a consideration of HK\$3,750,000. As a result, Alltogether held an aggregate of 3,750,000,000 Shares in our Company. The existing single share of nominal value of US\$1.00 was then repurchased by the Company, and the unissued authorized share capital of US\$50,000 was cancelled by the Company.

Immediately following completion of the Global Offering and assuming that the Over-allotment Option is not exercised and without taking into account the exercise of the options granted under the Pre-IPO Share Option Scheme and may be granted under the Post-IPO Share Option Scheme, the authorized share capital of our Company will be HK\$10,000,000 divided into 10,000,000,000 Shares, of which 4,411,780,000 Shares will be issued fully paid or credited as fully paid, and 5,588,220,000 Shares will remain unissued. Other than the Global Offering, the Over-allotment Option, or the exercise of the options granted under the Pre-IPO Share Option Scheme, or any option which may be granted under the Post-IPO Share Option Scheme, our Company does not have any present intention to issue any of the authorized but unissued share capital.

Save as disclosed herein in this appendix, there has been no alteration in the share capital of our Company since its incorporation.

3 Changes in share capital of our subsidiaries

Our subsidiaries are set out in the section headed “Appendix I — Accountants’ Report” in this prospectus. The following alterations in the registered capital of our subsidiaries have taken place within the two years immediately preceding the date of this prospectus:

- (1) Beijing Glory Property Services Co., Ltd.* (北京國瑞物業服務有限公司)
The registered capital of Beijing Glory Property Services Co., Ltd.*, one of our non-wholly-owned subsidiaries, was increased from RMB3 million to RMB5 million on August 6, 2012.
- (2) Langfang Glory Real Estate Development Co., Ltd.* (廊坊國瑞房地產開發有限公司)
The registered capital of Langfang Glory Real Estate Development Co., Ltd.*, one of our non-wholly-owned subsidiaries, was increased from RMB10 million to RMB15 million on March 13, 2013.
- (3) Beijing Glory Xingye Real Estate Co., Ltd.* (北京國瑞興業地產股份有限公司)
The registered capital of Beijing Glory Xingye Real Estate Co., Ltd.*, one of our non-wholly owned subsidiaries, was decreased from RMB1.218 billion to RMB1.166 billion on November 5, 2013.
- (4) Shantou Glory Real Estate Development Co., Ltd.* (汕頭國瑞房地產開發有限公司)
The registered capital of Shantou Glory Real Estate Development Co., Ltd.*, one of our non-wholly owned subsidiaries, was increased from RMB100 million to RMB198 million on December 14, 2013.
Save as disclosed above, there has been no other alterations in the share capital of our subsidiaries in the two years immediately preceding the date of this prospectus.

4 Written resolutions of the Shareholder passed on June 5, 2014

By written resolutions of the Shareholder passed on June 5, 2014, the following resolutions, among other things, were duly passed:

- (a) conditional on the same conditions as stated in the paragraph headed “Conditions” in the section headed “Structure of the Global Offering” of this prospectus, the Global Offering (including the Over-allotment Option) was approved, and the proposed allotment and issue of the Offer Shares under the Global Offering was approved, and the Directors were authorized to allot and issue the Offer Shares pursuant to the Global Offering;
- (b) the rules of the Share Award Scheme be approved and adopted, and the Directors be authorized, at their sole discretion, to, among other things, (A) administer the Share Award Scheme; (B) modify/ amend the Share Award Scheme from time to time; (C) grant, allot and issue shares under the Share Award Scheme; (D) take all such actions as they consider necessary, desirable or expedient to implement or give effect to the Share Award Scheme;
- (c) the rules of the Pre-IPO Share Option Scheme be approved and adopted, and the Directors be authorized, at their sole discretion, to, among other things, (A) administer the Pre-IPO Share Option Scheme; (B) modify/ amend the Pre-IPO Share Option Scheme from time to time as requested by the Stock Exchange; (C) grant options to subscribe for Shares under the Pre-IPO Share Option Scheme; (D) allot, issue Shares pursuant to the exercise of any option which may be granted under the Pre-IPO Share Option Scheme; and (E) take all such actions as they consider necessary, desirable or expedient to implement or give effect to the Pre-IPO Share Option Scheme;
- (d) the rules of the Post-IPO Share Option Scheme be approved and adopted, and the Directors be authorized, at their sole discretion, to, among other things, (A) administer the Post-IPO Share Option Scheme; (B) modify/ amend the Post-IPO Share Option Scheme from time to time as requested by the Stock Exchange; (C) grant options to subscribe for Shares under the Post-IPO Share Option Scheme; (D) allot, issue Shares pursuant to the exercise of any option which may be granted under the Post-IPO Share Option Scheme; and (E) take all such actions as they consider necessary, desirable or expedient to implement or give effect to the Post-IPO Share Option Scheme;

- (e) a general unconditional mandate was given to our Directors to exercise all powers of our Company to allot, issue and deal with Shares and to make or grant offers, agreements, or warrants options which might require Shares to be allotted and issued or dealt with subject to the requirement that the aggregate nominal value of the Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued, otherwise than by way of (i) a Rights Issue (as hereinafter defined); or (ii) an issue of Shares under the Global Offering; (iii) an issue of Shares upon exercise of any subscription or conversion rights attaching to any warrants or any securities which are convertible into Shares; (iv) an issue of Shares upon the exercise of options granted under the Pre-IPO Share Option Scheme or options which may be granted under the Post-IPO Share Option Scheme or under any option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of the Company and/or any of its subsidiaries or any other person of Shares or rights to acquire Shares; or (v) any scrip dividend scheme or similar arrangement providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles of Association; or (vi) any specific authority granted by our Shareholders in general meeting, shall not exceed 20% of the aggregate nominal value of the Shares in issue immediately following completion of the Global Offering, excluding any Shares which may fall to be issued pursuant to the exercise of the Over-allotment Option and the options that were granted under the Pre-IPO Share Option Scheme or may be granted under the Post-IPO Share Option Scheme;

- (f) a general unconditional mandate was given to our Directors to exercise all powers of our Company to purchase on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, such number of Shares as will represent up to 10% of the aggregate nominal value of the Shares in issue immediately following completion of the Global Offering, excluding any Shares which may be allotted, issued, or dealt with under as rights issue or pursuant to the exercise of the Over-allotment Option and the options that were granted under the Pre-IPO Share Option Scheme or may be granted under the Post-IPO Share Option Scheme;

This mandate only relates to repurchase made on the Stock Exchange or on any other stock exchange on which the Shares may be listed (and which is recognized by the SFC and the Stock Exchange for this purpose) and which are in accordance with all applicable laws and regulations.

- (g) the general unconditional mandate as mentioned in paragraph (e) above was extended by the addition to the aggregate nominal value of the Shares which may be allotted and issued or agreed to be allotted and issued by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the Shares purchased by our Company pursuant to the mandate to purchase Shares referred to in paragraph (f) above (up to 10% of the aggregate nominal value of the Shares in issue immediately following completion of the Global Offering, excluding any Shares which may fall to be issued pursuant to the exercise of the Over-allotment Option and the options that were granted under the Pre-IPO Share Option Scheme or may be granted under the Post-IPO Share Option Scheme); and
- (h) our Company approved and adopted the Articles of Association which effect from the Listing Date.

For the purposes of paragraph (e) above, “Rights Issue” means an offer of Shares or issue of options, warrants or other securities giving the right to subscribe for Shares open for a period fixed by our Directors to holders of Shares whose names appear on the register of members of our Company (and, where appropriate, to holders of other securities of our Company entitled to the offer) on a fixed record date in proportion to their then holdings of such Shares (or, where appropriate, such other securities) (subject in all cases to such exclusions or other arrangements as our Directors may deem necessary or expedient (but in compliance with the relevant provisions of the Listing Rules) in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognized regulatory body or any stock exchange in, any territory applicable to our Company).

Each of the general mandates referred to in paragraphs (e) and (f) above will remain in effect until the earlier of (1) the conclusion of the next annual general meeting of our Company; (2) the expiration of the period within which the next annual general meeting of our Company is required to be held by any applicable law or the Articles of Association; or (3) the time when such mandate is revoked, varied or renewed by an ordinary resolution of the Shareholders in general meeting.

5 Corporate Reorganization

Our Group underwent a Reorganization in preparation for the listing of our Shares on the Stock Exchange. For information relating to the Reorganization, please refer to the section headed “History and Reorganization” in this prospectus.

6 Summary of our material contracts

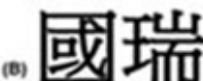
The following contracts (not being contracts entered into in the ordinary course of business) were entered into by members of our Group within the two full years preceding the date of this prospectus and are or may be material:

- (1) the equity transfer agreement dated March 21, 2012, entered into between Garden Group as vendor and Mr. Lin Yaoquan (林耀泉) as purchaser in relation to the transfer of 10% equity interest in Shantou Construction Materials for a consideration of RMB20 million. For details, please refer to the section headed “History and Reorganization” in this prospectus;
- (2) the equity transfer agreement dated October 27, 2012, entered into between Tongyu International Investment Limited* (通裕國際投資有限公司) as vendor and Original Beijing Glory as purchaser in relation to the transfer of 30% equity interest in Shenyang Dadongfang for a consideration of RMB68 million. For details, please refer to the section headed “History and Reorganization” in this prospectus;
- (3) the equity transfer agreement dated December 31, 2012, entered into between Original Beijing Glory as vendor and Shantou Guoxia Real Estate Limited* (汕頭市國廈地產有限公司) as purchaser in relation to the transfer of 100% equity interest in Chongqing Longxia for a consideration of approximately RMB149.55 million. For details, please refer to the section headed “History and Reorganization” in this prospectus;
- (4) the equity transfer agreement dated December 31, 2012, entered into between Original Beijing Glory as vendor and Shantou Guoxia Real Estate Limited* (汕頭市國廈地產有限公司) as purchaser in relation to the transfer of 100% equity interest in Shijiazhuang Glory for a consideration of approximately RMB166.59 million. For details, please refer to the section headed “History and Reorganization” in this prospectus;
- (5) the equity transfer agreement dated April 28, 2013, entered into between Shantou Glory as vendor and Shantou Guoxia Real Estate Limited* (汕頭市國廈地產有限公司) as purchaser in relation to the transfer of 80% equity interest in Shantou Property Management for a consideration of RMB2.4 million. For details, please refer to the section headed “History and Reorganization” in this prospectus;
- (6) a deed of indemnity dated June 5, 2014 given by the Controlling Shareholders (Chairman Zhang and Alltogether) in favor of the Company pursuant to which the Controlling Shareholders agreed to provide taxation and other indemnities for the benefit of our Group (the “**Deed of Indemnity**”) as more particularly set out in this appendix under the sub-section headed “— D. Other Information — 4. Indemnities” to the prospectus;
- (7) a deed of non-competition dated July 5, 2013 given by the Controlling Shareholders (Chairman Zhang and Alltogether) in favor of the Company (for itself and on behalf of all members of our

- Group) regarding the non-competition undertakings as more particularly set out in the sub-section headed “Relationship with Our Controlling Shareholders” in this prospectus;
- (8) a shareholders agreement dated June 30, 2013 entered into between Mr. Lin Yaoquan (林耀泉) and Garden Group. For details, please refer to the section headed “History and Reorganization” in this prospectus;
 - (9) a shareholders agreement dated June 30, 2013 entered into between Longhu Huamu, Ms. Zhang Youxi (張幼惜) and Garden Group. For details, please refer to the section headed “History and Reorganization” in the prospectus;
 - (10) the equity transfer agreement dated September 29, 2013, entered into between Original Beijing Glory as purchaser and Shaanxi Like Investment Group Co., Ltd.* (陝西利科投資集團有限公司), Wang Qingyu (王清榆), Zhu Chunmei (朱春梅) and Wang Runyu (王潤榆) as vendors in relation to the transfer of 100% equity interest in Shaanxi Huawei for a consideration of RMB450 million. For details, please refer to the section headed “History and Reorganization” in this prospectus;
 - (11) the supplemental agreement dated December 2, 2013, entered into among Hainan HNA Real Estate Holding Co., Ltd.* (海航地產控股(集團)有限公司) as vendor, Glory Industrial as purchaser and Haikou Hangrui as target company in relation to the transfer of 45% equity interest in Haikou Hangrui for a consideration of approximately RMB45 million (inclusive of previous outstanding amount). For details, please refer to the section headed “History and Reorganization” in the prospectus;
 - (12) the equity transfer agreement dated April 2, 2014, entered into between Hainan Glory as purchaser and Dongguan Junhao Real Estate Development Co., Ltd.* (東莞駿豪房地產開發有限公司) as vendor in relation to the acquisition of 100% equity interest in Hainan Junhe Industrial Co., Ltd.* (海南駿和實業有限公司) for a consideration of approximately RMB1.014 billion. For details, please refer to the section headed “Summary” in this prospectus;
 - (13) the equity transfer agreement dated March 5, 2014, entered into among Shenzhen Glory, Shenzhen Dihui Wealth Management Co., Ltd.* (深圳市迪輝財富管理有限公司), Ma Pengfa (馬鵬發), Shenzhen Dachao Capital Management Co., Ltd.* (深圳市大潮資本管理有限公司) and Shenzhen Zishengfa Real Estate Development Co., Ltd.* (深圳市梓盛發房地產開發有限公司) in relation to, among others, the acquisition of 30% equity interest in Shenzhen Dachaoshan Construction Co., Ltd.* (深圳市大潮汕建設有限公司) by Shenzhen Glory for a consideration of RMB12 million. For details, please refer to the section headed “Summary” in this prospectus;
 - (14) the cornerstone investment agreement dated June 16, 2014, entered into among our Company, BOCI and Beijing No. 5 Construction Engineering Group Co., Ltd. pursuant to which Beijing No. 5 Construction Engineering Group Co., Ltd. agreed to subscribe the Shares worth of RMB200 million;
 - (15) the cornerstone investment agreement dated June 16, 2014, entered into among our Company, BOCI and Sino Biopharmaceutical Limited pursuant to which Sino Biopharmaceutical Limited agreed to subscribe the Shares worth of US\$40 million;
 - (16) the cornerstone investment agreement dated June 16, 2014, entered into among our Company, BOCI and Best Class Industrial Limited pursuant to which Best Class Industrial Limited agreed to subscribe the Shares worth of US\$20 million;
 - (17) the Hong Kong Underwriting Agreement.

7 Intellectual Property Rights of our Group

As at the Latest Practicable Date, our Group was the registered proprietor of the following trademarks which are material to our business:

Trademark	Registration no.	Class	Place of registration	Effective Date	Expiry Date
	1217811	42	PRC	October 21, 2008	October 20, 2018
	5518976	16	PRC	October 14, 2010	October 13, 2020
	5518977	45	PRC	November 28, 2009	November 27, 2019
	5519053	43	PRC	November 28, 2009	November 27, 2019
	5519061	43	PRC	November 28, 2009	November 27, 2019
	5519056	42	PRC	September 28, 2009	September 27, 2019
	5519052	42	PRC	May 27, 2010	May 6, 2020
	302603222	19, 36, 37, 41	Hong Kong	May 9, 2013	May 8, 2023
					
	302603196	19, 36, 37, 41	Hong Kong	May 9, 2013	May 8, 2023
	302603268	19, 36, 37, 41	Hong Kong	May 9, 2013	May 8, 2023

Our Group is also the registered owner of one domain name, namely, glorypty.com.

B. REPURCHASE BY OUR COMPANY OF ITS SHARES

This sub-section includes information relating to the repurchase of the Shares, including information required by the Stock Exchange to be included in this prospectus concerning such repurchase.

1 Relevant legal and regulatory requirements in Hong Kong

The Listing Rules permit shareholders to grant a general mandate to the directors of a company to repurchase shares of such company that are listed on the Stock Exchange. Such mandate is required to be given by way of an ordinary resolution passed by shareholders in general meeting.

(1) Shareholder's approval

All the proposed repurchases of Shares (which must be fully paid up) must be approved in advance by an ordinary resolution of the Shareholders in general meeting, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to a resolution passed by the Shareholder on June 5, 2014, a general unconditional mandate (the “**Repurchase Mandate**”) was given to our Directors authorizing any repurchase by our Company of Shares on the Stock Exchange or on any other stock exchange on which our Company's securities may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, of not more than 10% of the aggregate nominal value of our Company's share capital in issue immediately following the completion of the Global Offering (excluding the Shares which may be issued under the Over-allotment Option and the options that were granted under the Pre-IPO Share Option Scheme or may be granted under the Post-IPO Share Option Scheme).

(2) Source of funds

Repurchases by our Company must be funded out of funds legally available for the purpose in accordance with the Articles of Association and the applicable laws and regulations of the Cayman Islands. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange. Any purchase by our Company may be made out of the profits of our Company or out of a fresh issue of shares made for the purpose of the purchase or, if authorized by the Articles of Association and subject to the Companies Law, out of capital and, in the case of premium payable on the purchase, out of the profits of our Company or from sums standing to the credit of the share premium account of our Company or, if authorized by the Articles of Association and subject to the Companies Law, out of capital.

(3) Trading restrictions

The total number of Shares which our Company may repurchase is up to 10% of the total number of the Shares in issue immediately after the completion of the Global Offering (excluding the Shares which may be issued under the Over-allotment Option and the options that were granted under the Pre-IPO Share Option Scheme or may be granted under the Post-IPO Share Option Scheme). Our Company may not issue or announce a proposed issue of Shares for a period of 30 days immediately following a repurchase of Shares, without the prior approval of the Stock Exchange. Our Company is also prohibited from repurchasing Shares on the Stock Exchange if the repurchase would result in the number of listed Shares which are in the hands of

the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange. Our Company is required to procure that the broker appointed by it to effect a repurchase of Shares discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require. Our Company also shall not purchase its Shares on the Stock Exchange if the purchase price is higher by 5% or more than the average closing market price for the five preceding trading days on which the Shares were traded on the Stock Exchange.

(4) Status of repurchased shares

All repurchased Shares (whether effected on the Stock Exchange or otherwise) will be automatically delisted and the certificates for those Shares must be cancelled and destroyed. Under the Cayman Islands law, a company's repurchased shares shall be treated as cancelled and the amount of the company's issued share capital shall be reduced by the aggregate par value of the repurchased shares accordingly although the authorized share capital of the company will not be reduced.

(5) Suspension of repurchase

Pursuant to the Listing Rules, our Company may not make any repurchase of Shares after an inside information event has occurred or has been the subject of a decision until such time as the inside information has been made publicly available. In particular, under the requirements of the Listing Rules in force as at the date hereof, during the period of one month immediately preceding the earlier of: (i) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's results for any year, half year, quarterly or any other interim period (whether or not required under the Listing Rules); and (ii) the deadline for our Company to publish an announcement of its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and in each case ending on the date of the results announcement, our Company may not repurchase Shares on the Stock Exchange unless the circumstances are exceptional. In addition, the Stock Exchange may prohibit a repurchase of the Shares on the Stock Exchange if our Company has breached the Listing Rules.

(6) Procedural and reporting requirements

As required by the Listing Rules, repurchases of Shares on the Stock Exchange or otherwise must be reported to the Stock Exchange no later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the Stock Exchange business day following any day on which our Company may make a purchase of Shares, reporting the total number of Shares purchased the previous day, the purchase price per Share or the highest and lowest prices paid for such purchases, where relevant. In addition, our Company's annual report is required to disclose details regarding repurchases of Shares made during the year, including a monthly analysis of the number of Shares repurchased, the purchase price per Share or the highest and lowest price paid for all such purchases, where relevant, and the aggregate price paid.

(7) Connected parties

Our Company is prohibited from knowingly repurchasing Shares on the Stock Exchange from a "connected person" (as defined in the Listing Rules) and a connected person shall not knowingly sell his securities to our Company on the Stock Exchange.

2 Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and Shareholders for our Directors to have general authority from the Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made where our Directors believe that such repurchases will benefit our Company and Shareholders.

3 Funding of repurchases

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with the Articles of Association, the Listing Rules and the applicable laws and regulations of the Cayman Islands.

On the basis of our Company's current financial position as disclosed in this prospectus and taking into account the current working capital position of our Company, our Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on our Company's working capital and/or the gearing position as compared with the position disclosed in this prospectus. However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on our Company's working capital requirements or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Company.

The exercise in full of the Repurchase Mandate, on the basis of 4,411,780,000 Shares in issue immediately after the Global Offering (assuming that the Over-allotment Option is not exercised and none of the options granted under the Pre-IPO Share Option Scheme or any options that may be granted under the Post-IPO Share Option Scheme is exercised), could accordingly result in up to 441,178,000 Shares being repurchased by our Company during the period prior to (1) the conclusion of the next annual general meeting of our Company; (2) the expiration of the period within which the next annual general meeting of our Company is required by Cayman Islands law or the Articles of Association to be held; or (3) the revocation or variation of the purchase mandate by ordinary resolution of Shareholders in a general meeting, whichever occurs first (the "**Relevant Period**"). If the Over-allotment Option is exercised in full (but assuming none of the options granted under the Pre-IPO Share Option Scheme or any options that may be granted under the Post-IPO Share Option Scheme is exercised), the exercise in full of the Repurchase Mandate on the basis of 4,511,047,000 Shares in issue immediately after the Global Offering could result in up to 451,104,700 Shares being repurchased by our Company during the Relevant Period.

4 General

None of our Directors or, to the best of their knowledge having made all reasonable enquiries, any of their associates (as defined in the Listing Rules) currently intends to sell any Shares to our Group.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws and regulations of the Cayman Islands.

If, as a result of any repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Group is increased, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

No connected person (as defined in the Listing Rules) has notified our Company that he has a present intention to sell Shares to our Group, or has undertaken not to do so, if the Repurchase Mandate is exercised.

C. FURTHER INFORMATION ABOUT THE DIRECTORS AND SUBSTANTIAL SHAREHOLDERS**1 Particulars of Directors' service contracts****(1) Executive Directors and independent non-executive Directors**

Each of our executive Directors has entered into a service contract with our Company regarding his appointment as executive director for a term of three years commencing from the Listing Date. Either party has the right to give not less than three months' written notice to terminate the agreement.

Each of the independent non-executive Directors has also entered into a service contract with our Company regarding his appointment as a non-executive independent director for a term of three years commencing from the Listing Date, which shall be renewed as determined by the Board or the Shareholders of the Company. The appointment of each of the independent non-executive Directors may be terminated by either party giving at least three months' written notice to the other. The appointments are subject to the provisions of the Articles of Association of the Company with regard to vacating the office of Directors, removal and retirement by rotation of Directors. Save for directors' fees, none of the independent non-executive Directors is expected to receive any other remuneration for holding their office as an independent non-executive Director.

Save as disclosed in this prospectus, none of our Directors has or is proposed to have a service contract with our Group other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

(2) Remuneration of Directors

Directors' emoluments of approximately RMB8.7 million, RMB8.7 million and RMB10.3 million in aggregate were paid and granted by our Group to our Directors in respect of the three years ended December 31, 2013.

Under the arrangements currently in force, our Directors will be entitled to receive Directors' emoluments which, for the year ending December 31, 2014, is expected to be approximately RMB7.5 million in aggregate (excluding discretionary bonus or options under the Pre-IPO Share Option Scheme or the Post-IPO Share Option Scheme, if any).

2 Disclosure of interests

(1) Directors' interests and short positions of our Directors and chief executive in the share capital and debentures of our Company and its associated corporations

Immediately following the completion of the Global Offering (but without taking into account any Shares which may be allotted and issued upon the exercise of the Over-allotment Option or upon the exercise of the options granted under the Pre-IPO Share Option Scheme and may be granted under the Post-IPO Share Option Scheme), the interest or short position of our Directors and chief executive in the Shares, underlying shares and debentures of our Company or any associated corporation (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, once the Shares are listed is as follows:

(a) Interest in Shares of our Company

Name of Director	Nature of interest	Number of Shares	Approximate percentage of interest in the Company immediately upon completion of the Global Offering (assuming the Over-allotment Option and any options granted under the Pre-IPO Share Option Scheme or may be granted under the Post-IPO Share Option Scheme are not exercised)
Chairman Zhang ¹	Interest of a controlled corporation	3,716,382,300	84.238%
Ruan Wenjuan	Interest of a controlled corporation	3,716,382,300	84.238%

Note 1: Alltogether is wholly-owned by Chairman Zhang. As such, Chairman Zhang, through Alltogether, is indirectly interested in the Shares held by Alltogether. Further, as Ms. Ruan Wenjuan, an executive Director of our Company, is the spouse of Chairman Zhang, Ms. Ruan Wenjuan is also deemed to be interested in the Shares held by Alltogether under the SFO.

(b) Interest in the underlying shares of our Company

Name of Director	Nature of interest	Number of Shares in the Company subject to options granted under the Pre-IPO Share Option Scheme	Approximate percentage of interest in the Company immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised)
Ge Weiguang	Beneficial owner	3,500,000	0.0793%
Ruan Wenjuan*	Beneficial owner	3,500,000	0.0793%
Zhang Jin	Beneficial owner	3,500,000	0.0793%

* As Chairman Zhang is the spouse of Ms. Ruan Wenjuan, Chairman Zhang is deemed to be interested in the above underlying shares held by Ms. Ruan Wenjuan.

(c) Interest in shares of associated corporation

<u>Name of Director</u>	<u>Nature of interest</u>	<u>Name of associated corporation</u>	<u>Approximate percentage of shareholding</u>
Chairman Zhang	Beneficial owner	Alltogether	100%

(2) Substantial Shareholders

Each of the following persons will, immediately upon completion of the Global Offering (without taking into account the Shares which may be issued upon the exercise of the Over-allotment Option or Shares which may be issued pursuant to the exercise of any options granted under the Pre-IPO Share Option Scheme or may be granted under the Post-IPO Share Option Scheme), have an interest or short position in Shares or underlying Shares which would be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

(i) Interest in Shares of our Company

<u>Name of Shareholder</u>	<u>Nature of interest</u>	<u>Number of Shares</u>	<u>Approximate percentage of interest in the Company immediately upon completion of the Global Offering</u>
Chairman Zhang ⁽¹⁾	Interest of a controlled corporation	3,716,382,300	84.238%
Alltogether	Beneficial owner	3,716,382,300	84.238%

Note 1: Alltogether is wholly-owned by Chairman Zhang. As such, Chairman Zhang, through Alltogether, is indirectly interested in the Shares held by Alltogether. Further, as Ms. Ruan Wenjuan, an executive Director of our Company, is the spouse of Chairman Zhang, Ms. Ruan Wenjuan is also deemed to be interested in the Shares held by Alltogether under the SFO.

(ii) Substantial shareholders of other members of our Group

<u>No.</u>	<u>Name of shareholder</u>	<u>Name of member of our Group</u>	<u>Capacity</u>	<u>Approximate percentage of ownership held by the substantial shareholders</u>
1	Longhu Huamu	New Beijing	Beneficial Owner	20%
2	Longhu Huamu	Glory	Beneficial Owner	20%
3	Lin Yaoquan (林耀泉)	Beijing	Beneficial Owner	10%
4	Chaoan County Baoshan Investment & Development Co., Ltd.* (潮安縣寶山投資開發有限公司)	Shantou	Beneficial Owner	40%
5	Xie Maolin (謝茂林)	Construction Materials	Beneficial Owner	25%
6	Ji Yongcai (紀永財)	Chaoan	Beneficial Owner	15%
7	Shantou Liyi Real Estate Investment Co., Ltd.* (汕頭市利溢房地產投資有限公司)	Meilin	Beneficial Owner	45%
8	Shaanxi Like Investment Group Ltd.* (陝西利科投資集團有限公司)	Shantou	Beneficial Owner	35%
9	Dongguan Junhao Real Estate Development Co., Ltd. (東莞駿豪房地產開發有限公司)	Guohua	Beneficial Owner	48.2%
		Huawei		
		Hainan		
		Junhe		

Save as disclosed herein, our Directors are not aware of any person who will, immediately upon completion of the Global Offering without taking into account the Shares which may be issued upon the exercise of the Overallotment Option or Shares which may be issued pursuant to the exercise of any options granted under the Pre-IPO Share Option Scheme or may be granted under the Post-IPO Share Option Scheme, have an interest or short position in Shares or underlying Shares which would be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company.

3 Disclaimers

Save as disclosed in this prospectus, as at the Latest Practicable Date:

- (1) our Directors were not aware of any person (not being a director or chief executive of our Company) who would, immediately after completion of the Global Offering without taking into account the Over-allotment Option or any Shares which may be taken up under the Global Offering or any exercise of any option granted under the Pre-IPO Share Option Scheme or any options that may be granted under the Post-IPO Share Option Scheme), have an interest or a short position in Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who would, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other member of our Group;
- (2) none of our Directors or chief executive of our Company had any interest or short position in any of the Shares, underlying Shares or debentures or any shares, underlying shares or debentures of any associated corporation within the meaning of Part XV of the SFO, which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is deemed to have under such provisions of the SFO), or which would be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which would be required to be notified to us and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, in each case once the Shares are listed;
- (3) none of our Directors nor any of the experts listed in the sub-section headed “— D. Other Information — 14 Consents of experts” of this appendix was interested in the promotion of, or in any assets which had been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to our Company or any of its subsidiaries, or were proposed to be acquired or disposed of by or leased to our Company or any of its subsidiaries;
- (4) save in connection with the Underwriting Agreements, none of our Directors nor any of the experts listed in the sub-section headed “— D. Other Information — 14 Consents of experts” of this appendix was materially interested in any contract or arrangement subsisting at the date of this prospectus which was significant in relation to our Group’s business taken as a whole;
- (5) save in connection with the Underwriting Agreements, none of the parties listed in the sub-section headed “— D. Other Information — 14 Consents of experts” of this appendix:
 - (i) were interested legally or beneficially in any securities of any member of our Group; or
 - (ii) had any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group;
- (6) none of our Directors or their associates nor, to the knowledge of the Directors, any Shareholder who held more than 5% of the total issued Shares as at the Latest Practicable Date, had any interest in any of the five largest customers of our Group;

- (7) none of our Directors or their associates nor, to the knowledge of our Directors, any Shareholder who held more than 5% of the total issued Shares as at the Latest Practicable Date, had any interest in any of the five largest suppliers of our Group; and
- (8) none of our Directors had entered into or was proposing to enter into a service contract with our Company or any of its subsidiaries (other than contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

D. OTHER INFORMATION

1 Share Award Scheme

We adopted the Share Award Scheme on June 5, 2014, the principal terms of which are summarized below:

(1) Objective

We adopted the Share Award Scheme to recognize the contribution of certain of our employees and officers, especially those whom we consider have contributed to the early development and growth of our Group and to provide financial incentives to them to remain with the Group and strive for the future development and expansion of the Company.

(2) Implementation

Pursuant to the Share Award Scheme, a total of four Selected Persons (as defined below) were awarded Shares representing approximately 0.762% of the total issued share capital of our Company upon completion of the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account any options granted under the Pre-IPO Share Option Scheme or may be granted under the Post-IPO Share Option Scheme). On June 10, 2014, Alltogether transferred a total of 33,617,700 Shares to TMF (Cayman) Ltd. (the “**Trustee**”), a special purpose vehicle incorporated in the Cayman Islands, for the benefit of the Selected Persons. As of the Latest Practicable Date, a total of 33,617,700 Shares (the “**Awarded Shares**”) were granted to Mr. Lin Yaoquan (林耀泉), Mr. Wu Yilong (吳義隆), Ms. Zhang Miaoxiang (張妙香) and Ms. Zhang Chanjuan (張嬋娟) (collectively the “**Selected Person(s)**”).

A summary of the Selected Persons who have been awarded with Awarded Shares under the Share Award Scheme is set out as follows:

No.	Name of the Selected Person	Position	Number of Shares awarded	Approximate percentage of shareholding held upon the award (Note 1)
1	Lin Yaoquan (林耀泉)	Vice president of the Company	23,453,000	0.5316%
2	Wu Yilong (吳義隆)	General manager of Foshan Region of the Company	7,817,700	0.1772%
3	Zhang Miaoxiang (張妙香)	Deputy general manager of Shantou Region of the Company	1,173,500	0.0266%
4	Zhang Chanjuan (張嬋娟)	Finance Manager of Shantou Region of the Company	1,173,500	0.0266%
		Total:	33,617,700	0.7620%

Note 1: These percentages are calculated on the basis of 4,411,780,000 Shares in issue immediately upon completion of the Global Offering without taking into account the exercise of Over-allotment Option, the options granted under the Pre-IPO Share Option Scheme and options may be granted under the Post-IPO Share Option Scheme.

Apart from Ms. Zhang Chanjuan, the other Selected Persons disclosed above are connected persons of our Group as defined in the Listing Rules.

Save for the above, no further Shares have been awarded under the Share Award Scheme and no further Shares will be awarded thereunder on or after the Listing Date. Such connected persons held in aggregate 0.7354% of our total share capital upon completion of the Global Offering without taking into account the Shares which may be issued upon the exercise of the Overallotment Option or Shares which may be issued pursuant to the exercise of any options granted under the Pre-IPO Share Option Scheme or may be granted under the Post-IPO Share Option Scheme.

(3) *Vesting of the Awarded Shares*

The vesting principles of the Share Award Scheme are summarized as follows:

- Prior to the vesting of the Awarded Shares, the Selected Persons are not entitled to any rights attaching to the unvested Awarded Shares, including but not limited to voting rights, rights to dividends or other distributions.
- The Awarded Shares granted to any particular Selected Person will vest in three equal tranches on the first, second and third anniversary of the Listing Date, respectively.
- No additional performance target or condition applies on the vesting of the Awarded Shares.
- The Selected Persons are not required to pay any consideration for the Awarded Shares for the purpose of vesting.

(4) *Special circumstances in relation to the Awarded Shares*

- In the event of death, ill-health, injury or disability of the Selected Person (all evidenced to the satisfaction of the Board), his unvested Awarded Shares will become vested with immediate effect.
- In the event of the retirement of the Selected Person, his unvested Awarded Shares will still be subject to the original vesting arrangement.
- In the event of the change in control of the Group, his unvested Awarded Shares will become vested immediately.
- In the event of the dismissal of the Selected Person by the Company or due to the misconduct of such Selected Person or his resignation, his unvested Awarded Shares will be deemed to have been surrendered and forfeited. Such surrendered and forfeited Awarded Shares may be disposed of or re-allocated at the discretion of the Board.

2 Post-IPO Share Option Scheme

The following is a summary of the principal terms of the Post-IPO Share Option Scheme adopted by the Company on June 5, 2014. The terms of the Post-IPO Share Option Scheme are in compliance with the provisions of Chapter 17 of the Listing Rules.

(1) *Purpose*

The Post-IPO Share Option Scheme is a share incentive scheme applicable for the Eligible Participants (as defined in paragraph 2 below), the purpose of which is to encourage the Eligible Participants to contribute to the Group for the long-term benefits of the Company and its Shareholders as a whole. The Post-IPO Share Option Scheme will provide the Group with a flexible means of either retaining, incentivizing, rewarding, remunerating, compensating and/or providing benefits to the Eligible Participants.

(2) *Eligible participants*

The Board may, at its discretion, grant options to any Director (including the independent non-executive Director), full-time employee and consultant of the Group or any other eligible person who, in the Board's sole discretion, has contributed or will contribute to the Group (the "**Eligible Participants**").

(3) *Maximum total amount and individual limit*

- (a) Initially the maximum number of Shares which may be issued upon exercise of all options to be granted under the Post-IPO Share Option Scheme or any other share option scheme adopted by the Company (including the Pre-IPO Share Option Scheme) shall not, in aggregate, exceed 10% of the total number of Shares in issue as at the Listing Date (without taking into account the Shares which may be issued and allotted pursuant to the exercise of the Over-allotment Option and the options which have been granted under the Pre-IPO Share Option Scheme or may be granted under the Post-IPO Share Option Scheme) (the "**Scheme Mandate Limit**") unless Shareholders' approval has been obtained pursuant to sub-paragraph (c) below.
- (b) The Scheme Mandate Limit may be renewed by the Shareholders in general meeting from time to time provided always that the Scheme Mandate Limit so renewed must not exceed 10% of the issued share capital of the Company as at the date of the approval of such renewal by the Shareholders in general meeting. Upon such renewal, all options granted under the Post-IPO Share Option Scheme and any other share option scheme of the Company (including those exercised, outstanding, cancelled, lapsed in accordance with the Post-IPO Share Option Scheme or any other share options of the Company) prior to the approval of such renewal shall not be counted for the purpose of calculating the Scheme Mandate Limit. A circular must be sent to the Shareholders containing such relevant information as required by the Listing Rules from time to time.
- (c) The Board may seek separate Shareholders' approval in general meeting to grant options beyond the Scheme Mandate Limit provided that the options in excess of the Scheme Mandate Limit are granted only to the Eligible Participants specifically identified by the Company before such approval is sought and the Company must issue a circular to the Shareholders containing such relevant information from time to time as required by the Listing Rules in relation to any such proposed grant to such Eligible Participants.
- (d) The maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Post-IPO Share Option Scheme and any other share option scheme must not, in aggregate, exceed 30% of the issued share capital of the Company from time to time. No options may be granted under any share option scheme of the Company (including the Post-IPO Share Option Scheme) if this will result in the said 30% limit being exceeded.
- (e) The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Post-IPO Share Option Scheme and any other share option scheme of the Company (including both exercised and outstanding options) to each Eligible Participant in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue as at the date of grant. Any further grant of options in excess of this 1% limit shall be subject to:
 - (i) the issue of a circular by the Company containing the identity of the Eligible Participant, the numbers of and terms of the options to be granted (and options previously granted to such participant) and such relevant information as required by the Listing Rules from time to time;

- (ii) the approval of the Shareholders in general meeting and/or other requirements prescribed under the Listing Rules from time to time with such Eligible Participant and his associates abstaining from voting; and
- (iii) the numbers and terms (including the exercise price) of options to be granted to such Eligible Participant must be fixed before the Shareholders' approval.

(4) *Restrictions on the times of grant of options*

A grant of options may not be made after an inside information event has occurred or an inside information matter has been the subject of a decision until such inside information has been published pursuant to the requirements of the Listing Rules. In particular, no options may be granted during the period commencing one month immediately preceding the earlier of:

- (i) the date of the Board meeting (as such date to first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of the Company's results for any year, half-year, quarterly or other interim period (whether or not required under the Listing Rules); and
 - (ii) the deadline for the Company to publish an announcement of its results for any year, half-year, quarterly or other interim period (whether or not required under the Listing Rules),
- and ending on the date of the results announcement.

(5) *Granting options to connected persons*

Any grant of options to a Director, chief executive or substantial Shareholder (as defined in the Listing Rules) of the Company or any of their respective associates (as defined in the Listing Rules) is required to be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options).

If the Board proposes to grant options to a substantial Shareholder or any independent non-executive Director or their respective associates (as defined in the Listing Rules) which will result in the number of Shares issued and to be issued upon exercise of options granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

- (i) representing in aggregate over 0.1% or such other percentage of the Shares in issue as maybe from time to time provided under the Listing Rules; and
- (ii) having an aggregate value in excess of HK\$5 million or such other sum as maybe from time to time provided under the Listing Rules, based on the official closing price of the Shares at the date of each grant,

such further grant of options will be subject to the issue of a circular by the Company and the approval of the Shareholders in general meeting on a poll at which all connected persons of the Company shall abstain from voting in favor, and/or such other requirements prescribed under the Listing Rules from time to time. Any vote taken at the meeting to approve the grant of such options shall be taken as a poll.

(6) *Acceptance of an offer*

An offer shall be accepted when we receive the duly signed offer letter together with a non-refundable payment of HK\$1.00 (or such other sum in any currency as the Board may determine) on or before the relevant acceptance date.

(7) *Exercise price*

The subscription price of the Shares in respect of any particular option granted under the Post-IPO Share Option Scheme shall be no less than the higher of:

- (i) the official closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities;
- (ii) the average of the official closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the 5 business days immediately preceding the date of grant; and
- (iii) the nominal value of a Share.

The exercise price will be determined by the Board, in its sole discretion, at the time the option is granted to the Eligible Participant.

(8) *Time of exercise of options and duration of the scheme*

Subject to certain restrictions contained in the Post-IPO Share Option Scheme, an option may be exercised in accordance with the terms of the Post-IPO Share Option Scheme and the terms of grant thereof at any time during the applicable option period, which is not more than 10 years from the date of grant of option.

There is no general requirement on the minimum period for which an option must be held or the performance targets which must be achieved before an option can be exercised under the terms of the Post-IPO Share Option Scheme. However, at the time of granting any option, the Board may, on a case by case basis, make such grant subject to such conditions, restrictions or limitations including (without limitation) those in relation to the minimum period of the options to be held and/or the performance targets to be achieved as the Board may determine in its absolute discretion.

Subject to earlier termination by the Company in general meeting or by the Board, the Post-IPO Share Option Scheme shall be valid and effective for a period of 10 years from the adoption date of such scheme by the Shareholders on June 5, 2014.

(9) *Conditions on options becoming effective*

At the time of granting any option, the Board may, on a case by case basis, make such grant subject to specific conditions (such as specific performance target).

(10) *Special circumstances in relation to the exercise***(a) Rights on death**

If the grantee of an option ceases to be an Eligible Participant by reason of death, ill-health, injury or disability (all evidenced to the satisfaction of the Board) and none of the events which would be a ground for termination of his relationship with the Group under the sub-paragraph (b) below has occurred, the grantee or his personal representative(s) may exercise the option within a period of 12 months from the date of cessation of being an Eligible Participant or death to exercise the options in full (to the extent not already exercised).

(b) Rights on dismissal

If the grantee of an option ceases to be an Eligible Participant on the grounds that he has been guilty of serious misconduct, or has been convicted of any criminal offense involving his integrity or honesty, his option will lapse and not be exercisable after the date of termination of his employment.

(c) Rights on retirement

In the event that the grantee retires from the Group before exercising his options in full, the options of such grantee shall be exercised as follows:

- (i) where the options granted to such grantee have become effective as at the date of his retirement but have not been exercised in full, the grantee shall exercise the options within a period of 6 months following his retirement and any options that are not exercised within the prescribed period shall lapse;
- (ii) where the options granted to such grantee have not taken effect as at the date of his retirement, the options shall still be subject to the original effective arrangement but any personal performance target (if any) will no longer be applicable.

(d) Rights on ceasing employment due to other reasons

If the grantee of a grant ceases to be the Eligible Participants by reasons of ceasing employment other than the reasons set out in the sub-paragraphs (a), (b) and (c) above, including, for examples, termination of employment by the Group or resignation of the Eligible Participant, before exercising his options in full, the options shall be exercised by the grantee as follows:

- (i) where the options granted to such grantee have become effective as at the date of his cessation of employment but have not been exercised in full, the grantee shall exercise the option within a period of 3 months following the date of his cessation of employment, and any options that are not exercised within the prescribed period shall lapse;
- (ii) where the options granted to such grantee have not taken effect as at the date of his cessation of employment, those options shall be cancelled forthwith and not be exercisable upon the termination of his employment contract.

(e) Rights on change of control

In the event of a change of control of the Group, the grantee shall be entitled to exercise the options in full within a period of 6 months if the options have become effective as at the date on which the change of control occurs. All options granted to such grantee which have not become effective as at the date on which the change of control occurs shall become effective forthwith and be so exercisable by him within a period of 6 months.

(f) Rights on a takeover

If a general offer is made to all the Shareholders (or all such Shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror (as defined in the Takeovers Codes)) and such offer becomes or is declared unconditional during the option period of the relevant option, the grantee of an

option shall be entitled to exercise the option in full (to the extent not already exercised) at any time within 14 days after the date on which the offer becomes or is declared unconditional.

(g) Rights on a voluntary winding-up

In the event a notice is given by the Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up the Company, the Company shall forthwith give notice thereof to all grantees and thereupon, each grantee (or his legal personal representative(s)) shall be entitled to exercise all or any of his options (to the extent not already exercised) at any time not later than two business days prior to the proposed general meeting of the Company referred to above by giving notice in writing to the Company, accompanied by a remittance for the full amount of the aggregate subscription amount for the Shares in respect of which the notice is given, whereupon the Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting, allot the relevant Shares to the grantee credited as fully paid and register the grantee as holder thereof.

(h) Rights on a scheme of arrangement

In the event of a compromise or arrangement between us and our members or creditors being proposed in connection with a scheme for reconstruction or amalgamation of the Company (other than any relocation schemes as contemplated in Rule 7.14(3) of the Listing Rules), we shall give notice thereof to all grantees on the same date as it gives notice of the meeting to our members or creditors to consider such a scheme of arrangement, and thereupon the grantee may, by notice in writing to the Company accompanied by the remittance for the total exercise price payable in respect of the exercise of the relevant option (such notice to be received by the Company not later than two business days (excluding any period(s) of closure of our share registers) prior to the proposed meeting), exercise the option (to the extent exercisable as at the date of the notice to the grantee and not exercised) either in full or in part and we shall, as soon as possible and in any event no later than the business day (excluding any period(s) of closure of our share registers) immediately prior to the date of the proposed meeting, allot and issue such number of Shares to the grantee which falls to be issued on such exercise credited as fully paid and registered the grantee as holder thereof.

(11) *Rights are personal to grantee*

An option shall be personal to the grantee and shall not be assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest in favor of any third party over or in relation to any option.

(12) *Rights attached to Shares*

Subject to the exercise of the options, the Shares which are allotted and issued upon the exercise of an option shall be subject to all the provisions of the Memorandum and Articles of Association for the time being in force and shall rank *pari passu* in all respects with, and shall have the same voting, dividend, transfer and other rights (including those rights arising on a liquidation of the Company) as, the existing fully paid Shares in issue on the date on which those Shares are allotted and issued upon the exercise of the option and, without prejudice to the generality of the foregoing, shall entitle the holders to participate in all dividends or other

distributions paid or made on or after the date on which the Shares are issued and allotted, other than any dividends or distributions previously declared or recommended or resolved to be paid or made if the record date thereof shall be before the date on which the Shares are issued and allotted.

The Shares issued on exercise of the options will be identical to the then existing issued Share of the Company.

(13) Effect of alterations to capital

In the event of any alteration in the capital structure of the Company while any option remains exercisable, and such event arises from, including a capitalization issue, rights issue, open offer, consolidation, sub-division or reduction of share capital of the Company, such corresponding alterations (if any) shall be made in the number or nominal amount of Shares subject to any options so far as unexercised; and/or the exercise price; and/or the method of exercise of the options; and/or the maximum number of Shares subject to the Post-IPO Share Option Scheme. Any adjustments required under this paragraph must give a grantee the same proportion of the equity capital as that to which that grantee was previously entitled, but no such adjustments may be made to the extent that Shares would be issued at less than their nominal value or (unless with the prior approval from the Shareholders in general meeting) to the extent that such adjustments are made to the advantage of the grantee. For the avoidance of doubt, the issue of securities as consideration in a transaction may not be regarded as a circumstance requiring adjustment. In respect of any such adjustments, other than any made on a capitalization issue, independent financial adviser appointed by the Company or the Company's auditors must confirm to the Directors in writing that the adjustments satisfy the requirements set out in this paragraph.

(14) Cancellation of options

The Board shall have the absolute discretion to cancel any options granted at any time if the grantee so agreed provided that where an option is cancelled and a new option is proposed to be issued to the same grantee, the issue of such new option may only be made with available but unissued Shares in the authorized share capital of the Company, and available ungranted options (excluding for this purpose all the cancelled options) within the limits referred to in paragraph (3).

(15) Lapse of options

An option (to the extent such option has not already been exercised) shall lapse and not be exercisable on the earlier of:

- (a) the expiry of the exercise period; and
- (b) the expiry of the periods referred to in paragraph (10).

(16) Alteration of the Post-IPO Share Option Scheme

The Post-IPO Share Option Scheme may be altered in any respect by resolution of the Board except that those specific provisions relating to matters in Rule 17.03 of the Listing Rules (or any other relevant provisions of the Listing Rules from time to time applicable) can only be altered to the advantage of grantees or prospective grantees with the prior approval of the Shareholders in general meeting.

Any alterations to the terms and conditions of the Post-IPO Share Option Scheme which are of a material nature must be approved by the Shareholders in general meeting, except where such alterations take effect automatically under the existing terms of the Post-IPO Share Option Scheme.

(17) Termination of the Post-IPO Share Option Scheme

The validity period of the Post-IPO Share Option Scheme will be 10 years from the adoption date of such scheme by the Shareholders on June 5, 2014. The Company may terminate the Post-IPO Share Option Scheme by resolution in general meeting or the Board at any time and in such event no further option shall be offered but the provisions of the Post-IPO Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any option granted prior thereto or otherwise as may be required in accordance with the provisions of the Post-IPO Share Option Scheme. Options granted prior to such termination but not yet exercised at the time of termination shall continue to be valid and exercisable in accordance with the Post-IPO Share Option Scheme.

(18) Administration of the Post-IPO Share Option Scheme

The Post-IPO Share Option Scheme shall be subject to the administration of the Board or any committee established by the Board from time to time, whose decision (save as otherwise provided in the Post-IPO Share Option Scheme) shall be final and binding on all parties.

(19) Present status of the Post-IPO Share Option Scheme

The Post-IPO Share Option Scheme is conditional on:

- (a) the Listing Committee granting the listing of, and permission to deal in, the Shares under the Post-IPO Share Option Scheme representing 8.48% of the issued share capital of the Company immediately after completion of the Global Offering, without taking into account any Shares which may be issued and allotted upon any exercise of the Over-allotment Option and the options which have been granted under the Pre-IPO Share Option Scheme or may be granted under the Post-IPO Share Option Scheme; and
- (b) the commencement of dealings in the Shares on the Stock Exchange.

If both of the above conditions are not satisfied on or before the date following 6 months after the date of adoption of the Post-IPO Share Option Scheme being June 5, 2014 (or such later date as the Board may decide), the Post-IPO Share Option Scheme shall forthwith be cancelled and no person shall be entitled to any rights or benefits or be under any obligations under or in respect of the Post-IPO Share Option Scheme. As at the date of this prospectus, no option has been granted or agreed to be granted under the Post-IPO Share Option Scheme.

Application has been made to the Listing Committee for the listing of, and permission to deal in, the 374,118,900 Shares to be issued upon full exercise of options that may be granted under the Post-IPO Share Option Scheme representing 8.48% of the issued share capital of the Company immediately after completion of the Global Offering, without taking into account any Shares which may be issued and allotted upon any exercise of the Over-allotment Option and the options which have been granted under the Pre-IPO Share Option Scheme or may be granted under the Post-IPO Share Option Scheme.

3 Pre-IPO Share Option Scheme

Pursuant to the written resolution of the Shareholder of the Company passed on June 5, 2014, the terms of the Pre-IPO Share Option Scheme were approved and adopted.

(1) Purpose

The purpose of the Pre-IPO Share Option Scheme is to encourage certain key employees to contribute to the Group for the long-term benefits of the Company and its Shareholders as a whole and provide the Group with a flexible means of either retaining, incentivizing, rewarding, remunerating, compensating and/or providing benefits to its key employees.

(2) Terms

The principal terms of the Pre-IPO Share Option Scheme are substantially the same as the terms of the Post-IPO Share Option Scheme except that:

- (1) The total number of Shares which may be issued upon the exercise of all options granted under the Pre-IPO Share Option Scheme is 67,076,800 Shares, representing approximately 1.52% of the issued share capital of the Company immediately following the completion of the Global Offering (without taking into account any Shares which may be issued and allotted upon any exercise of the Over-allotment Option and the options which have been granted under the Pre-IPO Share Option Scheme or may be granted under the Post-IPO Share Option Scheme).
- (2) An offer shall be accepted when we receive the duly signed offer letter together with a non-refundable payment of HK\$1.00 (or such other sum in any currency as the Board may determine).
- (3) Save for the options which have been granted on or before June 12, 2014, no further options will be granted under the Pre-IPO Share Option Scheme on or after the Listing Date and the terms which govern such further grant of options are accordingly removed.
- (4) The exercise price for any option granted under the Pre-IPO Share Option Scheme shall be 60% of the Offer Price.
- (5) The share options granted will vest in three equal tranches on the first, second and third anniversary of the Listing Date, respectively. All share options will be expired after 7 years since the grant date.

(3) Outstanding options granted under the Pre-IPO Share Option Scheme

As at the Latest Practicable Date, options to subscribe for an aggregate of 67,076,800 Shares (representing approximately 1.52% of the issued share capital of the Company immediately after completion of the Global Offering, without taking into account any Shares which may be issued and allotted upon any exercise of the Over-allotment Option and the options which have been granted under the Pre-IPO Share Option Scheme or may be granted under the Post-IPO Share Option Scheme) have been granted to 54 grantees under the Pre-IPO Share Option Scheme. All options under the Pre-IPO Share Option Scheme were granted on or before June 12, 2014 and no further options will be granted under the Pre-IPO Share Option Scheme prior to the Listing Date. No additional performance target or condition applies to the outstanding options granted under the Pre-IPO Share Option Scheme.

Particulars of the outstanding options conditionally granted under the Pre-IPO Share Option Scheme are set out below:

<u>Name of grantee</u>	<u>Residential address</u>	<u>Title/Position</u>	<u>Number of Shares subject to the option</u>	<u>Percentage of issued share capital of the Company immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised)</u>
Ge Weiguang	Room 2106, Block F Huating Garden No. 6, North 4th Ring Middle Road Chaoyang District, Beijing PRC	Executive Director and vice president of the Company	3,500,000	0.0793%
Ruan Wenjuan	A 104, No. 8 Courtyard Longtan East Road Dongcheng District, Beijing PRC	Executive Director and vice president of the Company	3,500,000	0.0793%
Zhang Jin	Room 1802, Unit 1, Building 1 Xianghai Garden Oceanwide International Community Chaoyang District, Beijing PRC	Executive Director and vice president of the Company	3,500,000	0.0793%
Dai Jie	Building 2, No.3 Courtyard North Sanlihe Road Xicheng District, Beijing PRC	Vice president of the Company	1,800,000	0.0408%
Hao Zhenhe	Building 4 No.15 Wanshou Road Haidian District, Beijing PRC	Vice president of the Company	2,200,000	0.0499%
Lin Jianfei	1/F, Building 8 Fugui Garden Dongcheng District, Beijing PRC	Vice president of the Company	1,800,000	0.0408%
Li Bin	Building 2, Area 2 Donghuashi Nanli Dongcheng District, Beijing PRC	Vice president of the Company	2,400,000	0.0544%
Dong Xueer	Building 3, Area 2 Fugui Garden Dongcheng District, Beijing PRC	Chief financial officer of the Company	2,400,000	0.0544%
Chen Hao	No. 53, Xibahe Dongli Chaoyang District, Beijing PRC	Assistant to the Chairman of the Company	1,450,000	0.0329%

Name of grantee	Residential address	Title/Position	Number of Shares subject to the option	Percentage of issued share capital of the Company immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised)
Tian Yanchun	Building 4 Shengli Community Shunyi District, Beijing PRC	Assistant to the Chairman of the Company	2,400,000	0.0544%
Zheng Jin	Building 6, Courtyard A1 Balizhuang Dongli Chaoyang District, Beijing PRC	Board Secretary and joint company secretary of the Company	2,026,800	0.0459%
Sun Xiaodong	East Yard Zhongguancun Nanyijie Haidian District, Beijing PRC	Director of Xinzheng Glory	1,800,000	0.0408%
Xie Liqin	Suite 3, No.14 Gonghe Road Dahua Avenue, Jinping District Shantou Guangdong Province PRC	Director of Hainan Glory, Hainan Tongcheng, Haikou Hangrui, Hainan HNA Hainan Nanduijiang	2,000,000	0.0453%
Zhang Mianying	Room 203, Building 15 East District, Jintai Garden Shantou Guangdong Province PRC	Financial Officer of Shantou Regional Company	1,450,000	0.0329%
Li Huadong	Room 502, Door 1, Building 2, No. 47 Ande Road, Dongcheng District, Beijing PRC	Chief Human Resources Officer of the Company	1,450,000	0.0329%
Liu Zhenfeng	Room 6, 1/F, West Building, No. 26 Wanshou Road, Haidian District, Beijing PRC	President of the Plan and Design Institute of the Company	2,000,000	0.0453%
Ding Chaonan	Fugui Garden, Dong Huashi, Dongcheng District, Beijing PRC	Director of the Financing and Securities Department of the Company	1,450,000	0.0329%
Feng Zhennan	Building 5, PutaoYuan, Xicheng District, Beijing PRC	Chief Engineer of the Company	1,450,000	0.0329%
Long Mei	Room 5, 9/F, Building 10, Jinghua Road Xili, Wangjing, Chaoyang District, Beijing PRC	Director of the Cost Center of the Company	1,450,000	0.0329%

Name of grantee	Residential address	Title/Position	Number of Shares subject to the option	Percentage of issued share capital of the Company immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised)
Liu Suying	Room 503, Door 5, 1/F, Puhuangyu Lane 2, Fengtai District, Beijing PRC	Director of the Audit Center	1,450,000	0.0329%
Huang Jingying	Fugui Garden, Dong Huashi , Dongchen District, Beijing PRC	Director of the Marketing Center	1,450,000	0.0329%
Nian Youzeng	Room 2-201, Building 15, Zhi Garden, Heping Avenue, Haidian Island, Meilan District, Haikou, Hainan Province PRC	General Manager of Haikou Regional Company	750,000	0.0170%
Lv Qiang	Fugui Garden, Dong Huashi , Dongcheng District, Beijing PRC	General Manager of Beijing Regional Company	1,450,000	0.0329%
Tan Xiaoning	Room 909, Building 1#, Quarter 2, Fugui Garden, Dong Huashi , Dongcheng District, Beijing PRC	Vice General Manager of Beijing Regional Company	750,000	0.0170%
Liu Limin	Room 601, Door 6, Building 33, Mofang Nanli, Chaoyang District, Beijing PRC	Vice General Manager of Beijing Regional Company	1,250,000	0.0283%
Mu Qing	Room 302, Unit 4, Building 1, East side, Bureau 4, San Jiadian, Mentougou District, Beijing PRC	Vice General Manager of Beijing Regional Company	750,000	0.0170%
Zheng Chaobo	No. 21, Jin Chan Beili, Chaoyang District, Beijing PRC	Vice General Manager of Hainan Regional Company	750,000	0.0170%
Cui Xiaoguang	Fugui Garden, Dong Huashi, Dongcheng District, Beijing PRC	Vice General Manager of Langfang Regional Company	750,000	0.0170%
Pang Jun	Fugui Garden, Dong Huashi, Dongcheng District, Beijing PRC	Vice Director of Finance and Securities Department	1,000,000	0.0227%
Xu Chunhui	No. 18-705, Cuiwei Nanli, Haidian District, Beijing PRC	Director of the Plan and Design Institute	450,000	0.0102%

Name of grantee	Residential address	Title/Position	Number of Shares subject to the option	Percentage of issued share capital of the Company immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised)
Zhao Yuhong	Room 705, Luban Building, No. 1 Dingfuzhuang Beili, Chaoyang District, Beijing PRC	Director of Operations and Project management Center	750,000	0.0170%
Liu Jie	Room 402, Door 2, Building 28, Yindi Jiayuan, Fengtai District, Beijing PRC	Vice President of the Plan and Design Institute	1,450,000	0.0329%
Ye Fan	Room 1402, Door 9, Building 16, Shuangjin Yuan, Shijingshan District, Beijing PRC	Vice Director of the Capital and Financial management Center	1,450,000	0.0329%
Yi Juan	Glory City, Wuzhishan South Road, Meilan District, Haikou, Hainan PRC	Financial Officer of Hainan Regional Company	750,000	0.0170%
Zhang Aihua	Glory City, Dongcheng District, Beijing PRC	Financial Officer of Shenyang Regional Company	750,000	0.0170%
Li Guiping	Guoji Cheng, New Zhenlonghu Town, Zhengzhou, Henan PRC	Financial Officer of Zhengzhou Regional Company	750,000	0.0170%
Wei Xiuli	Fugui Garden, Dong Huashi, Dongcheng District, Beijing PRC	Financial Officer of Langfang Regional Company	750,000	0.0170%
Tan Yonghua	Room 2203, Building 201, Jijing Qinyuan, Wangjing, Chaoyang District, Beijing PRC	Director of the Plan and Design Institute	450,000	0.0102%
Li Dong	Room 1202, Unit 4, Building 3, Area 4 Fugui Garden, Donghuashi Nanli, Dongcheng District, Beijing PRC	Vice Director of the Securities and Financing Management Center	750,000	0.0170%
Li Cheng	Zhenghongshan Community, Zhengzhou, Henan Province PRC	General Manager of Zhengzhou Regional Company	750,000	0.0170%
Shen Yi	Room 413, No.6 Lane 37 Huashan Road, Huanggu District, Shenyang, Liaoning Province PRC	Vice General Manager of Shenyang Regional Company	600,000	0.0136%

APPENDIX VIII
STATUTORY AND GENERAL INFORMATION

Name of grantee	Residential address	Title/Position	Number of Shares subject to the option	Percentage of issued share capital of the Company immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised)
Wang Hongtao	Room 3-4-601, Oriental Living Community, Tongzhou District, Beijing PRC	Marketing Director of Hainan Regional Company	600,000	0.0136%
Luo Yanming	Room 2-1109 Building 2, Aobei North Community, Dongxiaokou, Changping District, Beijing PRC	Marketing Director of Beijing Regional Company	750,000	0.0170%
Duan Junqi	Room 5-2-1101, Huafangyi City, Qingnian Road, Chaoyang District, Beijing PRC	Vice Director of the Bid and Purchase Center	450,000	0.0102%
Zhang Lihong	Room 2-202, Building 8, Area 4 Caoqiaoxin Garden, Fengtai District, Beijing PRC	Vice Director of the Cost Management Center	450,000	0.0102%
Bai Fan	Room 1001, Unit 2, Building 11, Xihuashi Nanli East Community, Chongwen District, Beijing PRC	Vice Director of the Bid and Purchase Center	450,000	0.0102%
Yang Jingchao	Room 501, Unit 3, Building 13, Huisheng Garden, Tonghui Garden, Sihui East, Chaoyang District, Beijing PRC	Senior Manager of Capital and Finance Management Center	450,000	0.0102%
Zhang Chengjuan . .	Room 44-3-501, North Area 3 Tiantongyuan, Changping District, Beijing PRC	Vice Director of the Legal Compliance Department	450,000	0.0102%
Yan Shuang	Room 302, Unit 11, Building 3, Area 1 Fugui Garden, Donghuashi Nanli, Dongcheng District, Beijing PRC	Assistant of the Chairman of the Company	1,200,000	0.0272%
Han Xiaoming	Room 514, Building 3, Huirun Garden, Tonghui Garden, Chaoyang District, Beijing PRC	Vice General Manager of Langfang Regional Company	450,000	0.0102%
Chen Luoqing	Room 11-1-102, Middle Area Guorui City, Chongwen District, Beijing PRC	Vice Director of Operations and Project Management Center	450,000	0.0102%

Name of grantee	Residential address	Title/Position	Number of Shares subject to the option	Percentage of issued share capital of the Company immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised)
Zhao Ruibin	Room 1306, Zhongmeijian Living Community, Taoyuan District, Zhuozhou, Hebei Province PRC	Vice General Manager of Shenyang Regional Company	450,000	0.0102%
Ding Xiaofeng	No. 32, Wangfeng Lane, Bawangsi Street, Dadong District, Shenyang, Liaoning Province PRC	Vice General Manager of Shenyang Regional Company	450,000	0.0102%
Li Yi	Room 1-2, Chongbiao West Industrial Area, Taiping Avenue, Nanhai District, Foshan, Guangdong Province PRC	Vice General Manager of Foshan Regional Company	450,000	0.0102%
Total:			67,076,800	1.5204%

If all aforementioned options granted under the Pre-IPO Share Option Scheme are exercised, the shareholding of the Shareholders and the earnings per Share immediately following completion of the Global Offering (assuming the Over-allotment Option is not exercised), would be diluted by approximate 1.52% and 1.497%, respectively.

Application has been made to the Listing Committee for the listing of, and permission to deal in, the 67,076,800 Shares to be issued upon full exercise of options granted under the Pre-IPO Share Option Scheme representing approximately 1.52% of the issued share capital of the Company immediately after completion of the Global Offering, without taking into account any Shares which may be issued and allotted upon any exercise of the Over-allotment Option and the options which have been granted under the Pre-IPO Share Option Scheme or may be granted under the Post-IPO Share Option Scheme.

4 Indemnities

The Controlling Shareholders (Chairman Zhang and Alltogether) have given indemnities pursuant to the Deed of Indemnity as referred to in the sub-section headed “— A. Further Information About Our Company — 6 Summary of our material contracts” to provide indemnities in respect of, among other matters, (i) taxation resulting from income, profits or gains earned, accrued or received as well as any claim to which our Company or any member of our Group may be subject to on or before the date on which the Global Offering becomes unconditional (“**Unconditional Date**”) which might be payable by any member of our Group; (ii) any claims, losses, costs, expenses, interests, penalties or other liabilities suffered by any member of our Group, directly or indirectly, arising out of or in connection with the non-compliance disclosed in the section headed “Business — Regulatory Compliance” in this prospectus; and (iii) any claims or liabilities arising from the Reorganization.

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries.

5 Litigation

No member of our Group is engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against any member of our Group that would have a material adverse effect on our Group's results of operations or financial condition as of the Latest Practicable Date.

6 Preliminary Listing expenses

No preliminary expenses in connection with the incorporation of our Company have been paid or are payable by our Company.

7 Promoter

There is no promoter of the Company.

8 Agency fees or commissions

Save as disclosed in this prospectus, within the two years preceding the date of this prospectus, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of its subsidiaries.

9 Sponsor

The Sole Sponsor has made an application on behalf of our Company to the Listing Committee of the Stock Exchange for listing of, and permission to deal in, the Shares in issue as mentioned herein and any Shares falling to be issued pursuant to the Global Offering, the exercise of the Over-allotment Option, the Pre-IPO Share Options and any options that may be granted under the Post-IPO Share Option Scheme. All necessary arrangements have been made to enable such Shares to be admitted into CCASS.

The Sole Sponsor satisfies the independence criteria set out in Rule 3A.07 of the Listing Rules.

We have entered into an engagement agreement with the Sole Sponsor, pursuant to which we agreed to pay HK\$3 million to the Sole Sponsor to act as the sole sponsor to the Company in the Global Offering.

10 No material adverse change

Our Directors believe that there has been no material adverse change in the financial or trading position of our Group since December 31, 2013 (being the date on which the latest audited combined financial statements of our Group was made up).

11 Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

12 Miscellaneous

(1) Save as disclosed in this prospectus:

- (a) within the two years immediately preceding the date of this prospectus, no share or loan capital of our Company or any of its subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;

- (b) there are no founder, management or deferred shares nor any debentures in our Company or any of our subsidiaries;
 - (c) no share or loan capital of our Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
 - (d) neither our Company nor any of its subsidiaries have issued or agreed to issue any founder shares, management shares or deferred shares;
 - (e) within the two years immediately preceding the date of this prospectus, no commissions, discounts, brokerage or other special terms have been granted in connection with the issue or sale of any shares or loan capital of any member of our Group;
 - (f) within the two years preceding the date of this prospectus, no commission has been paid or payable (except commissions to underwriters) for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any Shares in our Company; and
 - (g) there is no arrangement under which future dividends are waived or agreed to be waived;
 - (h) none of the equity and debt securities of our Company is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought.
- (2) Our Company has no outstanding convertible debt securities or debentures.
- (3) Save for the pledge of bank deposits and charges as disclosed set out in the section headed “Appendix I — Accountants’ Report” (to the extent they have not been discharged or released), our Company has no material mortgage or charge.

13 Qualification of experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

Name	Qualifications
BOCI Asia limited	Licensed to conduct Type 1 regulated activity (dealing in securities), Type 6 (advising on corporate finance) under the SFO
Deloitte Touche Tohmatsu	Certified Public Accountants
Maples and Calder	Cayman Islands attorneys-at-law
Jingtian&Gongcheng	PRC legal advisers
CBRE Limited	Property valuer
Savills (Hong Kong) Limited	Market consultant

14 Consents of experts

Each of BOCI Asia limited, Deloitte Touche Tohmatsu as our Company’s independent auditor, Maples and Calder as our Company’s legal advisers on the Cayman Islands laws, Jingtian&Gongcheng as our Company’s legal advisers on the PRC laws, CBRE Limited as our Company’s property valuer, and Savills (Hong Kong) Limited as our Company’s market consultant has given and has not withdrawn their respective consents to the issue of this prospectus with the inclusion of its report and/or letter and/or summary of valuations and/or legal opinion (as the case may be) and references to its name included in the form and context in which it appears.

As at the Latest Practicable Date and save as disclosed in this prospectus, none of the experts named in the sub-section headed “— D. Other Information 13 Qualification of experts” in this appendix had any shareholding interests in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

15 Bilingual prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were (i) copies of the **WHITE**, **YELLOW** and **GREEN** Application Forms, (ii) the written consents referred to in “Appendix VIII — Statutory and General Information — D. Other information — 14 Consents of experts” in this prospectus, and (iii) copies of each of the material contracts referred to in “Appendix VIII — Statutory and General Information — A. Further information about our Company — 6 Summary of our material contracts” in this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Baker & McKenzie at 23/F, One Pacific Place, 88 Queensway, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

1. the Memorandum of Association and the Articles of Association;
2. the accountants’ report prepared by Deloitte Touche Tohmatsu, the text of which is set out in the section headed “Appendix I — Accountants’ Report” in this prospectus;
3. the letter from Deloitte Touche Tohmatsu on the unaudited pro forma financial information of our Group, the text of which is set forth in the section headed “Appendix II — Unaudited Pro Forma Financial Information” in this prospectus;
4. the audited financial statements of the companies comprising our Group for each of the three financial years ended December 31, 2013 (or for the period since their respective dates of incorporation where it is shorter);
5. the letter with a summary of values and valuation certificates relating to the property interests of our Group prepared by CBRE Limited, the texts of which are set out in the section headed “Appendix III — Property Valuation Report” in this prospectus;
6. the report with an overview of the China economy as well as the property market, and an overview of the property sections of nine cities, namely Beijing, Shenyang, Zhengzhou, Langfang, Haikou, Wanning, Shantou, Foshan and Xi’an, the text of which are set out in the section headed “Appendix IV — Market Research Report” in this prospectus;
7. the PRC legal opinion issued by Jingtian & Gongcheng, our PRC legal advisers, in relation to, among other things, the corporate status of the PRC subsidiaries of our Company;
8. the PRC legal opinion issued by Jingtian & Gongcheng, our PRC legal advisers, in relation to our property interests in the PRC;
9. the letter prepared by Maples and Calder, summarizing certain aspects of Cayman Islands company law referred to in the section headed “Appendix VII — Summary of the Memorandum and Articles of Association of our Company and Cayman Islands Company Law” in this prospectus;
10. the Companies Law;
11. the material contracts referred to in “Appendix VIII — Statutory and General Information — A. Further information about our Company — 6 Summary of our material contracts” in this prospectus;
12. the service contracts referred to in “Appendix VIII — Statutory and General Information — C. Further information about the Directors and substantial shareholders — 1 Particulars of Directors’ service contracts” in this prospectus;

13. the rules of our Scheme Award Scheme, Pre-IPO Share Option Scheme and Post-IPO Share Option Scheme; and
14. the written consents referred to in “Appendix VIII — Statutory and General Information — D. Other information — 14 Consents of experts” in this prospectus.



GLORY国瑞

GUORUI PROPERTIES LIMITED

國瑞置業有限公司